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If you have sold or otherwise transferred all your shares in Sino Stride Technology (Holdings) Limited, you should at once hand this document to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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)

Response document

relating to

**voluntary conditional share exchange offer by
CIMB-GK Securities (HK) Limited**

**on behalf of Made Connection Limited, a wholly-owned subsidiary of
Shougang Concord Technology Holdings Limited,**

**to acquire all the issued shares of
Sino Stride Technology (Holdings) Limited**

Financial Adviser to Sino Stride Technology (Holdings) Limited

 **博大資本國際有限公司
Partners Capital International Limited**

**Independent Financial Adviser to the Independent Board Committee
and the SST Independent Shareholders**



FIRST SHANGHAI GROUP

FIRST SHANGHAI CAPITAL LIMITED

A letter from First Shanghai containing its advice to the Independent Board Committee and the SST Independent Shareholders in respect of the Share Exchange Offer is set out on pages 24 to 61 of this document. A letter from the Independent Board Committee of Sino Stride Technology (Holdings) Limited containing its recommendations in respect of the Share Exchange Offer is set out on pages 22 to 23 of this document.

* For identification only

3 March 2006

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. GEM listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

CONTENTS

	<i>Page</i>
Expected Timetable	iii
Definitions	1
Letter from the Board	5
Letter from Independent Board Committee	22
Letter of advice from First Shanghai	24
Appendix I – Financial information relating to the SST Group	62
Appendix II – General information	122

EXPECTED TIMETABLE

2006

Despatch date of the Offer Document and the commencement of the Share Exchange Offer (<i>Note 1</i>)	Monday, 20 February
Latest date for posting of the Offeree Document (<i>Note 2</i>)	Monday, 6 March
First Closing Date (<i>Note 3</i>)	4:00 p.m. on Monday, 20 March
Announcement of the results of the Share Exchange Offer, as at the First Closing Date, posted on the Stock Exchange's website	7:00 p.m. on Monday, 20 March
Announcement of the result of the Share Exchange Offer, as at the First Closing Date, in newspapers in Hong Kong	Tuesday, 21 March
Final Closing Date, if the Share Exchange Offer is declared unconditional as to acceptance on the First Closing Date (<i>Notes 3 and 4</i>)	4:00 p.m. on Monday, 3 April
Announcement of the results of the Share Exchange Offer, as at the Final Closing Date, posted on the Stock Exchange's website	7:00 p.m. on Monday, 3 April
Announcement of the result of the Share Exchange Offer, as at the Final Closing Date, in newspapers in Hong Kong	Tuesday, 4 April
Latest date for posting of share certificates to the SST Shareholders who accept the Share Exchange Offer by the Final Closing Date, assuming the Share Exchange Offer becomes or is declared unconditional on such date (<i>Note 5</i>)	Wednesday, 12 April
Latest time by which the Share Exchange Offer can be declared unconditional as to acceptance (<i>Note 4</i>)	7:00 p.m. on Friday, 21 April

Notes:

1. The Share Exchange Offer is made on Monday, 20 February 2006, namely the date of posting of the Offer Document, and is capable of acceptance on and from that date.
2. In accordance with the Takeovers Code, SST is required to post the Offeree Document to the SST Shareholders within 14 days from the posting of the Offer Document, unless the Executive consents to a later date and the Offeror agrees to extend the First Closing Date.
3. In accordance with the Takeovers Code, where the Offeree Document is posted after the date on which the Offer Document is posted, the Share Exchange Offer must remain open for acceptance for at least 28 days following the date on which the Offer Document was posted.
4. In accordance with the Takeovers Code, where the Share Exchange Offer becomes or is declared unconditional, it should remain open for acceptance for not less than 14 days thereafter and 4:00 p.m. on Monday, 3 April 2006 is the latest time for acceptance. In such case, at least 14 days' notice in writing must be given before the Share Exchange Offer is closed to those SST Shareholders who have not accepted the Share Exchange Offer. In accordance with the Takeovers Code, except with the consent of the

EXPECTED TIMETABLE

Executive, the Share Exchange Offer may not become or is declared unconditional as to acceptances after 7:00 p.m. (Hong Kong time) on the 60th day after the day the Offer Document is posted. Accordingly, unless the Share Exchange Offer have previously become or is declared unconditional as to acceptances, the Share Exchange Offer will lapse on 7:00 p.m. on Friday, 21 April 2006 unless extended with the consent of the Executive.

5. Share certificates in respect of the SST Shares tendered under the Share Exchange Offer will be posted by ordinary post to the SST Shareholders accepting the Share Exchange Offer at his/her/its own risks as soon as possible, but in any event within 10 days from the later of the date (i) of receipt by the Registrar in Hong Kong, or the company secretary of SST, as the case may be, of all the relevant documents to render the acceptance under the Share Exchange Offer complete and valid, and (ii) when the Share Exchange Offer becomes unconditional.

DEFINITIONS

In this document, the following expressions have the following meanings, unless the context otherwise requires:

“acting in concert”	has the meanings ascribed to it in the Takeovers Code
“Announcement”	the joint announcement of SCT and SST dated 23 December 2005 in relation to, inter alia, the Share Exchange Offer
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Business Day”	a day (other than a Saturday and a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Cheung Kong”	Cheung Kong (Holdings) Limited, a company incorporated in Hong Kong whose shares are listed on the Main Board of the Stock Exchange
“CIMB-GK”	CIMB-GK Securities (HK) Limited, a corporation licensed to carry out types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) of the regulated activities under the SFO
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Concert Parties”	the meaning ascribed to parties “acting in concert” under the Takeovers Code
“Conditions”	the conditions of the Share Exchange Offer
“EGM”	the extraordinary general meeting of SCT to be convened to consider and approve, inter alia, the Share Exchange Offer by the SCT Shareholders
“Enlarged Group”	the SCT Group and the SST Group
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Final Closing Date”	3 April 2006, being the 14th day after the First Closing Date

DEFINITIONS

“First Closing Date”	20 March 2006, being the 28th day after the date of the posting of the Offer Document
“First Shanghai”	First Shanghai Capital Limited, a corporation licensed to carry out type 6 regulated activity (advising on corporate finance) under the SFO, who has been appointed as the independent financial adviser to give advice to the Independent Board Committee and the SST Independent Shareholders in respect of the Share Exchange Offer
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Rules”	the Rules Governing the Listing of Securities on GEM
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent board committee of SST appointed to advise the SST Independent Shareholders in respect of the Share Exchange Offer, which comprises three non-executive SST Directors and three independent non-executive SST Directors
“Last Trading Day”	15 December 2005, being the last trading day prior to the suspension of trading in the SST Shares and the SCT Shares on 16 December 2005
“Latest Practicable Date”	28 February 2006, being the latest practicable date prior to the printing of this document for the purposes of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mega Start”	Mega Start Limited, the single largest shareholder of SST, which is owned as to 50% by Mr. Chau Chit, a director of SST, 30% by Ms. Ting Hiu Wan, the spouse of Mr. Chau Chit and 20% by Mr. Wong Wai Tin, a director of SST

DEFINITIONS

“Offer Document”	the document dated 20 February 2006 issued by or on behalf of the Offeror to the SST Shareholders in accordance with the Takeovers Code containing, inter alia, details of the Share Exchange Offer, the terms and conditions of the Share Exchange Offer and the form of acceptance
“Offeree Document”	this response document in respect of the Share Exchange Offer issued by SST to the SST Shareholders in accordance with the Takeovers Code
“Offeror”	Made Connection Limited, a company incorporated in Samoa and is a wholly-owned subsidiary of SCT
“PRC”	the People’s Republic of China
“Registrar”	Abacus Share Registrars Ltd., the Hong Kong share registrar and transfer office of SST at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“RMB”	Renminbi yuan, the lawful currency of the PRC
“SCT”	Shougang Concord Technology Holdings Limited, a company incorporated in Hong Kong whose securities are listed on the Main Board of the Stock Exchange
“SCT Board”	the board of SCT Directors
“SCT Director(s)”	the director(s) of SCT
“SCT Group”	SCT and its subsidiaries
“SCT Share(s)”	ordinary share(s) of HK\$0.25 each in the capital of SCT
“SCT Shareholder(s)”	holder(s) of SCT Shares
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Exchange Offer”	the voluntary conditional share exchange offer of 2 new SCT Shares for every 3 SST Shares

DEFINITIONS

“Shougang Holding”	Shougang Holding (Hong Kong) Limited, the controlling shareholder of SCT, through its associates, which is beneficially interested in approximately 41.55% of the issued share capital of SCT
“SST” or the “Company”	Sino Stride Technology (Holdings) Limited, a company incorporated in the Cayman Islands, whose securities are listed on GEM
“SST Board” or the “Board”	the board of SST Directors
“SST Director(s)”	the director(s) of SST
“SST Group”	SST and its subsidiaries
“SST Independent Shareholders”	SST Shareholders excluding Mega Start and its Concert Parties
“SST Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of SST
“SST Shareholder(s)”	holder(s) of SST Share(s)
“ST Electronics”	Singapore Technologies Electronics Limited, the substantial shareholder of SST which is beneficially interested in 28.00% of the issued share capital of SST under the register kept by SST
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers
“%”	per cent.

In this document, amounts denominated in RMB has been translated, for the purpose of illustration only, into HK\$ at an exchange rate of HK\$1.00:RMB1.06.

LETTER FROM THE BOARD



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)

Executive Directors:

Wong Wai Tin (*Chairman*)
Chau Chit (*Chief Executive Officer*)
Shen Yue

Non-Executive Directors:

Wong Wai Kwan
Ng Chong Khim
Tay Hun Kiat

Independent Non-Executive Directors:

Cai Xiao Fu
Shi Jian Jun
Li Xiaoqiang, Richard

Registered Office:

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2861
George Town
British West Indies

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

Room 1208
12th Floor, Harcourt House
39 Gloucester Road
Wan Chai
Hong Kong

*Principal place of business
in the PRC:*

Building G
Zhejiang University
National Science Park
No. 525 Xi Xi Road
Hangzhou
The PRC
PC:310013

To the SST Shareholders

**Voluntary conditional share exchange offer by
CIMB-GK Securities (HK) Limited
on behalf of Made Connection Limited, a wholly-owned subsidiary of
Shougang Concord Technology Holdings Limited,
to acquire all the issued shares of
Sino Stride Technology (Holdings) Limited**

1. INTRODUCTION

Reference is made to the Announcement. As stated in the Announcement, on 23 December 2005, a voluntary conditional share exchange offer was proposed by the Offeror, a direct wholly-owned subsidiary of SCT, to acquire all the issued SST Shares. As at the latest

* For identification only

LETTER FROM THE BOARD

practicable date of the Offer Document (i.e. 17 February 2006), the Offeror and its Concert Parties are not beneficial owners of any SST Shares. The Offeror and its Concert Parties have not traded in any SST Shares in the six-month period prior to the latest practicable date of the Offer Document (i.e. 17 February 2006).

The SST Board comprises three executive SST Directors, three non-executive SST Directors and three independent non-executive SST Directors. In accordance with Rules 2.1 and 2.8 of the Takeovers Code, the Independent Board Committee, comprising all non-executive SST Directors, namely Mr. Wong Wai Kwan, Mr. Ng Chong Khim and Mr. Tay Hun Kiat, and all independent non-executive SST Directors, namely Mr. Cai Xiao Fu, Mr. Shi Jian Jun and Mr. Li Xiaoqiang Richard, all of whom have no direct or indirect interest in the Share Exchange Offer (other than as salaried employees and optionholders of an associate of a substantial shareholder of SST), was formed to advise the SST Independent Shareholders in respect of the Share Exchange Offer. For information purposes, Mr. Ng Chong Khim and Mr. Tay Hun Kiat are salaried employees of Singapore Technologies Engineering Limited, a company listed on the stock exchange of Singapore which holds 28% of the issued share capital of SST indirectly. Personally, Mr. Ng and Mr. Tay also hold shares and share options in Singapore Technologies Engineering Limited.

Partners Capital International Limited has been appointed as the financial adviser to SST in respect of the Share Exchange Offer. First Shanghai has been appointed as the independent financial adviser to consider the terms of the Share Exchange Offer and make a recommendation to the Independent Board Committee and the SST Independent Shareholders in that regard.

The purpose of this document is, among other things, to provide you with information relating to the SST Group and the Share Exchange Offer and to set out the letter from the Independent Board Committee containing its recommendation on the Share Exchange Offer and the letter from First Shanghai with its advice to the Independent Board Committee and the SST Independent Shareholders in respect of the Share Exchange Offer.

2. THE SHARE EXCHANGE OFFER

The Share Exchange Offer will be made by CIMB-GK on behalf of the Offeror on the following basis:

For every 3 SST Shares

2 new SCT Shares

The Share Exchange Offer of two new SCT Shares for every three SST Shares has been determined by the Offeror with reference to the closing price of the SCT Shares as quoted on the Stock Exchange as at the Last Trading Day, which was HK\$0.450. This translates into a value of HK\$0.300 per SST Share.

The market capitalisation of SST was HK\$363,910,500 as at the Last Trading Day and HK\$304,164,000 as at the Latest Practicable Date. The highest and lowest closing prices at which the SST Shares were traded on the Stock Exchange during the six-month period

LETTER FROM THE BOARD

immediately prior to the Last Trading Day, and up to and including the Latest Practicable Date, were HK\$0.340 and HK\$0.230 on 14 December 2005 and 15 November 2005, respectively.

Based on the closing price of HK\$0.450 per SCT Share as quoted on the Stock Exchange on the Last Trading Day, the Share Exchange Offer of an ascribed value of HK\$0.300 per SST Share represents:

- (a) a discount of approximately 10.4% to the closing price of HK\$0.335 per SST Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 7.4% to the average closing price of approximately HK\$0.324 per SST Share for the last ten trading days up to and including the Last Trading Date;
- (c) a discount of approximately 2.9% to the average closing price of approximately HK\$0.309 per SST Share for the one month period up to and including the Last Trading Date;
- (d) a premium of approximately 7.1% over the closing price of HK\$0.28 per SST Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (e) a premium of approximately 3.8% over the average closing price of approximately HK\$0.289 per SST Share for the last ten trading days up to and including the Latest Practicable Date; and
- (f) a premium of approximately 115.8% over the audited consolidated net asset value per SST Share of approximately RMB0.148 (equivalent to approximately HK\$0.139) as at 31 December 2004 (based on the audited consolidated net asset value of SST (excluding minority interests) of approximately RMB160.5 million and 1,086,300,000 SST Shares in issue as at 31 December 2004) and a premium of approximately 122.2% over the unaudited consolidated net asset value per SST Share of approximately RMB0.143 (equivalent to approximately HK\$0.135) as at 30 June 2005 (based on the unaudited consolidated net asset value of SST (excluding minority interests) of approximately RMB155.4 million and 1,086,300,000 SST Shares in issue as at 30 June 2005).

The closing price of HK\$0.450 per SCT Share as quoted on the Stock Exchange on the Last Trading Day represents:

- (a) a premium of approximately 9.8% over the closing price of HK\$0.410 per SCT Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 0.4% to the average closing price of approximately HK\$0.452 per SCT Share for the last ten trading days up to and including the Last Trading Day;

LETTER FROM THE BOARD

- (c) a premium of approximately 6.1% over the average closing price of approximately HK\$0.424 per SCT Share for the one-month period up to and including the Last Trading Day; and
- (d) a discount of approximately 24.0% to the audited consolidated net asset value per SCT Share of approximately HK\$0.592 as at 31 December 2004 (based on the audited consolidated net asset value of SCT of approximately HK\$710.0 million and 1,199,003,583 SCT Shares in issue as at 31 December 2004) and a discount of approximately 18.9% to the unaudited consolidated net asset value per SCT Share of approximately HK\$0.555 as at 30 June 2005 (based on the unaudited consolidated net asset value of SCT of approximately HK\$665.2 million and 1,199,003,583 SCT Shares in issue as at 30 June 2005).

As at the Latest Practicable Date, SST had no outstanding convertible securities, options, derivatives or warrants and had not entered into any agreement for the issue of any of such securities of SST.

Total consideration for the Share Exchange Offer

As at the Latest Practicable Date, there were a total of 1,086,300,000 SST Shares in issue. On the basis of the Share Exchange Offer of two new SCT Shares for every three SST Shares and based on the closing prices of the SCT Shares and the SST Shares of HK\$0.450 per SCT Share and HK\$0.335 per SST Share respectively as quoted on the Stock Exchange as at the Last Trading Day, the price for each SST Share under the Share Exchange Offer is HK\$0.300 per SST Share. Given the trading volume of the SST Shares, SCT has further crossed reference such offer price to the share performance of the SST Shares for the last six months preceding the Last Trading Day. Given the implied discount of approximately 10.4% between the price for each SST Share under the Share Exchange Offer of HK\$0.300 per SST Share and the closing price of HK\$0.335 per SST Share as quoted on the Stock Exchange on the Last Trading Day, as well as the average six-month share price of the SST Shares of approximately HK\$0.306 per SST Share, the SCT Directors consider such offer price to be justifiable. The Share Exchange Offer values the entire issued share capital of SST at approximately HK\$325.9 million.

Terms of the Share Exchange Offer

Acceptance of the Share Exchange Offer by any SST Shareholder will be deemed to constitute a warranty by such person that all the SST Shares to be sold by such person under the Share Exchange Offer will be free from all liens, charges, options, claims, equities, adverse interests, third-party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, in the case of the SST Shares, the right to receive dividends and distributions declared, made or paid, if any, on or after the date of the Offer Document.

The availability of the Share Exchange Offer to persons not resident in Hong Kong may be affected by the applicable laws of the relevant jurisdictions. Persons who are not resident in Hong Kong should obtain advice about and observe any applicable requirements in their own jurisdictions.

LETTER FROM THE BOARD

Settlement

The share certificates of SCT will be despatched to the SST Shareholders who have accepted the Share Exchange Offer within ten days of the later of the date on which the Share Exchange Offer becomes or is declared unconditional and the date of receipt of duly completed valid acceptances.

The SST Shareholders should be aware that the Share Exchange Offer will be made in the same proportion for any greater and lesser number than every 10,000 SST Shares (representing one board lot of the SST Shares) except that no fraction of a share in SCT will be issued. The SST Shareholders should also be aware that the SCT Shares are traded in board lots of 2,000 shares and it is not proposed that any arrangements be made for the trading of odd lots of the SCT Shares following the Share Exchange Offer. However, to facilitate the matching of odd lots of the SCT Shares held by the SST Shareholders upon completion of the Share Exchange Offer, Worldwide Partners Securities Limited has been appointed as an agent to arrange on a “best effort” basis for the matching of such odd lot services on behalf of SST Shareholders, during the period commencing on the day when the Share Exchange Offer becomes unconditional and ending on the last day of the two-month period after the Share Exchange Offer is finally closed. The SST Shareholders who wish to take advantage of this facility may contact Mr. Harold Kwan of Worldwide Partners Securities Limited at Room 1303, 13th Floor, 9 Queen’s Road Central, Hong Kong (Tel: 2157 5427).

The SST Shareholders should note that the matching of such odd lots of the SCT Shares held by the SST Shareholders under the Share Exchange Offer is not guaranteed.

SST Shareholders who are in any doubt as to what action to take are advised to consult professional advisors before dealing in the SCT Shares during its initial period of trading.

3. CONDITIONS OF THE SHARE EXCHANGE OFFER

The Share Exchange Offer is conditional upon the following:

- (a) the Share Exchange Offer having been approved by the SCT Shareholders in the EGM in accordance with the requirements under the Listing Rules;
- (b) each and every member of the SST Group remaining solvent and not subject to any insolvency or bankruptcy proceedings or likewise and no liquidator, provisional liquidator, receiver or other person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the assets or undertakings of any member of the SST Group from the date of the Announcement up to the date when conditions (a), (c), (d) and (e) are all satisfied;
- (c) no event having occurred on or before the date on which condition (d) below has been satisfied which would make the Share Exchange Offer or the acquisition of any of the SST Shares by the Offeror unenforceable, illegal or unable to be

LETTER FROM THE BOARD

proceeded or would impose any additional material conditions or obligations with respect to the Share Exchange Offer or any part thereof or the acquisition of any of the SST Shares;

- (d) valid acceptances of the Share Exchange Offer having been received (and, where permitted, not withdrawn) by 4:00 p.m. on the First Closing Date (or such later times(s) and/or date(s) as the Offeror may decide and the Executive may approve) in respect of the SST Shares, which together with the SST Shares already held by the Offeror and its Concert Parties, constitute more than 50% of the voting rights normally exercisable at general meetings of SST; and
- (e) the Stock Exchange granting the listing of, and permission to deal in, the new SCT Shares to be issued pursuant to the terms of the Share Exchange Offer.

Note: As at the Latest Practicable Date, none of the above conditions had been fulfilled.

The Share Exchange Offer may or may not become unconditional. In case the Share Exchange Offer cannot become unconditional (for example, as a result of the Share Exchange Offer having not been approved by the SCT Shareholders in the EGM), the Share Exchange Offer will lapse unless they are revised or extended.

4. WAIVER OF THE CONDITIONS OF THE SHARE EXCHANGE OFFER

SCT reserves the right to waive all or any of the conditions (except conditions (a), (d) and (e)) in whole or in part on or before the First Closing Date. The EGM is expected to be held on or before Tuesday, 21 March 2006 and the results of the EGM will be published in the newspapers on or before Wednesday, 22 March 2006. Should the EGM be held after the First Closing Date (expected to be Monday, 20 March 2006), there is a risk that the Share Exchange Offer cannot become unconditional in all respects on the First Closing Date.

Thus, if the Offeror does not receive valid acceptances of the Share Exchange Offer by the First Closing Date, which together with the SST Shares already held by the Offeror and its Concert Parties before or during the Share Exchange Offer will result in the Offeror and its Concert Parties holding more than 50% of the voting rights of SST, the Share Exchange Offer cannot become unconditional and the Share Exchange Offer will lapse unless it is revised or extended.

5. LAPSE OF THE SHARE EXCHANGE OFFER

Under Rule 15.7 of the Takeovers Code, except with the consent of the Executive, all conditions must be fulfilled or the Share Exchange Offer must lapse within 21 days of (i) the First Closing Date; or (ii) the date the Share Exchange Offer becomes or is declared unconditional as to acceptances, whichever is the later. In that case, the Offeror will issue a press announcement to be posted on the Stock Exchange's website by 7:00 p.m. on the First Closing Date and on the next business day thereafter respectively. Under the Takeovers Code, the latest date on which the Offeror can declare the Share Exchange Offer unconditional as to acceptances is 60 days after the date of the posting of the Offer Document i.e. Friday, 21 April 2006 (or such later date as the Executive may consent to).

LETTER FROM THE BOARD

6. INFORMATION ON SST

The SST Group is principally engaged in the development and provision of system integration solutions in the PRC. The principal system integration solutions provided by the SST Group are intelligent building system integration solutions and computer network system software. Since the 1990s, the system software industry in the PRC has been developing rapidly. According to China Center for Information Industry Development, the annual compound growth rate of the software market in the PRC from 2002 to 2007 is estimated to be approximately 21.1%, with the total market size increasing to approximately RMB89.8 billion in 2007 from RMB34.5 billion in 2002. Current customers of the computer network system integration solutions industry in the PRC are mainly from the government, postal and telecommunication services, financial, transportation, energy source and education sectors.

As stated in SST's third quarterly report for the nine months ended 30 September 2005, the SST Group intends to pursue strategic acquisitions of investments in system integration business and software development business in the future when such opportunities arise so as to strengthen and complement the SST Group's existing business. The mission of the SST Group is to promote and create a high quality "digitised environment" in the PRC to facilitate the development of "digitised China". Looking forward, the SST Group aims to become a leader in the PRC for (i) intelligent building system integration solutions; (ii) computer network system integration solutions; and (iii) system software for government, hospitals and other organisations and institutions.

The following table sets out the financial information of the SST Group for the two financial years ended 31 December 2004 and the nine months ended 30 September 2005:

	(Audited)		(Unaudited)
	Year ended 31 December		Nine months
	<i>(Note 1)</i>		ended 30
	2003	2004	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			<i>(Note 2)</i>
			2005
			<i>RMB'000</i>
Turnover	227,023	293,134	180,408
Net profit before taxation	37,088	29,144	7,975
Net profit after taxation	32,264	23,778	7,701
Earnings per SST Share	RMB2.9 cents	RMB2.1 cents	RMB0.7 cents
Net asset value	155,892	166,880	165,194
			<i>(Note 3)</i>

Notes:

1. Based on the latest published audited financial statements of SST.
2. Based on the latest published unaudited financial statements of SST.
3. This is extracted from the condensed consolidated statement of changes in equity as disclosed in the third quarterly report of SST for the nine months ended 30 September 2005.

LETTER FROM THE BOARD

Based on the interim report of SST for the six months ended 30 June 2005, the unaudited consolidated net asset value of the SST Group as at 30 June 2005 was approximately RMB162.3 million (representing RMB0.149 per SST Share).

The reduction in the net profit of the SST Group for the year ended 31 December 2004 and the nine months ended 30 September 2005 was mainly attributable to:

- (i) the reduction in gross profit margin from approximately 26.4% for the year ended 31 December 2003 to approximately 23.3% for the year ended 31 December 2004 and further down to approximately 20.3% for the nine months ended 30 September 2005, as a result of the increase in sub-contracting and cooperation arrangement of smaller-sized projects of the SST Group and the prevailing competition in the industry;
- (ii) the increase in administrative costs from approximately RMB12.4 million (equivalent to approximately HK\$11.7 million) for the year ended 31 December 2003 to RMB22.7 million (equivalent to approximately HK\$21.4 million) for the year ended 31 December 2004, as a result of the expansion of new geographical presence and scale of operation of the SST Group in Beijing, Jiangsu, Chongqing, Yunnan, the PRC and the extra relocation expenses resulting from office removal of one of the subsidiaries of SST located in Hangzhou, the PRC; and
- (iii) increases in other operating costs and selling and distribution costs.

For the nine months ended 30 September 2005, whilst the SST Group's turnover was focused on the PRC region, the SST Group's turnover from geographical segment of Hong Kong became less significant.

As at 31 December 2005, the maturity profile of the SST' Group's borrowings are 100% repayable within 1 year. The SST Directors confirm that normally there is no apparent seasonality of borrowing requirements for the SST Group.

As far as the prospect of new business/projects of the SST Group is concerned, the SST Directors confirm that the large intelligent building system and value added service solutions projects successfully bid by the SST Group as disclosed in the quarterly reports and interim report of SST Group for the period ended 30 March 2005, 30 June 2005 and 30 September 2005 respectively have been performed in according with the respective contract terms and expected progresses.

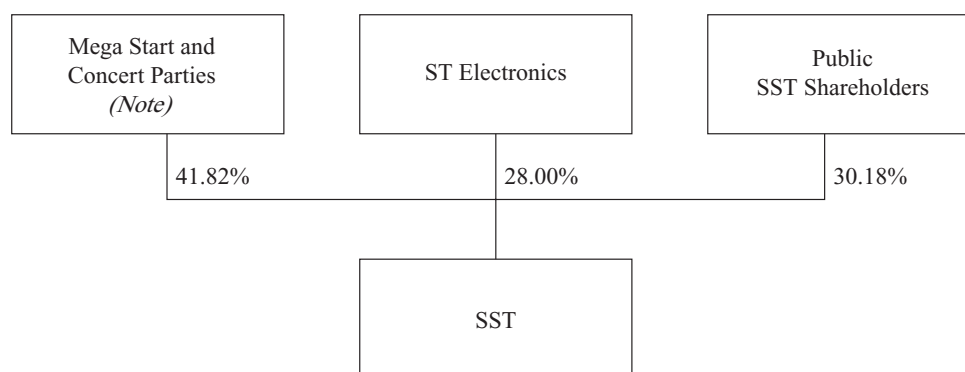
Other than that Sino Stride Technology Co. Ltd. (a subsidiary of SST) entered into a joint venture agreement dated 21 December 2004 with Singapore Technologies Kinetics Limited (a fellow subsidiary of ST Electronics) and Zhejiang University Logistics and Investment Holdings Company (a wholly-owned company of Zhejiang University and an independent third party) for the establishment in the PRC of (STAR (Zhejiang) Automotive Center Co., Ltd) with a total registered capital of RMB15,000,000 (in the proportion of 25%:70%:5%), which is engaged in providing automotive services, including automotive fixing maintaining service, automotive examination and maintenance, damage fixing, automotive beautifying and decorating, trading and supplying of automotive spare parts,

LETTER FROM THE BOARD

training, technology consultation, tow truck service and after-sales technical support, etc, the SST Directors confirm that there was no recent material acquisitions or disposals of subsidiaries and associated companies of the SST Group. Up to the Latest Practicable Date, the SST Directors confirm that the said joint venture was still at its preliminary set-up stage, with its potential yet to be realised.

Although 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, the SST Directors confirm that no such opportunities arose up to the Latest Practicable Date. Up to the Latest Practicable Date, the SST Directors confirm that there was no concrete future plans for material investments or capital assets and hence no expected source of funding are relevant.

The following is the shareholding structure of SST as at the Latest Practicable Date:



Note: Mega Start and its Concert Parties own 454,240,000 SST Shares in aggregate, as to 451,740,000 SST Shares by Mega Start and as to 2,500,000 SST Shares by Mr. Wong Wai Tin, a director of SST.

The SST Independent Shareholders who do not accept the Share Exchange Offer will not have their shareholding interests in SST diluted, as no new SST Shares will be issued under the Share Exchange Offer. Assuming the Share Exchange Offer can become unconditional, and in light of the undertakings from Mega Start and Mr. Wong Wai Tin, a director of SST, to accept the Share Exchange Offer, the ultimate single largest SST Shareholder will be SCT (instead of Mega Start).

7. INFORMATION ON THE OFFEROR AND SCT

The Offeror is a company incorporated in Samoa on 31 October 2005 and is a wholly-owned subsidiary of SCT. The directors of the Offeror are Messrs. Zhang Wenhui and Tse Chun Sing, all of whom are also directors of SCT. The main business of the Offeror is investment holding. SCT is a Hong Kong-listed company incorporated in Hong Kong and its principal activity is investment holding. The principal activities of the SCT Group consist of manufacture and sale of photomask, telephone accessories, power cords, adaptors, electronic products, printed circuit board and high precision metal components. As at the latest practicable date of the Offer Document (i.e. 17 February 2006), Shougang Holding and Cheung Kong, through their associates, were the substantial shareholders of SCT,

LETTER FROM THE BOARD

beneficially interested in 498,171,020 SCT Shares and 124,069,394 SCT Shares respectively, representing approximately 41.55% and 10.35%, respectively, of the issued share capital of SCT.

The following table sets out the financial information of the SCT Group for the two financial years ended 31 December 2004 and the six months ended 30 June 2005:

	(Audited)		(Unaudited)
	Year ended 31 December		Six months
	<i>(Note 1)</i>		<i>ended 30 June</i>
	2003	2004	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	387,744	436,532	206,969
Net profit/(loss) before taxation	19,156	(91,872)	(48,769)
Net profit/(loss) after taxation	22,400	(94,019)	(48,771)
Profit/(loss) per SCT Share	HK2.37 cents	HK(7.84) cents	HK(4.11) cents
Net asset value	800,968	710,023	665,183

Notes:

1. Based on the latest published audited financial statements of SCT.
2. Based on the latest published unaudited financial statements of SCT.

The net asset value per SCT Share amounted to HK\$0.555 as at 30 June 2005.

The closing price of the SCT Shares of HK\$0.43 per SCT Share as at the latest practicable date of the Offer Document (i.e. 17 February 2006) represents a discount of approximately 27.4% and 22.5% to the consolidated net asset value per SCT Share of approximately HK\$0.592 and HK\$0.555 as at 31 December 2004 and 30 June 2005 respectively.

As at the latest practicable date of the Offer Document (i.e. 17 February 2006), neither Shougang Holding, the Offeror, nor any of its associates held any SST Shares. During the six-month period prior to the date of the Announcement and ending on the latest practicable date of the Offer Document (i.e. 17 February 2006), Shougang Holding, through its wholly-owned subsidiary, has dealt in the SCT Shares, and details of which are set out in paragraph 5 in Appendix III to the Offer Document. Save for this, neither Shougang Holding, the Offeror nor any of its Concert Parties has dealt in the SCT Shares or the SST Shares in the six-month period prior to the date of the Announcement and ending on the latest practicable date of the Offer Document (i.e. 17 February 2006).

As at the latest practicable date of the Offer Document (i.e. 17 February 2006), a total of 1,199,003,583 SCT Shares were in issue and a total of 90,547,000 employee share options of SCT with exercise prices ranging from HK\$0.495 to HK\$1.200 and an exercise period of 10 years were outstanding. The exercise in full of SCT's outstanding employee share options would result in the issue of additional 90,547,000 SCT Shares. Assuming all SST Shareholders accept the Share Exchange Offer, a total of 724,200,000 new SCT Shares

LETTER FROM THE BOARD

(with a market value of HK\$325,890,000 based on the closing price of HK\$0.450 per SCT Share as at the Last Trading Day) will be issued, representing approximately 37.66% of the enlarged share capital of SCT or approximately 60.40% of the existing share capital of SCT. Assuming no SCT Share (other than those to be issued under the Share Exchange Offer) is issued before completion of the Share Exchange Offer, the shareholding structure of SCT, both before and after completion of the Share Exchange Offer, assuming full acceptance of the Share Exchange Offer is as follows:

Name	Prior to completion of the Share Exchange Offer		After completion of the Share Exchange Offer	
	<i>No. of SCT Shares held</i>	<i>%</i>	<i>No. of SCT Shares held</i>	<i>%</i>
Shougang Holding and its associates ^{(1), (2)}	498,171,020	41.55	498,171,020	25.90
Cheung Kong and its associates ⁽³⁾	124,069,394	10.35	124,069,394	6.45
Mega Start and Concert Parties	–	–	302,826,667	15.75
ST Electronics ⁽⁴⁾	–	–	202,840,000	10.55
Others and public shareholders	<u>576,763,169</u>	<u>48.10</u>	<u>795,296,502</u>	<u>41.35</u>
Total	<u>1,199,003,583</u>	<u>100.00</u>	<u>1,923,203,583</u>	<u>100.00</u>

Notes:

1. Shougang Holding and its associates are presumed to be the Concert Parties of SCT under the Takeovers Code in respect of the Share Exchange Offer.
2. Shougang Holding is a wholly-owned subsidiary of Shougang Corporation, a state-owned enterprise in the PRC.
3. By virtue of their interests in Cheung Kong, the following person and companies are each deemed to be interested in the SCT Shares held by Cheung Kong:
 - (a) Mr. Li Ka-Shing.
 - (b) Li Ka-Shing Unity Trustcorp Limited as a trustee of a discretionary trust holding units in The Li Ka-Shing Unity Trust.
 - (c) Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust.
 - (d) Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust.
4. Ms. Kan Lai Kuen, Alice, an independent non-executive Director, is also an independent non-executive director of a subsidiary of Temasek Holdings (Private) Ltd., the holding company of ST Electronics.

LETTER FROM THE BOARD

The SCT Directors believe that full acceptance of the Share Exchange Offer may have a positive impact on the financial results of SCT as SST has a profitable track record. For the nine months ended 30 September 2005, SST reported an unaudited consolidated net profit of approximately RMB7.7 million (equivalent to approximately HK\$7.3 million). The SCT Directors believe that full acceptance of the Share Exchange Offer will not have any material impact on the current business operations of SCT.

8. INTENTION OF THE MAJOR SHAREHOLDERS AND THE DIRECTORS OF SST

Mega Start (which is owned by Mr. Chau Chit, a director of SST, and Ms. Ting Hiu Wan, the spouse of Mr. Chau Chit, and Mr. Wong Wai Tin, a director of SST, in the proportion of 50%, 30% and 20%, respectively), a major shareholder of SST, owns 451,740,000 SST Shares, representing approximately 41.59% of the existing issued share capital of SST, has irrevocably undertaken to accept the Share Exchange Offer in respect of the above shareholding. In addition, Mr. Wong Wai Tin who directly owns 2,500,000 SST Shares, representing approximately 0.23% of the existing issued share capital of SST, has also irrevocably undertaken to accept the Share Exchange Offer in respect of his shareholding in SST.

Save as disclosed above, up to the Latest Practicable Date, none of the SST Directors intend to, or are aware of any party who has given any irrevocable commitment or undertaking to, accept or reject the Share Exchange Offer in respect of their own interests in SST Shares.

9. OFFEROR'S INTENTION IN RELATION TO THE SST GROUP

Reasons and benefits for the Share Exchange Offer

The SCT Group is principally engaged in the manufacture and sale of photomask, telephone accessories, power cords, adaptors, electronic products, printed circuit board and high precision metal components.

The SCT Group has been exploring new business opportunities with a view to diversifying its existing business and to improve its financial performance. Despite the decrease in the SST Group's earnings in recent years, and given the reasons for such decrease as stated above, the SST Group's existing intelligent building system and value added service solution projects on hand, SST's market ranking in the PRC as well as the recent business progress and achievements as noted in SST's third quarterly report for the nine months ended 30 September 2005, the SCT Directors believe that SST's prospect is still promising and that the investment in SST will provide a suitable platform for SCT's business expansion and earnings enhancement in future.

The SCT Directors also believe that the transaction will be beneficial to both the shareholders of SCT and SST by combining the expertise of SST in the system integration sector with the strong business connections of SCT in the PRC. SCT currently has no intention to inject assets into SST and make any changes to the current business operations of SST upon completion of the Share Exchange Offer.

LETTER FROM THE BOARD

Appointment of Directors

Subject to the Share Exchange Offer becoming unconditional and subject to compliance with the Takeovers Code, in particular not earlier than the posting of the Offer Document, the Offeror intends to nominate Mr. Cao Zhong as a director to the board of directors of SST upon completion of the Share Exchange Offer. Save for this proposed appointment, the Offeror does not intend to make any changes to the current board composition of SST nor does it have any intention to make any major changes to the management structure. The Offeror intends that there will be no material changes to the continued employment of the employees of the SST Group following completion of the Share Exchange Offer. SCT also intends to invite Mr. Chau Chit, the executive director of SST, to the SCT Board following completion of the Share Exchange Offer.

Intention of the Offeror regarding SST

SCT does not intend to make any changes to the current business operations of SST, apart from the appointment of director stated above. The Offeror also does not intend to introduce any major changes to the business, including any redeployment of the fixed assets of the SST Group. The Offeror intends to effect the compulsory acquisition of the SST Shares in the event that the Offeror is permitted to do so under the Companies Law and the Takeovers Code, and to apply for the withdrawal of listing of SST Shares on GEM. Further announcement will be made by the Offeror if it can effect compulsory acquisition of SST Shares.

Pursuant to Rule 2.11 of the Takeovers Code, except with the consent of the Executive, where the Offeror seeks to acquire or privatise SST by means of the Share Exchange Offer and the use of compulsory acquisition rights, such rights may only be exercised if, in addition to satisfying any requirements imposed by the Companies Law, acceptance of the Share Exchange Offer and purchases (in each case of the disinterested shares) made by the Offeror and its Concert Parties during the period of four months after posting the Offer Document total 90% of the disinterested shares. Under section 88 of the Companies Law (2004 Revision) of the Cayman Islands, where the Share Exchange Offer has been accepted by the holders of not less than 90% in value of the SST Shares affected by the Share Exchange Offer within 4 months after the offer has been made, the Offeror may at any time within 2 months after the expiration of the said 4 months, give notice (a “compulsory acquisition notice”) to the SST Shareholders who have not accepted the offer (“dissentient SST Shareholders”) that it desires to acquire their SST Shares.

Where a compulsory acquisition notice is given, the Offeror is entitled and bound to acquire the shares of the dissentient SST Shareholders on the same terms as the Share Exchange Offer unless an application is made by the dissentient SST Shareholder to the Grand Court of the Cayman Islands (the “Grand Court”) within one month of the date on which the compulsory acquisition notice is given and the Grand Court thinks fit to order otherwise.

LETTER FROM THE BOARD

Where no order has been made by the Grand Court, the Offeror must, within one month from the giving of the compulsory acquisition notice, or if an application has been made to the Grand Court and is pending, after that application has been disposed of, send a copy of the compulsory acquisition notice to SST and pay the consideration representing the price payable by the Offeror for the SST Shares that the Offeror is entitled to acquire under the compulsory acquisition notice and SST is then required to register the Offeror as the holder of such SST Shares.

If the Offeror receives valid acceptances of the Share Exchange Offer for not less than 90% in value of the SST Shares, the Offeror intends to exercise the power under the provisions of the Companies Law (2004 Revision) of the Cayman Islands to acquire compulsorily any outstanding SST Shares of the dissentient SST Shareholders and to apply withdrawal of listing of the SST Shares from GEM. SST may apply for suspension in the trading of SST Shares from or about the date on which the Share Exchange Offer has been accepted by the holders of not less than 90% of the disinterested SST Shares until the withdrawal of listing.

Assuming the Share Exchange Offer can become unconditional and SCT will have more than 50% equity interest in SST, SST will become an indirect subsidiary of SCT and SST's financial results will be consolidated with those of the SCT Group.

The SCT Directors have undertaken, and the new director intended to be nominated by the Offeror and appointed to the board of directors of SST will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that public float exists in the SST Shares if listing on the Stock Exchange is to be maintained.

The Stock Exchange has stated that if, upon the close of the Share Exchange Offer, less than 25% of the SST Shares are held by the public or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the SST Shares; or
- there are insufficient SST Shares in public hands to maintain an orderly market,

then it will consider exercising its discretion to suspend trading in the SST Shares until a level of sufficient public float is attained.

So long as SST remains a listed company, the Stock Exchange will also closely monitor all future acquisitions or disposals of assets of SST. Any acquisitions or disposals of assets by the SST Group will be subject to the provisions of the GEM Rules. Pursuant to the GEM Rules, the Stock Exchange has the discretion to require SST to issue an announcement and a circular to the SST Shareholders irrespective of the size of any proposed transactions, particularly when such proposed transactions represent a departure from the principal activities of SST. The Stock Exchange also has the power to aggregate a series of acquisitions or

LETTER FROM THE BOARD

disposals of SST and any such transactions may result in SST being treated as if it were a new listing applicant and subject to the requirements for new listing applicants as set out in the GEM Rules.

Availability of the Share Exchange Offer

The availability of the Share Exchange Offer to persons not resident in Hong Kong may be affected by the applicable laws of the relevant jurisdictions. Subject to compliance with the Takeovers Code, the Offeror reserves the right to make special arrangements regarding the terms of the Share Exchange Offer in relation to the SST Shareholders. Persons who are not resident in Hong Kong should obtain advice about and observe any applicable legal and regulatory requirements in their own jurisdictions in connection therewith, including the obtaining of any governmental or exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdictions.

10. TAXATION

The SST Shareholders are recommended to consult their own professional advisors if they are in any doubt as to the taxation implications of their accepting the Share Exchange Offer. None of the Company, the Offeror, CIMB-GK, Partners Capital International Limited nor any of their respective directors nor any persons involved in the Share Exchange Offer accepts responsibility for any taxation effects or liabilities of, any person or persons as a result of their acceptance of the Share Exchange Offer.

11. ACCEPTANCE AND SETTLEMENT

(a) Procedures for acceptance of the Share Exchange Offer

To accept the Share Exchange Offer, you should complete and sign the Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Share Exchange Offer.

The completed Form of Acceptance should be forwarded, together with the relevant SST Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of SST Shares in respect of which you intend to accept the Share Exchange Offer, by post or by hand to the Registrar in Hong Kong at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in an envelope marked "**Share Exchange Offer**" as soon as practicable after receipt of the Form of Acceptance but in any event so as to reach the Registrar by not later than 4:00 p.m. on Monday, 3 April 2006 or such later time and/or date as the Offeror shall determine and announce with the consent of the Executive. No acknowledgement of receipt of any Form of Acceptance, SST Share certificate, transfer receipt or other document of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given. Your attention is drawn to the further details regarding the procedure for acceptance set out in Appendix II to the Offer Document and the Form of Acceptance.

LETTER FROM THE BOARD

(b) Settlement of the Share Exchange Offer

Provided that the Form of Acceptance and share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are in complete and good order and have been received by the Registrar by not later than the latest time for acceptance, share certificates of SCT due to each of the SST Shareholders in respect of the SST Shares tendered by them under the Share Exchange Offer will be despatched to each of them within 10 days of the later of the date on which all the relevant documents are received by the Registrar mentioned above to render such acceptance complete and valid, and the date when the Share Exchange Offer becomes or is declared unconditional.

In the circumstance where the Share Exchange Offer is withdrawn or lapsed, the Offeror will, within 10 days from the date on which the Share Exchange Offer is withdrawn or lapsed, post the SST Share certificates lodged with acceptance forms to, or make such SST Share certificates available for collection by, the SST Shareholders who have accepted the Share Exchange Offer.

(c) Other issues

The securities being offered will rank *pari passu* with the existing issued securities of SCT.

The settlement of the consideration to which any SST Shareholders are entitled under the Share Exchange Offer will be satisfied in full in accordance with the terms of the Share Exchange Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such SST Shareholders.

To ensure equality of treatment of all SST Shareholders, those registered holders who hold SST Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential that the beneficial owners of the SST Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Exchange Offer.

If the Share Exchange Offer does not become unconditional in all respects within the time permitted by the Takeovers Code, the Form(s) of Acceptance, the relevant SST Share certificate(s), transfer receipt(s) and any other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Offeror will be returned to the SST Shareholders who have accepted the Share Exchange Offer by post or such documents will be made available by the Registrar for collection, as soon as possible but in any event within 10 days after the Share Exchange Offer have lapsed.

LETTER FROM THE BOARD

12. RECOMMENDATIONS

Your attention is drawn to the respective letters from the Independent Board Committee and First Shanghai. The letter from the Independent Board Committee is set out on pages 22 to 23 which contains its recommendation to the SST Independent Shareholders in respect of the Share Exchange Offer. The letter from First Shanghai is set out on pages 24 to 61, which contains their advice to the Independent Board Committee and the SST Independent Shareholders in respect of the Share Exchange Offer and the principal factors they have considered in forming their advice.

The SST Independent Shareholders are recommended to read this document and information set out in the appendices to this document. The SST Independent Shareholders are further recommended to read the Offer Document (and a supplemental offer document) and the related forms of acceptance regarding particulars of the terms and conditions of the Share Exchange Offer, acceptance procedures and settlement.

Yours faithfully,
For and on behalf of the board of
Sino Stride Technology (Holdings) Limited
Wong Wai Tin
Chairman

LETTER FROM INDEPENDENT BOARD COMMITTEE



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)

(Stock Code: 8177)

Executive Directors:

Wong Wai Tin (*Chairman*)
Chau Chit (*Chief Executive Officer*)
Shen Yue

Non-Executive Directors:

Wong Wai Kwan
Ng Chong Khim
Tay Hun Kiat

Independent Non-Executive Directors:

Cai Xiao Fu
Shi Jian Jun
Li Xiaoqiang, Richard

Registered Office:

Century Yard
Cricket Square
Hutchins Drive
P. O. Box 2861
George Town
British West Indies

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

Room 1208
12th Floor, Harcourt House
39 Gloucester Road
Wan Chai
Hong Kong

*Principal place of business
in the PRC:*

Building G
Zhejiang University
National Science Park
No. 525 Xi Xi Road
Hangzhou
The PRC
PC:310013

To the SST Independent Shareholders

**Voluntary conditional share exchange offer by
CIMB-GK Securities (HK) Limited
on behalf of Made Connection Limited, a wholly-owned subsidiary of
Shougang Concord Technology Holdings Limited,
to acquire all the issued shares of
Sino Stride Technology (Holdings) Limited**

We refer to the document issued by SST to its shareholders dated 3 March 2006 (the "Offeree Document") of which this letter forms part. Terms defined in the Offeree Document shall have the same meanings in this letter unless the context otherwise requires.

* *For identification only*

LETTER FROM INDEPENDENT BOARD COMMITTEE

We have been appointed by the SST Board to form the Independent Board Committee to consider the terms of the Share Exchange Offer and to make recommendations to the SST Independent Shareholders in connection with the Share Exchange Offer.

We have considered whether the terms of the Share Exchange Offer are fair and reasonable so far as the SST Independent Shareholders are concerned. First Shanghai has been appointed as the independent financial adviser to advise us in respect of the above.

We wish to draw your attention to the letter from the SST Board and the letter from First Shanghai as set out in the Offeree Document. The SST Independent Shareholders should note that assuming the Share Exchange Offer becomes unconditional and SCT will have more than 50% equity interest in SST, SST will become an indirect subsidiary of SCT and SST's financial results will be consolidated with those of the SCT Group.

Having considered the principal factors and reasons considered by, and the advice of, First Shanghai as set out in its letter of advice, in particular, (i) the loss-making track record of SCT; (ii) no dividend had been declared and paid by SCT for the two financial years ended 31 December 2004 and the six months ended 30 June 2005; (iii) profit-making track record of the SST Group; and (iv) high dividend pay-out ratio track record of SST, we concur with the view of First Shanghai that the terms of the Share Exchange Offer is not fair and reasonable so far as the SST Independent Shareholders are concerned. Accordingly, we recommend the SST Independent Shareholders not to accept the Share Exchange Offer. However, those SST Independent Shareholders who, having considered their individual circumstances and investment objectives, believe that there is possible upside potential of the SCT Group due to its start-up photomask business, and wish to invest in the start-up business of the SCT Group may consider accepting the Share Exchange Offer. Notwithstanding that, SST Independent Shareholders should note that there is no guarantee that the SCT Group could turnaround in the near future and it is uncertain as to the timing of such turnaround should it take place. In any event, the SST Independent Shareholders may note that the principal activities of the SCT Group comprise some industrial manufacturing businesses other than photomask, and these should be taken as a whole when assessing the Share Exchange Offer.

The SST Independent Shareholders are further recommended to read the Offer Document (and a supplemental offer document) and the related forms of acceptance regarding particulars of the terms and conditions of the Share Exchange Offer, acceptance procedures and settlement.

Yours faithfully,
For and on behalf of
Independent Board Committee

Wong Wai Kwan
Non-executive Director

Ng Chong Khim
Non-executive Director

Tay Hun Kiat
Non-executive Director

Cai Xiao Fu
Independent
Non-executive Director

Shi Jian Jun
Independent
Non-executive Director

Li Xiaoqiang, Richard
Independent
Non-executive Director

LETTER OF ADVICE FROM FIRST SHANGHAI

The following is the text of a letter of advice to the Independent Board Committee and the SST Independent Shareholders from First Shanghai in respect of the Share Exchange Offer for the purpose of incorporation in this Offeree Document.



FIRST SHANGHAI CAPITAL LIMITED

19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

3 March 2006

*To the Independent Board Committee and
the SST Independent Shareholders*

Dear Sirs,

**VOLUNTARY CONDITIONAL SHARE EXCHANGE OFFER BY
CIMB-GK SECURITIES (HK) LIMITED
ON BEHALF OF MADE CONNECTION LIMITED,
A WHOLLY-OWNED SUBSIDIARY OF SCT,
TO ACQUIRE ALL THE ISSUED SHARES OF SST
FOR EVERY THREE SST SHARES IN EXCHANGE FOR TWO NEW SCT SHARES**

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the SST Independent Shareholders in respect of the fairness and reasonableness of the terms of the Share Exchange Offer. Details of the Share Exchange Offer are set out in the Offer Document. In response to the Offer Document, SST issued a response document dated 3 March 2006 (the “Offeree Document”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Offeree Document.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the accuracy of the information and representations contained in the Offeree Document and the Offer Document and information provided to us by SST and the SST Directors. We have assumed that all information and representations made or referred to in the Offeree Document as provided by the SST Directors and in the Offer Document as provided by SCT were true at the time when they were made and continue to be true as at the date hereof. We have also assumed that all statements of belief, opinion and intention made by SST, SCT and their respective directors in the Offeree Document and the Offer Document respectively were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by SST and the SST Directors and the information contained in the Offer Document and have been advised by

LETTER OF ADVICE FROM FIRST SHANGHAI

SST and the SST Directors that no material facts have been omitted from the information provided and referred to in the Offeree Document. We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Offeree Document and the Offer Document and to provide a reasonable basis for our advice. We have not, however, conducted an independent investigation into the business, affairs or prospects of either of the SST Group or the SCT Group nor have we carried out any independent verification on the information supplied.

We have not considered the tax consequences on the SST Independent Shareholders of their acceptance or non-acceptance of the Share Exchange Offer since these are particular to their own individual circumstances. In particular, SST Independent Shareholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Share Exchange Offer and, if in any doubt, should consult their own professional advisers.

Pursuant to a sales and purchase agreement dated 6 April 2001 (the “Sales and Purchase Agreement”) entered into between First Shanghai Investments Limited (“FSIL”), the ultimate holding company of First Shanghai, and Vanda Systems & Communications Holdings Limited (“Vanda Systems”), FSIL disposed of its 60% equity interests in its subsidiary to Vanda Systems with an option (the “Option”) exercisable on 31 December 2003 granted to FSIL to require Vanda Systems to purchase the remaining 40% equity interests. At the time of entering into the Sales and Purchase Agreement, Vanda Systems was not a member of the Cheung Kong group. Cheung Kong is the substantial shareholder of SCT. In September 2003, Cheung Kong became the controlling shareholder of Vanda Systems and indirectly interested in approximately 37% of the then issued share capital of Vanda Systems as disclosed in the announcement of Vanda Systems dated 5 September 2003. In December 2003 (just prior to the expiry of the Option’s period), FSIL exercised the Option to require Vanda Systems to purchase the remaining 40% equity interests. To satisfy such payment obligation, Vanda Systems negotiated with First Shanghai Finance Limited (“FSFL”), a fellow subsidiary of First Shanghai, for a term loan of HK\$19.5 million. An agreement was entered into between Vanda Systems and FSFL in December 2003 for a loan amounted to HK\$19.5 million for a term of one year at an interest rate of 2% p.a. (the “Loan”). Vanda Systems subsequently changed its name to Hutchison Global Communications Holdings Limited (“Hutchison Global”) in March 2004. The revenue generated from the Loan only accounted for approximately 0.07% of the total turnover of FSIL and its subsidiaries (the “FSIL Group”) based on the 2004 annual report of FSIL and the loan amount only accounted for approximately 1.19% of total assets of the FSIL Group based on the 2004 annual report of FSIL. The Loan was subsequently settled on 24 December 2004. In December 2004, Vanda Systems & Communications Limited, a subsidiary of Hutchison Global, provided on-line computer technical support and related checking services to First Shanghai Securities Limited (“FSSL”), a fellow subsidiary of First Shanghai, and charged HK\$650,000 thereon.

During the past two years prior to our engagement to act as the independent financial adviser to SST, i.e. 13 February 2006, China Alpha Fund, a mutual fund managed by First Shanghai Fund Management Ltd, an associate of First Shanghai, had held a maximum of 3,000,000 shares of Shougang Concord Century Holdings Limited (“SC Century”), which was indirectly held as to approximately 40.93% by Shougang Holding as disclosed in the

LETTER OF ADVICE FROM FIRST SHANGHAI

2004 interim report of SC Century. SCT was indirectly owned as to approximately 41.55% by Shougang Holding as disclosed in the Announcement. The 3,000,000 SC Century shares held by China Alpha Fund only accounted for approximately 0.29% of the issued share capital of SC Century as at 30 June 2004 based on the 2004 interim report of SC Century. All the shares in SC Century held by China Alpha Fund were subsequently disposed of in November 2004.

In October 2004, FSSL acted as one of the underwriters of the global offering of Hutchison Telecommunications International Limited (“Hutchison Telecommunications”), which was indirectly held as to approximately 35.86% by Cheung Kong as disclosed in the prospectus of Hutchison Telecommunications dated 30 September 2004. FSSL received an aggregate underwriting fee of approximately HK\$1.3 million, which accounted for approximately 0.22% of the turnover of the FSIL Group based on the 2004 annual report of FSIL.

In November 2004, First Shanghai has entered into a financial advisory agreement to act as the independent financial adviser of Global Digital Creations Holdings Limited (“GDC”) in relation to a voluntary conditional share exchange offer by DBS Asia Capital Limited on behalf of Upper Nice Assets Limited (“Upper Nice”), a wholly-owned subsidiary of Shougang Concord Grand (Group) Limited (“SC Grand”) which was indirectly owned as to 41.01% by Shougang Holding as disclosed in the 2005 interim report of SC Grand, to acquire all the issued shares of, and a voluntary conditional cash offer to cancel all outstanding options of, GDC (other than those already owned by Upper Nice and parties acting in concert with it). First Shanghai received an aggregate financial advisory fee of HK\$150,000, which accounted for approximately 0.03% of the turnover of the FSIL Group based on the 2004 annual report of FSIL.

At the time of our engagement to act as the independent financial adviser to SST, Draco Equity Investment Limited, an associate of First Shanghai, held 3,200,000 shares of SC Grand, which was indirectly owned as to approximately 41.01% by Shougang Holding as disclosed in the 2005 interim report of SC Grand. The 3,200,000 SC Grand shares held by China Alpha Fund only accounted for approximately 0.28% of the issued share capital of SC Grand as at 30 June 2005 based on the 2005 interim report of SC Grand.

Apart from the above, which we consider would not likely to create, or create the perception of, a conflict of interest or reasonably likely to affect the objectivity of our advice, First Shanghai is not associated with the Offeror or SST or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly First Shanghai is considered eligible to give independent advice on the Share Exchange Offer. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Offeror or SST or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

LETTER OF ADVICE FROM FIRST SHANGHAI

THE INDEPENDENT BOARD COMMITTEE

In accordance with Rules 2.1 and 2.8 of the Takeovers Code, the Board comprises three executive Directors, three non-executive Directors and three independent non-executive Directors.

Mr. Chau Chit, the chief executive officer, an executive director and a salaried employee of SST, together with Ms. Ting Hiu Wan, the spouse of Mr. Chau Chit, and Mr. Wong Wai Tin, the chairman of SST and an executive SST Director, through Mega Start (in the proportion of 50%, 30% and 20%, respectively), owning 451,740,000 SST Shares, representing approximately 41.59% of the existing issued share capital of SST, has provided irrevocable undertaking to accept the Share Exchange Offer in respect of the above shareholding.

Mr. Wong Wai Tin, the chairman, an executive director and a salaried employee of SST, also personally interested in approximately 2,500,000 SST Shares, representing approximately 0.23% of the existing issued share capital of SST, has also provided irrevocable undertaking to accept the Share Exchange Offer in respect of the above shareholding.

Mr. Shen Yue is an executive director and a salaried employee of SST.

Accordingly, they are not considered independent to give advice in respect of the Share Exchange Offer.

The Independent Board Committee comprising all the non-executive SST Directors and independent non-executive SST Directors, namely Mr. Ng Chong Khim, Mr. Wong Wai Kwan, Mr. Tay Hun Kiat, Mr. Cai Xiao Fu, Mr. Shi Jian Jun and Mr. Li Xiaoqiang, Richard respectively, has been formed to make a recommendation to the Independent Shareholders regarding the Share Exchange Offer. Except for Mr. Ng Chong Khim and Mr. Tay Hun Kiat who are salaried employees of, and hold shares and share options in, Singapore Technologies Engineering Limited, a company listed on the stock exchange of Singapore which holds 28% of the issued share capital of SST indirectly, each of Mr. Ng Chong Khim, Mr. Wong Wai Kwan, Mr. Tay Hun Kiat, Mr. Cai Xiao Fu, Mr. Shi Jian Jun and Mr. Li Xiaoqiang, Richard has confirmed that they do not have a conflict of interest in respect of the Share Exchange Offer.

BACKGROUND TO AND THE TERMS OF THE SHARE EXCHANGE OFFER

1. Background of the Share Exchange Offer

As announced in the Announcement, on 16 December 2005, SCT approached the Board for a possible investment opportunity and on 23 December 2005, the Offeror proposed to make a voluntary conditional share exchange offer to acquire all the issued SST Shares.

Save as disclosed under the paragraph headed "The Independent Board Committee" above, none of the SST Directors, other than Mr. Chau Chit and Mr. Wong Wai Tin, has given any undertaking to accept or not to accept the Share Exchange Offer up to the Latest

LETTER OF ADVICE FROM FIRST SHANGHAI

Practicable Date. Mr. Chau Chit and Mr. Wong Wai Tin, holding in aggregate (either directly or indirectly) of approximately 41.82% of the existing issued share capital of SST, had indicated their respective intention to accept the Share Exchange Offer in full.

2. Basis of determination for the terms of the Share Exchange Offer

The Share Exchange Offer is a voluntary conditional offer made by CIMB-GK on behalf of the Offeror on the following basis:

For every 3 SST Shares	2 new SCT Shares
Number of SST Shares subject to the Share Exchange Offer	1,086,300,000

The Share Exchange Offer of two new SCT Shares for every three SST Shares has been determined by the Offeror with reference to the closing price of the SCT Shares as quoted on the Stock Exchange as at the Last Trading Day, which was HK\$0.45. This translates into a value of HK\$0.30 per SST Share. The market capitalisation of SST was approximately HK\$363.9 million as at the Last Trading Day. The highest and lowest closing prices at which the SST Shares were traded on the Stock Exchange during the six-month period immediately prior to the Last Trading Day were HK\$0.340 and HK\$0.230 on 14 December 2005 and 15 November 2005, respectively.

Based on the closing price of HK\$0.410 per SCT Share as quoted on the Stock Exchange as at the Latest Practicable Date (the “LPD SCT Share Offer Price”), the SST Shares were valued at approximately HK\$0.273 per SST Share (the “LPD SST Share Offer Price”).

If the Share Exchange Offer becomes unconditional, SST and its subsidiaries will become subsidiaries of SCT (collectively, the “Enlarged Group”). Each SST Independent Shareholder will, if and to the extent that he accepts the Share Exchange Offer, continue to have an indirect interest in SST through his interest in SCT.

The Share Exchange Offer is conditional upon a number of conditions. For details of such conditions, please refer to the relevant paragraph in the section headed “Letter from the Board” in the Offeree Document.

Further terms and conditions of the Share Exchange Offer, including the procedures for acceptance, are set out in the Offer Document (and a supplementary offer document) and the related forms of acceptance. The SST Independent Shareholders are encouraged to read the Offer Document (and a supplementary offer document) and the related forms of acceptance regarding particulars of the terms and conditions of the Share Exchange Offer, acceptance procedures and settlement.

LETTER OF ADVICE FROM FIRST SHANGHAI

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinions and recommendations relating to the terms of the Share Exchange Offer, we have considered, among other things, the following principal factors and reasons:

1. Business and financial review of the SST Group

The SST Group is principally engaged in the development and provision of system integration solutions in the PRC. The principal system integration solutions provided by the SST Group are intelligent building system integration solutions and computer network system software. Current customers of the computer network system integration solutions in the PRC are mainly from the government, postal and telecommunication services, financial, transportation, energy and education sectors.

As mentioned in SST's third quarterly report for the nine months ended 30 September 2005, the SST Group intends to pursue strategic acquisitions of investments in system integration business and software development business in the future when such opportunities arise so as to strengthen and complement the SST Group's existing business. Looking forward, the SST Group aims to become a leader in the PRC for (i) intelligent building system integration solutions; (ii) computer network system integration solutions; and (iii) system software for government, hospitals and other organisations and institutions.

A summary of the audited consolidated results of the SST Group for the two years ended 31 December 2004 and the unaudited consolidated results of the SST Group for the six months ended 30 June 2005 and 30 September 2005, as extracted from the annual reports of the respective financial periods, the interim report of SST for the six months ended 30 June 2005 and the third quarterly report for the nine months ended 30 September 2005, is as follows:

	Audited		Unaudited		Unaudited	
	Year ended		Six months ended		Nine months ended	
	31 December		30 June		30 September	
	2003	2004	2004	2005	2004	2005
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	227,023	293,134	117,565	109,414	184,898	180,408
Gross profit	59,956	68,227	23,849	25,243	39,806	36,667
Profit from operating activities	39,864	32,920	7,929	6,208	14,286	11,545
Finance costs	(2,693)	(3,860)	(1,764)	(2,124)	(2,819)	(3,282)
Profit before tax	37,088	29,144	6,160	3,989	11,256	7,975
Taxation (charge)/ credit	(4,824)	(5,366)	(1,257)	832	(2,384)	(274)
Profit before minority interests	32,264	23,778	4,903	4,821	8,872	7,701
Minority interests	(456)	(835)	(70)	(651)	254	(462)
Net profit attributable to shareholders	31,808	22,943	4,833	4,170	9,126	7,239
Dividend	13,834	13,790	-	-	-	-
Dividend per SST Share (<i>RMB cents</i>)	1.27	1.27	-	-	-	-

LETTER OF ADVICE FROM FIRST SHANGHAI

A summary of the audited consolidated balance sheets of the SST Group as at 31 December 2003 and 2004 and the unaudited consolidated balance sheets of the SST Group as at 30 June 2004 and 2005, as extracted from the annual reports and the interim reports of SST for the respective period end dates, is as follows:

	Audited		Unaudited	
	As at 31 December		As at 30 June	
	2003	2004	2004	2005
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	20,238	24,556	21,805	24,742
Current assets	322,353	369,970	356,058	410,370
Cash and cash equivalents	74,792	58,178	47,858	16,787
Current liabilities	186,544	227,551	230,414	272,798
Bank loans	82,853	67,873	71,541	73,000
Non-current liabilities	155	95	215	–
Shareholders' equity (excluding minority interests)	150,175	160,484	141,597	155,442
Minority interests	5,717	6,396	5,637	6,872
Shareholders' equity (including minority interests)	155,892	166,880	147,234	162,314

LETTER OF ADVICE FROM FIRST SHANGHAI

Based on the annual report of SST for the year ended 31 December 2004 (the “SST Annual Report”), SST’s interim report for the six months ended 30 June 2005 as well as the SST’s third quarterly report for the nine months ended 30 September 2005, we have analyzed several key performance indicators of the SST Group as follows:

	Audited		Unaudited		Unaudited	
	Year ended		Six months ended		Nine months ended	
	31 December		30 June		30 September	
	2003	2004	2004	2005	2004	2005
Operating efficiency						
Gross profit margin	26.4%	23.3%	20.3%	23.1%	21.5%	20.3%
Operating profit margin	17.6%	11.2%	6.7%	5.7%	7.7%	6.4%
Net profit margin (including minority interests)	14.2%	8.1%	4.2%	4.4%	4.8%	4.3%
Net profit margin (excluding minority interests)	14.0%	7.8%	4.1%	3.8%	4.9%	4.0%
Liquidity and leverage						
Current ratio (times)	1.7	1.6	1.5	1.5	N/A	N/A
Gearing ratio (including minority interests) (<i>Note 1</i>)	53.1%	40.7%	48.6%	45.0%	N/A	N/A
Gearing ratio (excluding minority interests) (<i>Note 1</i>)	55.2%	42.3%	50.5%	47.0%	N/A	N/A
Interest coverage (times) (<i>Note 2</i>)	14.8	8.5	4.5	2.9	5.1	3.5
Financial efficiency						
Return on equity (including minority interests)	20.7%	14.2%	3.3%	3.0%	N/A	N/A
Return on equity (excluding minority interests)	21.2%	14.2%	3.4%	2.7%	N/A	N/A
Asset turnover (<i>Note 3</i>)	66.3%	74.3%	62.2%	50.3%	N/A	N/A
Dividend payout ratio	43.5%	60.1%	N/A	N/A	N/A	N/A

Notes:

- (1) Gearing ratio is calculated by dividing the SST Group’s total bank loans by its shareholders’ equity including/excluding the minority interests (as the case may be) as at the relevant year/period ends.

LETTER OF ADVICE FROM FIRST SHANGHAI

- (2) Interest coverage is calculated by dividing the SST Group's profit from operating activities by its finance costs for the relevant year/period.
- (3) Asset turnover is calculated by dividing the SST Group's turnover by its total assets for the relevant year/period ends.

Financial performance for the financial year ended 31 December 2004 ("FY 2004")

As extracted from the SST Annual Report, the SST Group recorded a turnover of approximately RMB293.1 million, representing an increase of approximately 29.1% over the financial year ended 31 December 2003 ("FY 2003"). The turnover of the SST Group for FY 2004 was primarily derived from the provision of system integration solution of approximately RMB185 million (63.1%), computer network system integration solution of approximately RMB106 million (36.2%) and system software of approximately RMB2 million (0.7%), respectively. The growth in the turnover of the SST Group for FY 2004 was mainly attributed to several large engagements in system integration solution projects undertaken in cities including Shuzhou, Shenzhen, Wuxi, and Wenzhou in the PRC.

During FY 2004, the SST Group recorded a gross profit of approximately RMB68.2 million, representing a gross profit margin of approximately of 23.3% as compared to that of 26.4% for FY 2003. The decrease in the SST Group's gross profit margin was mainly attributable to (i) the sub-contracting and cooperation arrangement of smaller-sized projects with sub-contractors and partners; (ii) increased competition in the industry of system integration solution business; and (iii) increase in sales of hardware and software which has a lower gross profit margin.

The SST Group's selling and distribution expenses had remained relatively stable in terms of percentage at around 4% of its turnover for FY 2004.

The SST Group's administrative costs for FY 2004 increased by approximately RMB10.3 million, representing a significant increase of approximately 83.0% over that of FY 2003 because of (i) extra relocation expenses incurred for its office in Hangzhou, the PRC; and (ii) the costs for expansion of its business operation in FY 2004.

The SST Group's net profit from ordinary activities attributable to shareholders (i.e. after deducting the minority interests) for FY 2004 amounted to approximately RMB22.9 million, representing a decrease of approximately 27.9% over that of FY 2003. The net profit margin (excluding the minority interests) of the SST Group had decreased from approximately 14.0% for FY 2003 to 7.8% for FY 2004.

Liquidity, financial resources and gearing position as at 31 December 2004

As at 31 December 2004, the SST Group had current assets of approximately RMB370.0 million, which represented an increase of approximately 14.8% from that of approximately RMB322.4 million as at 31 December 2003. The current ratio of the SST Group was approximately 1.6 times as at 31 December 2004 (2003: 1.7 times), which demonstrates relatively healthy liquidity positions over the two years.

LETTER OF ADVICE FROM FIRST SHANGHAI

The SST Group generally finances its operations with internally generated financial resources, short-term bank loans and part of the proceeds from the placing of the SST Shares on GEM when SST was listed thereon in July 2002. As at 31 December 2004, the SST Group had outstanding bank loans of approximately RMB67.9 million (2003: RMB82.9 million) and gearing ratio (being calculated by dividing the SST Group's total bank loans by its shareholders' equity excluding the minority interests) of approximately 42.3% (2003: 55.2%). The decrease in gearing ratio was mainly due to repayment of bank loans during FY 2004.

Financial performance for the six months ended 30 June 2005

As extracted from the interim report of SST for the six months ended 30 June 2005, the SST Group recorded a turnover of approximately RMB109.4 million, representing a decrease of approximately 6.9% when compared with that of the six months ended 30 June 2004. The turnover was primarily derived from the provision of system integration solutions of approximately RMB82 million (74.9%), computer network system integration solutions of approximately RMB27 million (24.6%) and system software of approximately RMB1 million (0.5%). During the period for six months ended 30 June 2005, the SST Group recorded an overall gross profit of approximately RMB25.2 million, representing a gross profit margin of approximately 23.1%. The SST Group's gross profit margin had slightly increased from approximately 20.3% for the six months ended 30 June 2004 to 23.1% for the corresponding period in the financial year 2005.

The SST Group's selling and distribution costs, and administrative costs for the six months ended 30 June 2005 increased by approximately RMB2.3 million and RMB1.6 million, respectively. As a consequence, the SST Group's net profit attributable to shareholders (i.e. after deducting the minority interests) amounted to approximately RMB4.2 million, representing a decrease of approximately 13.7% over that of the six months ended 30 June 2004. The net profit margin (excluding the minority interests) had also slightly decreased from 4.1% to 3.8% for the six months ended 30 June 2004 and 2005 respectively.

Liquidity, financial resources and gearing position as at 30 June 2005

As at 30 June 2005, the SST Group had current assets of approximately RMB410.4 million, which represented an increase of approximately 10.9% from that of approximately RMB370.0 million as at 31 December 2004. The SST Group had current ratio of approximately 1.5 times as at 30 June 2005 (31 December 2004: 1.6 times), which demonstrates a relatively healthy liquidity position.

As at 30 June 2005, the SST Group had outstanding bank loans of approximately RMB73.0 million and a gearing ratio (being calculated by dividing the SST Group's total bank loans by its shareholders' equity excluding the minority interests) of approximately 47.0%. The gearing position of SST Group had slightly deteriorated from 42.3% as at 31 December 2004 to that of approximately 47.0% as at 30 June 2005.

LETTER OF ADVICE FROM FIRST SHANGHAI

Financial performance for the nine months ended 30 September 2005

As extracted from SST's quarterly report for the nine months ended 30 September 2005, the SST Group recorded a turnover of approximately RMB180 million, representing a slight decrease of approximately 2.4% over the nine months ended 30 September 2004. Turnover of the SST Group was primarily derived from the provision of system integration solutions of RMB146 million (representing approximately 81.1%), computer network system integration solutions of approximately RMB33 million (representing approximately 18.3%) and system software of approximately RMB1 million (representing approximately 0.6%). During the period ended 30 September 2005, the SST Group recorded an overall gross profit of approximately RMB36.7 million, representing a profit margin of approximately 20.3% of its turnover, which slightly decreased from that of approximately 21.5% for the corresponding nine-month period in 2004.

The SST Group's selling and distribution costs, and administrative costs for the nine months ended 30 September 2005 increased by approximately RMB1.7 million and approximately RMB1.5 million, respectively.

For the nine months ended 30 September 2005, the SST Group's net profit from ordinary activities attributable to shareholders (i.e. after deducting the minority interests) amounted to approximately RMB7.2 million, representing a decrease of approximately 20.6% from that of approximately RMB9.1 million for the nine months ended 30 September 2004 due to the combined effect of the said decrease in gross profit margin and increases in selling and distribution costs and administrative costs.

Overall financial performance

We noted that the business and financial performance of the SST Group has been gradually declining for the two years ended 31 December 2004 and the six months ended 30 June 2005 with (i) decreasing gross profit margins which were approximately 26.4%, 23.3% and 23.1% respectively; (ii) decreasing net profit margins (excluding the minority interests) which were approximately 14.0%, 7.8% and 3.8% respectively; and (iii) decreasing returns on equity (excluding the minority interests) which were approximately 21.2%, 14.2% and 2.7% respectively. According to the SST Annual Report, the decreases were mainly due to (i) the sub-contracting and cooperation arrangement of smaller-sized projects with sub-contractors and partners; (ii) increased competition in the industry of system integration solution business; and (iii) increase in sales of hardware and software which has a lower gross profit margin.

We also noted that substantial portion of the assets of SST Group was financed by bank loans and other liabilities. The gearing positions stood at approximately 55.2%, 42.3% and 47.0% as at 31 December 2003 and 2004, and 30 June 2005 respectively.

LETTER OF ADVICE FROM FIRST SHANGHAI

Dividends

Based on the SST Annual Report, SST paid dividends of approximately RMB13.8 for each of the two years ended 31 December 2004, representing dividend payout ratios of approximately 43.5% and 60.1% respectively.

Business review and prospects

During FY 2004, the SST Group successfully bid for or completed several large intelligent building system and value added service solution projects including government offices, hospitals, conference and exhibition center, electricity control and communication center, electronic traffic police system and highway vehicle monitoring and recording system in various cities of the PRC.

In December 2004, the SST Group entered into a joint venture agreement for the establishment of a sino-foreign equity joint venture with a Singaporean company and a company of Zhejiang University, which would strengthen its business in intelligent traffic systems in the PRC. As mentioned in the SST Annual Report, the SST 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.

According to China Center for Information Industry Development, the annual compound growth rate of the software market in the PRC from 2002 to 2007 is estimated to be approximately 21.1%, with the total market size increasing to approximately RMB89.8 billion in 2007 from RMB34.5 billion in 2002. 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 SST Directors believe that the demand for system integration solutions and value added service solutions will continue to grow. Moreover, the SST Directors believe that the demand of traffic controls management system will increase with the surge in the number of motor vehicles in PRC.

As the Ministry of Construction and the Ministry of Information Industry of the PRC promulgated market entry requirements and qualification verification process for system integration solutions and value added service solution providers respectively, the SST Directors consider that new competitors without recognition are difficult to accumulate relevant experience and technology to fulfill the market entry requirements to enter this regulated market. In March 2005, the SST Group received 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. The SST Directors believe that leveraging on the prominent market position recognised by the above-mentioned award, the SST Group will continue to increase its marketing efforts and expand its market coverage in the PRC.

However, given a majority of the business of the SST Group is project-based, together with the increased competition, the business and profitability of the SST Group would depend on its ability to continue to secure system integration solutions projects, and to maintain the profit margin.

LETTER OF ADVICE FROM FIRST SHANGHAI

2. Business and financial review of the SCT Group

The Offeror is a company incorporated in Samoa on 31 October 2005 and is a wholly-owned subsidiary of SCT. SCT is a company incorporated in Hong Kong, and the SCT Shares are listed on the Main Board of the Stock Exchange. The principal activities of the SCT Group comprise manufacture and sale of photomask, telephone accessories, power cords, adaptors, electronic products, printed circuit board and high precision metal components.

A summary of the audited consolidated results of the SCT Group for the two years ended 31 December 2004 and the unaudited consolidated results of the SCT Group for the six months ended 30 June 2005, as extracted from the annual reports of the respective financial periods and the interim report of SCT for the six months ended 30 June 2005, is as follows:

	Audited		Unaudited	
	Year ended		Six months ended	
	31 December		30 June	
	2003	2004	2004	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	387,744	436,532	197,851	206,969
Gross profit/(loss)	36,033	(78,084)	(25,446)	(41,107)
Profit/(loss) from operations	6,515	(124,852)	(52,897)	(58,430)
Finance costs	(7,324)	(10,837)	(4,937)	(5,818)
Share of result of jointly controlled entities	6,040	12,497	15,964	9,786
Share of result of an associate	13,925	31,320	5,015	5,693
Profit/(loss) before tax	19,156	(91,872)	(36,855)	(48,769)
Taxation credit/(charge)	3,706	(1,777)	(402)	(2)
Profit/(loss) before minority interests	22,862	(93,649)	(37,257)	(48,771)
Minority interests	(462)	(370)	(252)	(456)
Net profit/(loss) attributable to shareholders	22,400	(94,019)	(37,509)	(49,227)
Dividend	–	–	–	–

LETTER OF ADVICE FROM FIRST SHANGHAI

A summary of the audited consolidated balance sheets of the SCT Group as at 31 December 2003 and 2004 and the unaudited consolidated balance sheets of the SCT Group as at 30 June 2004 and 2005, as extracted from the annual reports and the interim reports of SCT for the respective financial periods, is as follows:

	Audited		Unaudited	
	As at 31 December		As at 30 June	
	2003	2004	2004	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	768,128	789,269	769,806	721,342
Current assets	395,405	294,309	364,280	412,490
Cash and cash equivalents	65,830	64,062	91,429	145,354
Current liabilities	286,023	246,123	233,745	362,130
Bank borrowings – due within one year	86,426	60,324	65,858	81,295
Obligations under finance leases – due within one year	2,492	32,943	24,437	35,228
Non-current liabilities	66,937	118,057	119,564	96,688
Bank borrowings – due after one year	60,700	57,824	67,460	50,430
Obligations under finance leases – due after one year	539	60,165	51,630	46,190
Shareholders' equity (excluding minority interests)	800,968	710,023	770,920	665,183
Minority interests	9,605	9,375	9,857	9,831
Shareholders' equity (including minority interests)	810,573	719,398	780,777	675,014

LETTER OF ADVICE FROM FIRST SHANGHAI

From the above summary of financial information, we have analyzed several key performance indicators of the SCT Group as follows:

	Audited		Unaudited	
	Year ended		Six months ended	
	31 December		30 June	
	2003	2004	2004	2005
Operating efficiency				
Gross profit/(loss) margin	9.3%	(17.9)%	(12.9)%	(19.9)%
Operating profit/(loss) margin	1.7%	(28.6)%	(26.7)%	(28.2)%
Net profit margin (including minority interests)	5.9%	(21.5)%	(18.8)%	(23.6)%
Net profit margin (excluding minority interests)	5.8%	(21.5)%	(19.0)%	(23.8)%
Liquidity and leverage				
Current ratio (times)	1.4	1.2	1.6	1.1
Gearing ratio (including minority interests) (<i>Note 1</i>)	18.5%	29.4%	26.8%	31.7%
Gearing ratio (excluding minority interests) (<i>Note 1</i>)	18.7%	29.8%	27.2%	32.1%
Interest coverage (<i>Note 2</i>)	89.0%	N/A	N/A	N/A
Financial stability and efficiency				
Return on equity (including minority interests)	2.8%	(13.2)%	(4.9)%	(7.4)%
Return on equity (excluding minority interests)	2.8%	(13.2)%	(4.9)%	(7.2)%
Asset turnover (<i>Note 3</i>)	33.3%	40.3%	34.9%	36.5%
Dividend payout ratio	N/A	N/A	N/A	N/A

Notes:

- (1) Gearing ratio is calculated by dividing the SCT Group's total bank loans by its shareholders' equity including/excluding the minority interests (as the case may be) as at the relevant year/period ends.
- (2) Interest coverage is calculated by dividing the SCT Group's profit from operating activities by its finance costs for the relevant year/period. Since SCT Group has incurred losses from operation for FY 2004 and the six months ended 30 June 2004 and 2005, the calculations of interest coverage for such periods are not applicable.
- (3) Asset turnover is calculated by dividing the SCT Group's turnover by its total assets for the relevant year/period ends.

LETTER OF ADVICE FROM FIRST SHANGHAI

Financial performance for FY 2004

Turnover analysed by business segments

	FY 2003		FY 2004	
	HK\$'000	%	HK\$'000	%
Telephone accessories and power cords	187,473	48.4	210,022	48.1
Adaptors and electronic products	62,861	16.2	90,750	20.8
Printed circuit boards	62,842	16.2	65,096	14.9
High precision metal components	53,665	13.8	54,820	12.6
Photomask business	–	0.0	2,167	0.5
Others	<u>20,903</u>	<u>5.4</u>	<u>13,677</u>	<u>3.1</u>
Total	<u>387,744</u>	<u>100.0</u>	<u>436,532</u>	<u>100.0</u>

As extracted from the annual report of SCT for FY 2004 (the “SCT Annual Report”), the SCT Group reported a loss of approximately HK\$94.0 million for the year which was attributable to (i) a profit of approximately HK\$20.5 million from manufacturing businesses; (ii) a loss of approximately HK\$99.4 million from photomask project; (iii) a loss of approximately HK\$4.3 million from 3S projects (which are relating to global positioning system (“GPS”), geographic information system (“GIS”) and remote sensing (“RS”)) and (iv) total financing costs of approximately HK\$10.8 million. Trial run for the photomask project has been completed at the end of 2003. In 2004, the management team of the photomask project focused the resources to go through quality tests and verification process set by potential customers to obtain their approvals on its products.

As mentioned in the SCT Annual Report, depreciation expenses for the photomask project of approximately HK\$74.4 million have been provided for FY 2004 and accounted for part of the loss of the SCT Group. Furthermore, the Group wrote down the carrying value in the amount of approximately HK\$9.8 million for its export approvals classified as intangible assets in the Group’s balance sheet as at 31 December 2004.

Telephone accessories and power cords

Based on the SCT Annual Report, sales of the SCT Group’s telephone accessories and power cords has increased by 12.0% to approximately HK\$210.0 million. The business has recorded loss due to increase in material costs, including costs for plastic and metal materials, during FY 2004. The SCT Directors believe that since competition in the telephone accessories and power cords market is intense, it is difficult to pass the cost increase to customers. Furthermore, the labour cost of the Pearl River Delta has increased during FY 2004 as a result of the economic growth in the PRC. This has further increased the Group’s manufacturing costs. In addition, the SCT Group has

LETTER OF ADVICE FROM FIRST SHANGHAI

written down the full carrying value of export approval under intangible assets at the end of 2004. This has increased the loss of this business segment by approximately HK\$3.7 million.

Adaptors and electronic products

This business segment has achieved a significant growth in turnover by approximately 44.4% from HK\$62.9 million for FY 2003 to approximately HK\$90.8 million for FY 2004. The SCT Directors were of the view that this business segment has also been facing with a business environment similar to that of the segment of telephone accessories and power cords, which reported a loss due to the rise in labour costs and raw material costs. In addition, the SCT Group wrote down a total of approximately HK\$5.6 million, which was the carrying value of export approvals at the end of 2004 under intangible assets.

Printed circuit boards

Turnover of this business segment has increased by approximately 3.6% from approximately HK\$62.8 million for FY 2003 to HK\$65.1 million for FY 2004. The SCT Group was able to reduce the extent of the rise in material costs in this business segment through its control on material purchases. This business segment reported a profit contribution before financial costs and taxation of approximately HK\$227,000 for FY 2004.

High-precision metal components

Turnover of this business segment has increased by approximately 2.2% from approximately HK\$53.7 million for FY 2003 to approximately HK\$54.8 million for FY 2004. The proportion of its costs component from raw materials for this business segment is relatively low, and operational efficiency has been improved to mitigate cost from the increase in material price. The profit contribution from this business segment before financial costs and taxation has decreased to approximately HK\$4.2 million for FY 2004 as compared to approximately HK\$4.7 million FY 2003.

Photomasks

In April 2003, the SCT Group commenced its photomask business. By the end of 2003, the photomask facility of the SCT Group has completed its trial production run and successfully produced the first set of high-quality photomasks. Photomask is an indispensable tool in the mass production of semi-conductor wafers. Customers will be significantly affected by the quality and delivery time of photomask in their production of wafers. Therefore, customers require stringent testing procedures before they approve a new vendor of photomask. The SCT Group has made its first sale of photomask in July 2004 after several months of intensive efforts by the management team of the photomask project. Although the photomask business has recorded sales of only approximately HK\$2.2 million for the second half of 2004, representing only approximately 0.5% of the total turnover of the SCT Group for FY 2004, the SCT Group has successfully obtained product approval from several large wafer fabs, which

LETTER OF ADVICE FROM FIRST SHANGHAI

provides solid basis for the development of the photomask project. The business activities of the photomask project in FY 2004 mainly involved work done for obtaining product approvals. However, in accordance with the SCT Group's accounting policy, the SCT Group is required to provide depreciation expenses of approximately HK\$74.4 million since the equipment was set up and ready for use. Loss before financial cost of approximately HK\$99.4 million from the photomask project was recorded for FY 2004.

3S projects

In FY 2004, the SCT Group started to engage in the development and sale of car navigation and termination GPS equipment, and development and sale of the Geographic Information System (GIS). The SCT Group wrote off preliminary expenses of approximately HK\$4.3 million and no production had yet been commenced for FY 2004.

Share of result of jointly controlled entity ("JCE")

Profit contributed to the SCT Group from its jointly controlled entity producing copper wire has increased to approximately HK\$35.1 million for FY 2004 as compared to that of approximately HK\$13.8 million for FY 2003. Sales volume of the JCE had remained stable, but its sales value has increased by approximately 47.5% in 2004 reflecting the rise in international copper price. In the market, price of copper wire is fixed by reference to international copper price plus a negotiated subcontracting fee rate. The JCE has been able to maintain a normal operating profit in addition to a profit from revaluation value on its stockholding of copper wire in 2004.

Share of result of an associate

The SCT Group's interest in an associate producing printed circuit boards in the PRC has increased its production capacity during the two years ended 31 December 2004. Profit contributed from this associate to the SCT Group for FY 2004 increased by approximately 73.3% to HK\$10.4 million when compared with that for FY 2003.

Liquidity, financial resources and gearing position as at 31 December 2004

As at 31 December 2004, the SCT Group had current assets of approximately HK\$294.3 million, which represented a decrease of approximately 25.6% from that of approximately HK\$395.4 million as at 31 December 2003. The current ratio of the SCT Group as at 31 December 2004 was approximately 1.2 times (2003: 1.4 times), which was slightly lower than that as at 31 December 2003.

The SCT Group generally finances its operations with internally generated financial resources and short-term and long-term bank borrowings. As at 31 December 2004, the SCT Group had total outstanding bank borrowings and obligations under finance leases of approximately HK\$211.3 million (2003: HK\$150.2 million) and

LETTER OF ADVICE FROM FIRST SHANGHAI

gearing ratio (being calculated by dividing the SCT Group's total bank borrowings and obligations under finance leases by its shareholders' equity excluding the minority interests) of approximately 29.8% (2003: 18.7%).

Financial performance for the six months ended 30 June 2005

Turnover analysed by business segments

	For the six months ended 30 June			
	2004		2005	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Telephone accessories and power cords	94,475	47.8	92,272	44.6
Adaptors and electronic products	45,169	22.8	46,515	22.5
Printed circuit boards	33,267	16.8	26,111	12.6
High precision metal components	24,057	12.2	29,744	14.4
Photomask business	–	0.0	6,693	3.2
Others	883	0.4	5,634	2.7
	<u>197,851</u>	<u>100.0</u>	<u>206,969</u>	<u>100.0</u>
Total	<u>197,851</u>	<u>100.0</u>	<u>206,969</u>	<u>100.0</u>

As extracted from the interim report of the SCT for the six months ended 30 June 2005, the SCT Group reported a loss attributable to shareholders (i.e. after deducting the minority interests) of approximately HK\$49.2 million for the period, which represented a combined effect of (i) an aggregate profit of approximately HK\$15.6 million from its manufacturing business; (ii) a loss of approximately HK\$51.6 million from its photomask business; (iii) a loss of approximately HK\$2.6 million from the 3S project; (iv) expense of approximately HK\$4.4 million in relation to share option granted to employees and (v) financing cost of approximately HK\$5.8 million.

A substantial amount of the loss was incurred due to high production overhead, including the provision of depreciation charges of approximately HK\$39.4 million for the plant and equipment, with a relatively low turnover recorded by the photomask business during the six months ended 30 June 2005. Since the production of high-quality photomask requires a stringent control on the production environment, the cleaning room and other production facilities have to be operated even at idle time.

With respect to the SCT Group's manufacturing businesses, the upward trend in the price of raw materials and labour costs has adversely affected the performance of the divisions as compared with the corresponding period in 2004. Due to the recovery of the local economy and the rise in property price, a revaluation of the fair value of the SCT Group's investment properties has contributed a profit of approximately HK\$8.4 million for the six months ended 30 June 2005.

LETTER OF ADVICE FROM FIRST SHANGHAI

Telephone accessories and power cords

This business segment operated in a difficult environment during the six months ended 30 June 2005. The cost of producing telephone accessories and power cords has increased substantially due to the rise of price for plastic and metal material and labour cost in Pearl River Delta, the PRC. The SCT Group has tried to shift the cost increase to its customers in order to reduce the loss. During the six months ended 30 June 2005, turnover of this business segment dropped by approximately 2.3% and an operating loss of approximately HK\$6.9 million was recorded.

Adaptors and electronic products

Turnover of this business segment increased by approximately 3.0% from approximately HK\$45.2 million for the six months ended 30 June 2004 to approximately HK\$46.5 million for the corresponding period in 2005. This business segment faced rising labour cost and raw material price. In order to be competitive in the market, the SCT Group has made modifications to the product design to mitigate the effect of rising material cost. This segment still reported an operating loss of approximately HK\$568,000 for the six months ended 30 June 2005 as compared to a profit contribution of approximately HK\$709,000 for the corresponding period in 2004.

Printed circuit boards

Turnover of this business segment dropped by 21.5% from approximately HK\$33.3 million for the six months ended 30 June 2004 to approximately HK\$26.1 million for the corresponding period in 2005. Intense competition in the printed circuit boards market and increase in materials costs, such as gold salt and copper, had adverse effect on the SCT Group's performance. The loss before financial cost was approximately HK\$3.4 million for the six months ended 30 June 2005 as compared to a profit contribution of approximately HK\$727,000 for the corresponding period in 2004.

High-precision metal components

Turnover of this business segment has increased by approximately 23.6% from approximately HK\$24.1 million for the six months ended 30 June 2004 to approximately HK\$29.7 million for the corresponding period in 2005. Rising material costs, such as aluminum and zinc, has negative impact on the performance in this business segment. The profit contribution before finance costs has decreased to approximately HK\$1.2 million for the six months ended 30 June 2005 as compared to approximately HK\$2.0 for the corresponding period in 2004.

Photomasks

The photomask business segment has commenced its commercial production in the second half of 2004. Turnover of the photomask business for the six months ended 30 June 2005 is approximately HK\$6.7 million. As compared to the corresponding

LETTER OF ADVICE FROM FIRST SHANGHAI

period in 2004, the amount of loss increased by approximately HK\$3.5 million to HK\$51.6 million due to the increase in depreciation charges and maintenance expenses upon expiry of warranty for certain plant and equipment.

The plant and equipment of the photomask production facility is capable of producing high-end photomask, which usually provides a higher return on sales of the product. In order to expedite market development, the SCT Group has set up sales office in Taiwan, and appointed agents to promote sales in the PRC and South East Asia. During the six months ended 30 June 2005, the photomask business has expanded its customer base and has been granted the approved vendor status by two more wafer fabs.

3S projects

The SCT Group's 3S projects are operated by two JCEs, namely Sky Light Communication (Shenzhen) Ltd, which is involved in development and integration for space information technical and multi-media technical software, and Sky Land Navigator Technology (Shenzhen) Ltd, which involved in the development and integration for software and hardware in the intelligent traffic field.

Sky Land Navigator Technology (Shenzhen) Ltd. launched its products during the six months ended 30 June 2005, whereas Sky Light Communication (Shenzhen) Ltd. was in the phase of product development and promotion. Preliminary expenses and research and development costs incurred by both JCEs were written off and loss attributable to its 3S projects for the six months ended 30 June 2005 was approximately HK\$2.6 million.

Share of result of JCE

Sales of the JCE in terms of tonnage has increased by 9.1% due to the business growth, which has benefited from economies of scale. Profit attributable to the SCT Group for the six months ended 30 June 2005 dropped by approximately 22% to approximately HK\$12.4 million due to the rise in market price of copper wire during the corresponding period in 2004 which brought an additional profit from increased value of stockholding of the JCE.

Share of result of an associate

During the six months ended 30 June 2005, an associate of the SCT Group has contributed profit of approximately HK\$5.7 million due to the increase in its turnover, representing an increase of approximately 13.5% over that of the corresponding period in 2004.

LETTER OF ADVICE FROM FIRST SHANGHAI

Liquidity, financial resources and gearing position as at 30 June 2005

As at 30 June 2005, the SCT Group had current assets of approximately HK\$412.5 million, which represented a significant increase of approximately 40.2% from that of approximately HK\$294.3 million as at 31 December 2004. The SCT Group had current ratios of approximately 1.1 times as at 30 June 2005 (31 December 2004: 1.2 times).

The SCT Group generally finances its operations with internally generated financial resources and short-term and long-term bank borrowings. As at 30 June 2005, the SCT Group had total outstanding bank borrowings and obligations under finance leases of approximately HK\$213.8 million (31 December 2004: HK\$211.3 million), and gearing ratio (being calculated by dividing the SCT Group's total bank borrowings and obligations under finance leases by its shareholders' equity excluding minority interests) of approximately 32.1% (31 December 2004: 29.8%).

Overall financial performance

We noted that the SCT Group had turned into loss from profit for FY 2004 and the six months ended 30 June 2005. According to the SCT Annual Report, the SCT Group commenced its photomask business in 2004, which accounted for the majority of the losses of the SCT Group due to substantial start-up costs incurred.

We also noted that a considerable portion of the assets of the SCT Group was financed by bank borrowings and obligations under finance leases. The gearing positions (being calculated by dividing the SCT Group's total bank borrowings and obligations under finance leases by its shareholders' equity excluding minority interests) stood at approximately 18.7%, 29.8% and 32.1% as at 31 December 2003 and 2004, and 30 June 2005 respectively.

Dividends

The SCT Group did not pay any dividends for the two years ended 31 December 2004 and the six months ended 30 June 2005.

Business review and prospects

We note that a substantial part of the operating loss of the SCT Group was from photomask business (representing approximately 80% and 88.3% of the operating loss for FY 2004 and six months ended 30 June 2005 respectively). Based on our discussion with the management of the SCT Group, we note that the photomask business of the SCT Group was at an early stage of development. The start-up cost of the photomask business of the SCT Group was high and mainly from purchase of plant and equipment. We also note that operating loss of the photomask business for FY 2004 and six months ended 30 June 2005 were mainly due to high depreciation cost and low turnover.

LETTER OF ADVICE FROM FIRST SHANGHAI

We have discussed with the management of the SCT Group and noted that the equipment and machinery for photomask business was depreciated using straight line method for 5 years. Since the SCT Group commenced its photomask business in April 2003, it is expected that high depreciation cost from photomask business might continue for the next few years. According to the Offer Document, the SCT Directors expect that a possible provision for impairment loss on the photomask business may have to be made in SCT's audited account for the year ended 31 December 2005 which is expected to be announced in late March 2006. As at the Latest Practicable Date, the possible provision for impairment has yet to be determined.

High-end photomask business requires high quality production facilities and equipment, as well as high standard technical know-how; therefore, the development period is relative long and the entry barrier is relative high. The SCT Group has obtained sales orders of high-end photomask, proving its technical know-how in producing high-end photomasks. We also note that the management of the SCT Group has been endeavouring to expand its customer base. According to the SCT Annual Report, the SCT Group has completed the product quality testing procedures for photomasks prescribed by several wafer fabs and has become their approved vendors.

According to the Information Network, a market research firm based in the United States, the worldwide photomask market grew 18.7% in 2004. Asian market (excluding Japan) grew 21.0% on a revenue basis in 2004. The total photomask market is expected to grow a further 4.7% in 2005.

The turnaround in profit of the SCT Group would largely be affected by the turnaround in its photomask business. Even though the photomask market is expected to grow in the future, the profitability of photomask business of the SCT Group may depend on a number of factors, including (i) its ability to further expand its customer base, (ii) its ability to secure sales orders, in particular, high-end photomasks that has higher profit margins, (iii) its upkeep of strong technological know-how, (iv) upkeep of its high standard of production facilities and equipment, and (v) the amount of depreciation and overhead costs. Given that the photomask business of the SCT Group is at an early stage of development, it is uncertain as to when the photomask business would turnaround.

3. Reasons for and benefits of the Share Exchange Offer and intention of the Offeror

The reasons for and benefits of the Share Exchange Offer are set out in the "Letter from the Board" included in the Offer Document.

As stated in the "Letter from the Board" in the Offeree Document, the SCT Group is principally engaged in the manufacture and sale of photomasks, telephone accessories, power cords, adaptors, electronic products, printed circuit board and high precision metal components.

The SCT Group has been exploring new business opportunities with a view to diversifying its existing business and to improve its financial performance. Despite the decrease in the SST Group's earnings in recent years, SST's market ranking in the PRC as

LETTER OF ADVICE FROM FIRST SHANGHAI

well as the recent business progress and achievements as noted in SST's third quarterly report for the nine months ended 30 September 2005, the SCT Directors believe that SST's prospect is still promising and that the investment in SST will provide a suitable platform for SCT's business expansion and earnings enhancement in future. Further analysis on the business and financial performance of SCT and SST is set out in the sub-paragraphs headed "Business and financial review of the SCT Group" and "Business and financial review of the SST Group" above.

We have discussed with the management of the SST Group and noted that the SST Directors consider the business connections of the SCT Group and its shareholders' background might help the SST Group in pursuing more business opportunities in the PRC.

Assuming the Share Exchange Offer becomes unconditional and SCT will have more than 50% equity interest in SST, SST will become an indirect subsidiary of SCT and SST's financial results will be consolidated with those of the SCT Group. SCT currently has no intention to inject assets into SST upon completion of the Share Exchange Offer.

Appointment of directors

Subject to the Share Exchange Offer becoming unconditional and subject to compliance with the Takeovers Code, in particular not earlier than the posting of the Offer Document, it is the current intention of the Offeror to nominate Mr. Cao Zhong, who is the chairman and executive director of SCT, as a director to the board of directors of SST upon completion of the Share Exchange Offer. Save for this proposed appointment, the Offeror does not intend to make any changes to the current board composition of SST nor does it have any intention to make any major changes to the management structure. SCT also intends to invite Mr. Chau Chit, the executive director of SST, to the board of directors of SCT.

Intention of the Offeror regarding SST

As mentioned in the sub-paragraph headed "Intention of the Offeror in relation to SST Group" in the "Letter from the Board" set out in the Offeree Document, SCT does not intend to make any changes to the current business operations of SST, apart from the appointment of director stated above. The Offeror also does not intend to introduce any major changes to the business, including any redeployment of the fixed assets of the SST Group. The Offeror intends to effect the compulsory acquisition of the SST Shares in the event that the Offeror is permitted to do so under the Companies Law and the Takeovers Code, and to apply for the withdrawal of listing of SST Shares on GEM.

Pursuant to Rule 2.11 of the Takeovers Code, except with the consent of the Executive, where the Offeror seeks to acquire or privatise SST by means of the Share Exchange Offer and the use of compulsory acquisition rights, such rights may only be exercised if, in addition to satisfying any requirements imposed by the Companies Law, acceptance of the Share Exchange Offer and purchases (in each case of the disinterested shares) made by the Offeror and its Concert Parties during the period of four months after posting the Offer Document total 90% of the disinterested shares.

LETTER OF ADVICE FROM FIRST SHANGHAI

If the Share Exchange Offer becomes unconditional, each SST Independent Shareholder will, if and to the extent that he accepts the Share Exchange Offer, continue to have an indirect interest in SST through his shareholding in SCT. However, SST Independent Shareholders should note that, by accepting the Share Exchange Offer, their effective interests in SST would be diluted.

The SCT Directors believe that the Enlarged Group would be beneficial to both the shareholders of SCT and SST by combining the expertise of SST in the system integration sector with the strong business connections of SCT, and SCT will explore ways to further strengthen SST's business in the PRC. We consider that if the SST Group and the SCT Group would be able to capitalise on their combined resources, in particular, by combining the expertise of the SST Group in the system integration sector with business connections of SCT, the Enlarged Group might be able to further expand business opportunity in the PRC. However, Shareholders should note that it is currently difficult to assess the effects and outcomes of such synergy as currently there is no concrete plan.

4. Dilution effects to the SST Independent Shareholders upon full acceptance of the Share Exchange Offer

As at the Latest Practicable Date, there were 632,060,000 SST Shares held by the SST Independent Shareholders which in aggregate accounted for approximately 58.2% of the issued share capital of SST, based on 1,086,300,000 SST Shares in issue as at the Latest Practicable Date. On the basis of full acceptance of the Share Exchange Offer, the SST Independent Shareholders will hold in aggregate approximately 421,373,333 SCT Shares upon completion of the Share Exchange Offer, representing approximately 21.9% of the issued share capital of SCT, based on 1,923,203,583 SCT Shares as enlarged by the issue of the new SCT Shares under the Share Exchange Offer. SST will become a wholly owned subsidiary of SCT should all SST Shareholders accept the Share Exchange Offer. Accordingly, the effective interests in the SST Group held by the SST Independent Shareholders will be diluted by approximately 62.3% on the basis of full acceptance of the Share Exchange Offer.

5. Basis of consideration of the Share Exchange Offer

Historical price performance

Based on the closing price of HK\$0.450 per SCT Share as quoted on the Stock Exchange on 15 December 2005 (the "SCT Share Offer Price"), the Share Exchange Offer of an ascribed value of HK\$0.300 per SST Share (the "SST Share Offer Price") represents:

- (a) a discount of approximately 10.4% to the closing price of HK\$0.335 per SST Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 7.4% to the average closing price of approximately HK\$0.324 per SST Share for the last ten trading days up to and including the Last Trading Day;
- (c) a discount of approximately 2.9% to the average closing price of approximately HK\$0.309 per SST share for the one-month period up to and including the Last Trading Day;

LETTER OF ADVICE FROM FIRST SHANGHAI

- (d) a premium of approximately 3.8% over the average closing price of approximately HK\$0.289 per SST Share for the last ten trading days up to and including the Latest Practicable Date;
- (e) a premium of approximately 7.1% over the closing price of HK\$0.280 per SST Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (f) a premium of approximately 115.8% over the audited consolidated net asset value per SST Share of approximately RMB0.148 (equivalent to approximately HK\$0.139) as at 31 December 2004 (based on the audited consolidated net asset value (excluding the minority interests) of SST of approximately RMB160.5 million and 1,086,300,000 SST Shares in issue as at 31 December 2004); and
- (g) a premium of approximately 122.2% over the unaudited consolidated net asset value per SST Share of approximately RMB0.143 (equivalent to approximately HK\$0.135) as at 30 June 2005 (based on the unaudited consolidated net asset value (excluding the minority interests) of SST of approximately RMB155.4 million and 1,086,300,000 SST Shares in issue as at 30 June 2005).

The SCT Share Offer Price represents:

- (a) a discount of approximately 0.4% to the average closing price of approximately HK\$0.452 per SCT Share for the last ten trading days up to and including the Last Trading Day;
- (b) a premium of approximately 6.1% over the average closing price of approximately HK\$0.424 per SCT share for the one-month period up to and including the Last Trading Day;
- (c) a premium of approximately 9.8% over the closing price of HK\$0.410 per SCT Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (d) a discount of approximately 24.0% to the audited consolidated net asset value per SCT Share of approximately HK\$0.592 as at 31 December 2004 (based on the audited consolidated net asset value (excluding the minority interests) of SCT of approximately HK\$710.0 million and 1,199,003,583 SCT Shares in issue as at 31 December 2004); and
- (e) a discount of approximately 18.9% to the unaudited consolidated net asset value per SCT Share of approximately HK\$0.555 as at 30 June 2005 (based on the unaudited consolidated net asset value (excluding the minority interests) of SCT of approximately HK\$665.2 million and 1,199,003,583 SCT Shares in issue as at 30 June 2005).

LETTER OF ADVICE FROM FIRST SHANGHAI

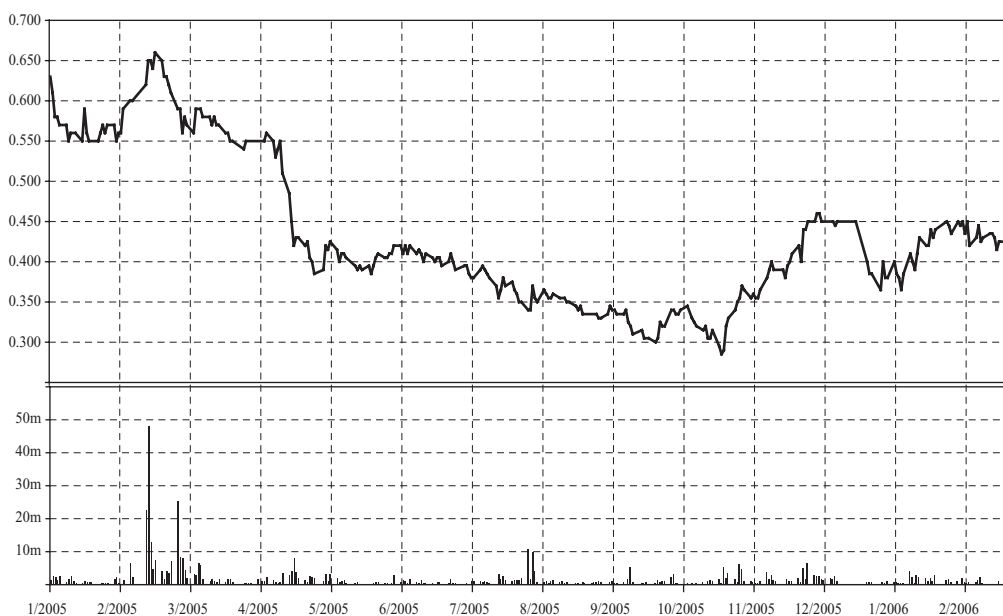
The charts below show the daily closing price and trading volume of the SST Shares and the SCT Shares during the period from 1 January 2005 up to the Latest Practicable Date (the “Review Period”), excluding those days on which the SST Shares and the SCT Shares were suspended for trading.

SST



Source: Bloomberg

SCT



Source: Bloomberg

LETTER OF ADVICE FROM FIRST SHANGHAI

During the Review Period, the highest closing price of the SST Shares quoted on the Stock Exchange was HK\$0.370 on 18 February 2005 and the lowest closing price of the SST Shares quoted on the Stock Exchange was HK\$0.230 on 15 November 2005. The SST Share Offer Price of HK\$0.300 and the LPD SST Share Offer Price of approximately HK\$0.273 fall within the range, and represent respective premiums of approximately 30.4% and 18.7% over the lowest closing price of HK\$0.230 per SST Share during the Review Period. On the other hand, the SST Share Offer Price of HK\$0.300 and the LPD SST Share Offer Price of approximately HK\$0.273 fall below, and represent respective discounts of approximately 18.9% and 26.2% to, the highest closing price of HK\$0.370 per SST Share during the Review Period. The trading of the SST Shares on the Stock Exchange was suspended on 16 December 2005 and resumed on 28 December 2005, after which and up to the Latest Practicable Date, the SST Shares were traded within a range of HK\$0.270 and HK\$0.330, the SST Share Offer Price and the LPD SST Share Offer Price were generally within such range.

During the Review Period, the highest closing price of the SCT Shares quoted on the Stock Exchange was HK\$0.660 on 18 February 2005 and the lowest closing price of the SCT Shares quoted on the Stock Exchange was HK\$0.285 on 25 October 2005. The trading of the SCT Shares on the Stock Exchange was suspended on 16 December 2005 and resumed on 28 December 2005, after which and up to the Latest Practicable Date, the SCT Shares were traded within a range of HK\$0.335 and HK\$0.450, which were generally traded below the closing price of HK\$0.450 per SCT Shares as quoted on the Stock Exchange before the issue of the Announcement. The SCT Share Offer Price of HK\$0.450 and the LPD SCT Share Offer Price of HK\$0.410 falls below, and represent respective discounts of approximately 31.8% and 37.9% to, the highest closing price of HK\$0.660 per SCT Share during the Review Period. The closing prices of SCT Shares had generally been trading below the SCT Share Offer Price or around the LPD SCT Share Offer Price since 28 December 2005 and up to the Latest Practicable Date. The SCT Share Offer Price and the LPD SCT Share Offer Price generally represent premium over or around the closing prices of the SCT Shares as quoted on the Stock Exchange since 28 December 2005 and up to the Latest Practicable Date.

LETTER OF ADVICE FROM FIRST SHANGHAI

Liquidity

The following tables summarise (i) the highest daily turnover; (ii) the lowest daily turnover; (iii) the average daily turnover of the relevant shares; (iv) the percentage of average daily turnover as compared with the total number of relevant shares in issue as at the Latest Practicable Date; and (v) the percentage of average daily turnover as compared with the total number of relevant shares held by the SST Other Shareholders (as defined below) or the SCT Other Shareholders (as defined below) (as the case may be) as at the Latest Practicable Date, during the Review Period:

SST Shares

Month	Highest daily turnover <i>(number of SST Shares</i>	Lowest daily turnover <i>(number of SST Shares</i>	Average daily turnover <i>(number of SST Shares</i>	Percentage of average daily turnover to total number of SST Shares <i>(%) (Note 1)</i>	Percentage of average daily turnover to number of SST Shares held by the SST Other Shareholders <i>(%) (Note 2)</i>
2005					
January	970,000	0	67,619	0.0062%	0.0206%
February	780,000	0	85,294	0.0079%	0.0260%
March	130,000	0	32,857	0.0030%	0.0100%
April	20,000	0	2,500	0.0002%	0.0008%
May	30,000	0	2,000	0.0002%	0.0006%
June	740,000	0	35,000	0.0032%	0.0107%
July	0	0	0	0.0000%	0.0000%
August	850,000	0	40,870	0.0038%	0.0125%
September	610,000	0	29,524	0.0027%	0.0090%
October	20,070,000	0	1,522,500	0.1402%	0.4645%
November	300,000	0	33,636	0.0031%	0.0103%
December (up to and including the Last Trading Day)	710,000	0	75,455	0.0069%	0.0230%
December (from the date of resumption of trading on 28 to 31 December)	70,000	20,000	50,000	0.0046%	0.0153%
2006					
January	200,000	0	11,053	0.0010%	0.0034%
February (up to the Latest Practicable Date)	20,000	0	1,000	0.0001%	0.0003%

Source: Bloomberg

LETTER OF ADVICE FROM FIRST SHANGHAI

Notes:

1. Based on 1,086,300,000 SST Shares in issue as at the Latest Practicable Date.
2. Based on 327,800,000 SST Shares held by the shareholders of SST other than Mega Start, Singapore Technologies Electronics Limited and the SST Directors (the "SST Other Shareholders") as at the Latest Practicable Date.

SCT Shares

Month	Highest daily turnover <i>(number of SCT Shares</i>	Lowest daily turnover <i>(number of SCT Shares</i>	Average daily turnover <i>(number of SCT Shares</i>	Percentage of average daily turnover to total number of SCT Shares <i>(%) (Note 3)</i>	Percentage of average daily turnover to number of SCT Shares held by the SCT Other Shareholders <i>(%) (Note 4)</i>
2005					
January	2,661,800	267,850	1,129,210	0.0942%	0.1961%
February	48,148,960	199,900	9,087,250	0.7579%	1.5777%
March	8,257,600	382,000	2,605,653	0.2173%	0.4524%
April	7,894,000	334,000	2,135,175	0.1781%	0.3707%
May	3,333,500	201,750	939,874	0.0784%	0.1632%
June	2,990,000	160,000	799,366	0.0667%	0.1388%
July	3,098,000	50,000	1,123,937	0.0937%	0.1951%
August	10,769,800	102,000	1,734,368	0.1447%	0.3011%
September	5,238,015	154,000	952,355	0.0794%	0.1653%
October	5,284,000	148,000	1,367,304	0.1140%	0.2374%
November	6,214,000	662,000	1,782,853	0.1487%	0.3095%
December (up to and including the Last Trading Day)	6,658,900	1,173,950	2,457,394	0.2050%	0.4267%
December (from the date of resumption of trading on 28 to 31 December)	800,000	754,000	770,000	0.0642%	0.1337%
2006					
January	3,942,962	207,900	1,336,062	0.1114%	0.2320%
February (up to the Latest Practicable Date)	2,147,975	370	787,643	0.0657%	0.1368%

Source: Bloomberg

Notes:

3. Based on 1,199,003,583 SCT Shares in issue as at the Latest Practicable Date.
4. Based on 575,971,281 SCT Shares held by the shareholders of SCT other than Shougang Holding, Cheung Kong and the SCT Directors (the "SCT Other Shareholders") as at the Latest Practicable Date.

LETTER OF ADVICE FROM FIRST SHANGHAI

As shown in the above tables, the trading volume of SST Shares in each month during the Review Period (before the Announcement) was extremely thin with the highest average daily turnover representing (i) only approximately 0.1402% of the total SST Shares in issue as at the Latest Practicable Date; and (ii) only approximately 0.4645% of SST Shares held by the SST Other Shareholders. The SST Directors were not aware of any reasons for the sudden increase in the trading volume of SST Shares in October 2005. After SST Shares were resumed in trading on the Stock Exchange on 28 December 2005 and up to the Latest Practicable Date, the highest average turnover represented approximately (i) 0.0046% of the total SST Shares in issue as at the Latest Practicable Date; and (ii) 0.0153% of SST Shares held by the SST Other Shareholders. During the Review Period, there were 220 trading days out of a total of 286 trading days on which no trading of the SST Shares on the Stock Exchange was recorded. There was no trading record during the whole month of July 2005.

In view of the illiquidity, the SST Shareholders may find it difficult to dispose of the SST Shares without exerting downward pressure on the share prices of the SST Shares.

Liquidity for the SCT Shares was relatively better than that for SST Shares during the Review Period (before the Announcement) with the highest average daily turnover representing (i) approximately 0.7579% of the total SCT Shares in issue as at the Latest Practicable Date; and (ii) approximately 1.5777% of SCT Shares held by the SCT Other Shareholders. After the SCT Shares were resumed in trading on the Stock Exchange on 28 December 2005 and up to the Latest Practicable Date, the highest average daily turnover represented approximately (i) 0.1114% of the total SCT Shares in issue as at the Latest Practicable Date; and (ii) 0.2320% of SCT Shares held by the SCT Other Shareholders. In addition, except for the period of suspension for trading of SCT Shares between 16 to 23 December 2005 pending for release of the Announcement, trading of the SCT Shares on the Stock Exchange were recorded on every trading day during the Review Period, which further indicated that the liquidity of SCT Shares was generally better than that of SST Shares. This might also be partly due to the fact that the SCT Shares are listed on the Main Board of the Stock Exchange, which generally offered better liquidity than GEM, on which SST Shares are listed.

Valuation

SST

We have compared the valuation of SST Group based on the SST Share Offer Price and the LPD SST Share Offer Price against companies (the “Comparables”) listed on the Stock Exchange, the principal business of which is system integration and market capitalisations of which are below HK\$1,000 million in order to assess the reasonableness of the SST Share Offer Price and the LPD SST Share Offer Price.

LETTER OF ADVICE FROM FIRST SHANGHAI

Company	Principal business	Market capitalization as at the Last Trading Date	Market capitalization as at the Latest Practicable Date	Closing price as at the Last Trading Date	Closing price as at the Latest Practicable Date	Latest published net asset value per share	Price to net asset value ratio (P/NAV) as at the Last Trading Date	Price to net asset value ratio (P/NAV) as at the Latest Practicable Date	Price earnings ratio (P/E) as at the Last Trading Date	Price earnings ratio (P/E) as at the Latest Practicable Date
		HK\$'million (Note 1)	HK\$'million (Note 1)	HK\$	HK\$	HK\$ (Note 2)			(Note 4)	(Note 4)
Computer & Technologies Holdings Limited (46)	Provision of system integration and related services	210.2	288.4	0.780	1.070	1.161	0.672	0.922	48.75	66.88
Founder Holdings Limited (418)	Software development and provision of system integration services	432.7	573.1	0.385	0.510	0.281	1.370	1.815	N/A	N/A
Fintronics Holdings Company Limited (706)	Software development and provision of system integration services	68.7	94.1	0.130	0.178	0.643	0.202	0.277	8.13	11.13
Automated Systems Holdings Limited (771)	Sale of computer products and provision of information technology related services	557.3	545.6	1.900	1.860	1.602	1.186	1.161	16.38	16.03
Techwayson Holdings Limited (2330)	Design, supply and integration of automation and control systems	150.5	115.5	0.430	0.330	0.496	0.867	0.665	N/A	N/A
Zhongtian International Limited (2379)	Provision of total business solutions	200.0	200.0	0.500	0.500	0.393	1.272	1.272	4.46	4.46
Universal Technologies Holdings Limited (8091)	Provision of enterprise solution and system integration services	110.3	116.3	0.165	0.174	0.027	6.111	6.444	N/A	N/A
Angels Technologies Company Limited (8112)	Provision of transportation technology solutions	19.6	24.7	0.096	0.121	0.007	13.714	17.286	N/A	N/A
Thiz Technology Group Limited (8119)	Software development and sale of computer products	27.6	26.9	0.090	0.088	0.049	1.837	1.796	N/A	N/A
Chengdu Top Sci-Tech Company Limited (8135)	Provision of system solution services and sale of information technology related products	189.3	189.3	0.280	0.280	0.456	0.614	0.614	N/A	N/A
Highest		557.3	573.1	1.900	1.860	1.602	13.714	17.286	48.75	66.88
Average		196.6	217.4	0.480	0.511	0.512	2.785	3.225	19.43	24.62
Median		169.9	152.8	0.330	0.310	0.425	1.229	1.217	12.25	13.58
Lowest		19.6	24.7	0.090	0.088	0.007	0.202	0.277	4.46	4.46
SST		325.9 (Note 3)	304.2 (Note 3)	0.300 (Note 3)	0.280 (Note 3)	0.148 (Note 3)	2.027 (Note 3)	1.892 (Note 3)	14.29 (Note 3)	13.33 (Note 3)

LETTER OF ADVICE FROM FIRST SHANGHAI

Notes:

1. Market capitalization and share prices of the Comparables are extracted from Bloomberg.
2. P/NAV is calculated based on the NAV per share on the latest published annual reports.
3. The figures of market capitalization, P/E and P/NAV are calculated based on the SST Share Offer Price of HK\$0.300 instead of the closing price of HK\$0.335 as at the Last Trading Date for comparison.
4. N/A represents those Comparables which had incurred losses in their latest financial year. Therefore, data in relation to their P/E was not applicable.

As shown above, the Comparables were traded at a range of P/NAV between (i) approximately 13.714 and 0.202 (while the average was approximately 2.785) as at the Last Trading Date; and (ii) a range of P/NAV between approximately 17.286 and 0.277 (while the average was approximately 3.225) as at the Latest Practicable Date. As such, the respective P/NAV of SST as represented by SST Share Offer Price and the LPD SST Share Offer Price of approximately 2.027 and 1.892 was at the lower end of the range of the P/NAVs of the Comparables and below the average P/NAV of the Comparables as at the Last Trading Day and Latest Practicable Date respectively.

We further analyse the above information of the Comparables in terms of P/E. Since six out of the ten Comparables had incurred losses in their latest financial year, only four of them had P/E. The SST Share Offer Price and the LPD SST Share Offer Price represent a respective P/E of approximately 14.29 and 13.33 respectively. However, the Comparables were trading at P/E of (i) a lowest of 4.46 and a highest of 48.75 (while the average was approximately 19.43) as at the Last Trading Date; and (ii) a lowest of 4.46 and a highest of 66.88 (while the average was approximately 24.62) as at the Latest Practicable Date. SST's P/E of approximately 14.29 and 13.33 based on the SST Share Offer Price and the LPD SST Share Offer Price respectively were below the average of the P/Es of the Comparables.

SCT

Given that SCT incurred losses for FY 2004 and six months ended 30 June 2005, the use of price earning approach for the valuation of the LPD SCT Share Offer Price was not applicable. Therefore we adopt net asset value approach as an alternative.

We have compared the valuation of SCT Group based on the SCT Offer Price and the LPD SCT Share Offer Price against companies (the "Comparable Companies") with similar businesses listed on the Stock Exchange in order to assess the reasonableness of the SCT Offer Price and the LPD SCT Share Offer Price.

LETTER OF ADVICE FROM FIRST SHANGHAI

Company	Principal business	Market capitalization as at the Last Trading Date	Market capitalization as at the Latest Practicable Date	Closing price as at the Last Trading Date	Closing price as at the Latest Practicable Date	Latest published net asset value per share	Price to net asset value ratio (P/NAV) as at the Last Trading Date	Price to net asset value ratio (P/NAV) as at the Latest Practicable Date
		HK\$ million (Note 5)	HK\$ million (Note 5)	HK\$	HK\$	HK\$ (Note 6)		
Applied International Holdings Limited (519)	Manufacture and distribution of consumer electronic products	333.4	356.6	0.360	0.385	0.427	0.843	0.902
Wong's Kong King International (Holdings) Limited (532)	Trading and manufacture of print circuit boards and electronic products	408.7	498.8	0.590	0.720	0.974	0.606	0.739
CEC International Holdings Limited (759)	Manufacture and sale of electronic components	114.7	107.5	0.160	0.150	0.483	0.331	0.311
Karce International Holdings Company Limited (1159)	Manufacture and trading of electronic products	140.4	140.4	0.255	0.255	0.716	0.356	0.356
Highest		408.7	498.8	0.590	0.720	0.974	0.843	0.902
Average		249.3	275.8	0.340	0.378	0.650	0.534	0.577
Lowest		114.7	107.5	0.160	0.150	0.427	0.331	0.311
SCT		539.6	491.6	0.450	0.410	0.592	0.760	0.693

Notes:

5. Market capitalization and latest share prices of comparables are extracted from Bloomberg.
6. P/NAV is calculated based on the NAV per share on the latest published annual reports.

As shown above, the Comparable Companies were traded at a range of P/NAV between (i) approximately 0.843 and 0.331 (while the average was approximately 0.534) as at the Last Trading Date; and (ii) a range of P/NAV between approximately 0.902 and 0.311 (while the average was approximately 0.577) as at the Latest Practicable Date. As such, the respective P/NAV of SCT as represented by SCT Offer Price and the LPD SCT Share Offer Price of approximately 0.760 and 0.693 were standing within the range of 0.331 to 0.843 and 0.311 to 0.902 respectively. As such, the respective P/NAV of SCT as represented by the SCT Share Offer Price and the LPD SCT Share Offer Price of approximately 0.760 and 0.693 was at the higher end of the range of the P/NAVs of the Comparable Companies and above the average P/NAV of the Comparable Companies as at the Last Trading Day and Latest Practicable Date respectively.

LETTER OF ADVICE FROM FIRST SHANGHAI

Recent precedent cases

In order to assess the fairness and reasonableness of the SST Share Offer Price by reference to the market price of the SST Shares, we have identified 11 offers or privatizations by way of scheme of arrangement cases of companies listed on the Stock Exchange (the “Precedent Cases”) during the Review Period, which show a comparison between the respective offer prices and the closing price or average closing price of the respective shares as quoted on the Stock Exchange prior to the relevant announcements. We have included the Precedent Cases for reference purpose only as they differ in various perspectives, such as principal business, market capitalisation, background etc, in particular, most of the Precedent Cases are cash offers in nature instead of share exchange offers.

The following table setting out the details of the Precedent Cases (excluding (i) 8 unsuccessful cases which the privatisations had not been approved by their independent shareholders or no rights of compulsory acquisition could be exercised; and (ii) 22 offers that the offerors (a) had intentions to maintain the listing status of and/or (b) had no intention to privatise the relevant offeree companies) which were announced during the Review Period.

Company	Type of acquisition	Offer/ cancellation price HK\$	Date of announcement	Premium/(discount) over/(to) closing price or average closing price				Premium/ (discount) over /(to) net asset value
				Last trading date immediately prior to the relevant announce- ment %	10 trading days immediately prior to the relevant announce- ment %	30 trading days immediately prior to the relevant announce- ment %	60 trading days immediately prior to the relevant announce- ment %	
Sinopec Zhenhai Refining & Chemical Company Limited (1128)	Merger	10.600	12 November 2005	12.17	20.25	24.81	26.22	132.97
Superdata Software Holdings Limited (8263)	Scheme of arrangement	1.900	11 November 2005	4.40	4.00	5.97	7.28	779.00
New World TMT Limited (301)	Scheme of arrangement	0.750	2 November 2005	78.57	76.06	70.07	66.30	0.00
Media Partners International Holdings Limited (8072)	Mandatory offer	1.141	27 October 2005	32.67	77.45	85.83	91.12	110.91
Jilin Chemical Industrial Company Limited (368)	Voluntary offer	2.800	28 October 2005	15.46	30.66	21.32	25.56	99.00
China Resources Peoples Telephone Company Limited (331)	Voluntary offer	4.550	20 October 2005	2.82	3.69	26.67	44.90	205.37

LETTER OF ADVICE FROM FIRST SHANGHAI

Company	Type of acquisition	Offer/ cancellation price HK\$	Date of announcement	Premium/(discount) over/(to) closing price or average closing price				Premium/ (discount) over /(to) net asset value %
				Last trading date immediately prior to the relevant announce- ment %	10 trading days immediately prior to the relevant announce- ment %	30 trading days immediately prior to the relevant announce- ment %	60 trading days immediately prior to the relevant announce- ment %	
Far Eastern Polychem Industries Limited (8012)	Scheme of arrangement	2.200	30 August 2005	57.14	57.82	57.71	57.71	(22.26)
Henderson Cyber Limited (8023)	Scheme of arrangement	0.420	16 August 2005	90.91	110.00	110.00	110.00	180.00
Henderson China Holdings Limited (246)	Scheme of arrangement	7.500	19 May 2005	56.25	51.06	54.00	54.16	(46.28)
Hutchison Global Communications Holdings Limited (757)	Scheme of arrangement	0.650	3 May 2005	36.84	43.81	43.81	41.92	1,811.76
Lai Fai International Holdings Limited (8183)	Voluntary offer	0.80	1 April 2005	14.29	14.29	15.94	15.94	150.00
Highest				90.91	110.00	110.00	110.00	1,811.76
Average				36.50	44.46	46.92	49.19	309.13
Lowest				2.82	3.69	5.97	7.28	(46.28)
SST	Share exchange offer	0.300	23 December 2005	(10.45)	(7.41)	(1.32)	(0.00)	115.83

Source: Stock Exchange web site

Notes:

1. Market capitalization extracted from Bloomberg.
2. Premiums/discounts of offer or cancellation price over/to past share prices were calculated based on offer prices extracted from the relevant announcements and historical price information from Bloomberg.
3. Premiums/discounts over/to NAV were calculated based on information of the latest audited/unaudited net asset value as extracted from the relevant announcements and circulars.

As illustrated in the table above, we note that the premium of approximately 115.83% over the unaudited consolidated net asset value per SST Share as at 30 June 2005 of HK\$0.138 as represented by the SST Share Offer Price is within the range of the premium/discount as represented by the Precedent Cases from a discount of 46.28% to a premium of approximately 1,811.76%, but which is at the lower end of such range. In addition, we also note that only 2 out of the 11 Precedent Cases were made at a discount to their net asset value.

LETTER OF ADVICE FROM FIRST SHANGHAI

However, we consider that the above comparison made with reference to net asset value might not be an appropriate comparison parameter since SST is a company principally engaged in the development and provision of system integration solutions. We then further make comparison for the SST Share Offer Price with offer/cancellation prices offered by the Precedent Cases. As illustrated in the table above, all of the offer/cancellation prices offered by the Precedent Cases were set at premiums over the closing price on the last trading day immediately prior to the relevant announcement and the average closing prices of the last 10, 30 and 60 trading days prior to the relevant announcement. However, the SST Share Offer Price was set at discounts to the closing price on the Last Trading Day and the average closing prices of the last 10 and 30 trading days prior to the relevant announcement.

6. Compulsory acquisition

If the Offeror and SCT acquires the prescribed percentage (i.e. at least 90% of the disinterested shares) of SST Shares as required by the relevant provisions of the Companies Law and the Takeovers Code, the Offeror and SCT will be exercising the compulsory acquisition powers thereunder and applying for the withdrawal of listing of the SST Shares on GEM. Further announcement will be made in this respect accordingly.

If the level of acceptances reaches the prescribed level under the Companies Law and the Takeovers Code which permits a compulsory acquisition and the Offeror and SCT proceeds with the privatization of the SST, dealings in the SST Shares would be suspended from or about the date on which the Share Exchange Offer has been accepted by the holders of not less than 90% of the disinterested SST Shares and the listing of the SST Shares would be withdrawn from the Stock Exchange.

RECOMMENDATIONS

We have considered the above principal factors and reasons and, in particular, have taken into account the following factors in arriving at our opinion:

- profit-making track record of the SST Group;
- high dividend pay-out ratio track record of SST;
- loss-making track record of the SCT Group;
- no dividend had been declared and paid by SCT for FY 2003, FY 2004 and the six months ended 30 June 2005;
- a substantial part of the operating loss of the SCT Group was from photomask business. Given that the photomask business of the SCT Group is at an early stage of development, it is uncertain as to when the photomask business would turnaround;
- low liquidity of the SST Shares;

LETTER OF ADVICE FROM FIRST SHANGHAI

- P/Es of SST based on the SST Share Offer Price and the LPD SST Share Offer Price were below the average of the P/Es of the Comparables as at the Last Trading Date and Latest Practicable Date respectively;
- P/NAVs of SCT based on the SCT Share Offer Price and the LPD SCT Share Offer Price were above the average P/NAV of the Comparable Companies as at the Last Trading Date and Latest Practicable Date respectively; and
- all of the 11 offer/cancellation prices offered by the Precedent Cases were set at premiums over the closing price on the last trading day immediately prior to the relevant announcement and the average closing prices of the last 10, 30 and 60 trading days prior to the relevant announcement. However, the SST Share Offer Price was set at discount to the closing price on the Last Trading Day and the average closing prices of the last 10 and 30 trading days prior to the relevant announcement.

Having considered the above, in particular, (i) the loss-making track record of SCT; (ii) no dividend had been declared and paid by SCT for FY 2003, FY 2004 and the six months ended 30 June 2005; (iii) profit-making track record of the SST Group; and (iv) high dividend pay-out ratio track record of SST, we are of the view that the terms of the Share Exchange Offer is not fair and reasonable so far as the SST Independent Shareholders are concerned, and accordingly advise the Independent Board Committee to recommend the SST Independent Shareholders not to accept the Offer.

However, the SST Independent Shareholders who, having considered their individual circumstances and investment objectives, believe that there is possible upside potential of the SCT Group due to its start-up photomask business, and wish to invest in the start-up business of the SCT Group may accept the Share Exchange Offer. Notwithstanding that, the Independent Shareholders should note that there is no guarantee that the SCT Group could turnaround in the near future and it is uncertain as to the timing of such turnaround should it take place. In any event, Independent Shareholders are strongly advised that the decision to hold their investment in SST or to exchange SST Shares for SCT Shares is subject to individual circumstances and investment objectives.

The SST Independent Shareholders are reminded that if the Offeror and SCT effect the compulsory acquisition of SST in the event that the Offeror is permitted to do so under the Companies Law and the Takeovers Code, the SST Independent Shareholders will be required to dispose of their SST Shares to the Offeror in accordance with the terms of the Share Exchange Offer. If the Offeror and SCT decide to privatise SST subsequently, the SST Shares will be withdrawn from listing on GEM and there will no longer have an open market for trading of the SST Shares.

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited
Helen Zee **Eric Lee**
Managing Director *Director*

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

1. SUMMARY OF PUBLISHED FINANCIAL RESULTS AND POSITION FOR THE THREE YEARS ENDED 31 DECEMBER 2004

The following is based on a summary of financial information extracted from the annual report of the SST Group for the year ended 31 December 2004 (*Note 1*):

Results

	Year ended 31 December		
	2004	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	293,134	227,023	200,423
Cost of sales	<u>(224,907)</u>	<u>(167,067)</u>	<u>(139,540)</u>
Gross profit	68,227	59,956	60,883
Other revenue	880	1,549	1,575
Selling and distribution costs	(11,007)	(8,872)	(9,327)
Administrative costs	(22,716)	(12,415)	(10,365)
Other operating costs	<u>(2,464)</u>	<u>(354)</u>	<u>(647)</u>
Profit from operating activities	32,920	39,864	42,119
Finance costs	(3,860)	(2,693)	(1,631)
Share of profits/(losses) of associates	<u>84</u>	<u>(83)</u>	<u>–</u>
Profit before tax	29,144	37,088	40,488
Income tax expense	<u>(5,366)</u>	<u>(4,824)</u>	<u>(6,819)</u>
Profit for the year (<i>Note 2</i>)	<u><u>23,778</u></u>	<u><u>32,264</u></u>	<u><u>33,669</u></u>
Attributable to:			
Shareholders of the Company	22,943	31,808	32,683
Minority interests	<u>835</u>	<u>456</u>	<u>986</u>
	<u><u>23,778</u></u>	<u><u>32,264</u></u>	<u><u>33,669</u></u>
Dividends	<u><u>13,790</u></u>	<u><u>13,834</u></u>	<u><u>6,633</u></u>
Dividends per share (basic) (<i>Note 3</i>)	<u><u>1.3 cents</u></u>	<u><u>1.3 cents</u></u>	<u><u>0.7 cents</u></u>
Earnings per share			
– Basic (RMB cents) (<i>Note 4</i>)	<u><u>2.1 cents</u></u>	<u><u>2.9 cents</u></u>	<u><u>3.5 cents</u></u>
– Diluted (RMB cents) (<i>Note 5</i>)	<u><u>2.1 cents</u></u>	<u><u>2.9 cents</u></u>	<u><u>3.5 cents</u></u>

Notes:

- None of the audited financial statements of SST were qualified by Ernst & Young, the auditors of SST, for each of the three years ended 31 December 2004.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

2. There were no extraordinary items nor exceptional items for each of the three years ended 31 December 2004.
3. The calculation of basic dividend per share is based on the dividend declared and paid for 2004 of RMB13,790,000 (2003: RMB13,834,000; 2002: RMB6,633,000) and the weighted average number of 1,084,671,000 (2003: 1,084,090,000; 2002: 929,095,562) ordinary shares in issue during 2004.
4. The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for 2004 of RMB22,943,000 (2003: RMB31,808,000; 2002: RMB32,683,000) and the weighted average number of 1,084,671,000 (2003: 1,084,090,000; 2002: 929,095,562) ordinary shares in issue during 2004.
5. The calculation of diluted earnings per share is based on the net profit attributable to shareholders for 2004 of RMB22,943,000 (2003: RMB31,808,000; 2002: RMB32,683,000) and the weighted average of 1,085,356,000 (2003: 1,084,090,000; 2002: 929,095,562) ordinary shares, after adjusting for the effects of all dilutive potential ordinary shares during 2004.

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	2002
Weighted average number of ordinary shares used in basic earnings per share calculation	1,084,671,000	1,084,090,000	929,095,562
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	929,095,562

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

Assets, liabilities and minority interests

	Year ended 31 December		
	2004	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	<u>394,526</u>	<u>342,591</u>	<u>250,114</u>
Total liabilities	<u>227,646</u>	<u>186,699</u>	<u>115,297</u>
Minority interests	<u>6,396</u>	<u>5,717</u>	<u>2,856</u>
Net assets*	<u>166,880</u>	<u>155,892</u>	<u>134,817</u>

* inclusive of minority interests.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

2. AUDITED FINANCIAL INFORMATION FOR THE TWO YEARS ENDED 31 DECEMBER 2004

Set out below is a summary of the audited consolidated financial statements of the SST Group extracted from the annual report of the SST Group for the year ended 31 December 2004:

Consolidated Income Statement
Year ended 31 December 2004

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

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

Consolidated Balance Sheet

31 December 2004

	<i>Notes</i>	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	12	10,796	8,471
Intangible assets	13	8,435	7,019
Goodwill:			
Goodwill	14	163	257
Negative goodwill	14	–	(586)
Investments in associates	16	2,662	2,577
Long term investments	17	2,500	2,500
 Total non-current assets		 24,556	 20,238
Current assets			
Cash and cash equivalents		58,178	74,792
Deposits pledged with financial institutions	18	11,675	18,151
Trade receivables	19	84,548	55,556
Prepayments, deposits and other receivables		51,069	49,301
Unbilled amounts due from customers for contract works	20	146,041	108,203
Inventories	21	18,459	16,350
 Total current assets		 369,970	 322,353
Current liabilities			
Bank loans	22	67,873	82,853
Trade and notes payables	23	101,240	69,412
Accrued liabilities and other payables		51,391	26,148
Tax payable		7,047	8,131
 Total current liabilities		 227,551	 186,544
 Net current assets		 142,419	 135,809
 Total assets less current liabilities		 166,975	 156,047
Non-current liability			
Deferred income	24	95	155
 Net assets		 166,880	 155,892
Total equity			
Issued capital	25	11,514	11,491
Reserves		148,970	138,684
 Minority interests		 160,484	 150,175
		6,396	5,717
 Total equity		 166,880	 155,892

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

Consolidated Cash Flow Statement
Year ended 31 December 2004

	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities		
Profit before taxation and minority interests	29,144	37,088
Adjustments for:		
Depreciation of property, plant and equipment	2,323	1,904
Loss on disposal of property, plant and equipment	650	–
Share of (profit)/loss of associates	(84)	83
Interest expense	3,620	2,450
Interest income	(308)	(415)
Gain on disposal of subsidiaries	–	(244)
Amortisation of goodwill	–	24
Provision for impairment loss of goodwill	94	–
Amortisation of negative goodwill	–	(352)
Amortisation of intangible assets	1,073	70
Provision for bad and doubtful debts	21	–
	<hr/>	<hr/>
Cash inflows from operations before working capital changes	36,533	40,608
Increase in trade receivables	(29,013)	(28,681)
Increase in unbilled amounts due from customers for contract works	(37,838)	(19,696)
Increase in inventories	(2,109)	(10,062)
Increase in prepayments, deposits and other receivables	(1,768)	(31,637)
Increase in trade and notes payables	31,828	28,016
Increase/(decrease) in accrued liabilities and other payables	25,243	(605)
Decrease/(increase) in deposits pledged with financial institutions	6,476	(16,044)
(Decrease)/increase in deferred income	(60)	155
	<hr/>	<hr/>
Cash inflows/(outflows) from operating activities	29,292	(37,946)
Tax paid	(6,450)	(3,438)
	<hr/>	<hr/>
Net cash inflows/(outflows) from operating activities	<u>22,842</u>	<u>(41,384)</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Net cash inflows/(outflows) from operating activities	22,842	(41,384)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(5,303)	(2,464)
Acquisition of associates	–	(2,360)
Interest income	308	415
Acquisition of a subsidiary	–	(365)
Disposal of subsidiaries	–	440
Additions to intangible assets	<u>(2,489)</u>	<u>(6,019)</u>
Net cash used in investing activities	<u>(7,484)</u>	<u>(10,353)</u>
Net cash inflows/(outflows) before financing activities	15,358	(51,737)
Cash flows from financing activities		
Interest paid	(3,620)	(2,450)
Dividends paid	(13,790)	(13,834)
Dividends paid to minority interests	(157)	(952)
Additions of new bank loans	91,372	136,200
Repayment of term loans	(106,352)	(91,347)
Contribution by minority interests	–	2,500
Proceeds from issuance of share capital	<u>796</u>	<u>–</u>
Net cash (outflow)/inflow from financing activities	<u>(31,751)</u>	<u>30,117</u>
Net decrease in cash and cash equivalents	(16,393)	(21,620)
Cash and cash equivalents at 1 January	74,792	96,176
Effect of foreign exchange rate changes, net	<u>(221)</u>	<u>236</u>
Cash and cash equivalents at 31 December	<u>58,178</u>	<u>74,792</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u><u>58,178</u></u>	<u><u>74,792</u></u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

Consolidated Statement of Changes in Equity

Year ended 31 December 2004

Group	Notes	Year ended 31 December 2004			Year ended 31 December 2003		
		Shareholders of the Company RMB'000	Attributable to Minority interests RMB'000	Total equity RMB'000	Shareholders of the Company RMB'000	Attributable to Minority interests RMB'000	Total equity RMB'000
CAPITAL							
Issued and fully paid capital							
	25						
<i>Ordinary shares of HK\$0.01 each</i>							
At beginning of year		11,491	–	11,491	11,491	–	11,491
Issuance of shares pursuant to share options exercised	26	23	–	23	–	–	–
At end of year		<u>11,514</u>	<u>–</u>	<u>11,514</u>	<u>11,491</u>	<u>–</u>	<u>11,491</u>
RESERVES							
Share premium							
At beginning of year		69,800	–	69,800	69,800	–	69,800
Issuance of shares pursuant to share options exercised	26	773	–	773	–	–	–
At end of year		<u>70,573</u>	<u>–</u>	<u>70,573</u>	<u>69,800</u>	<u>–</u>	<u>69,800</u>
Contribution surplus							
At beginning and end of year	27(a)	<u>13,499</u>	<u>–</u>	<u>13,499</u>	<u>13,499</u>	<u>–</u>	<u>13,499</u>
Statutory surplus reserve							
At beginning of year	27(b)	2,480	69	2,549	1,785	50	1,835
Transferred from retained profits		<u>750</u>	<u>23</u>	<u>773</u>	<u>695</u>	<u>19</u>	<u>714</u>
At end of year		<u>3,230</u>	<u>92</u>	<u>3,322</u>	<u>2,480</u>	<u>69</u>	<u>2,549</u>
Enterprise expansion fund							
At beginning of year	27(c)	1,611	43	1,654	951	26	977
Transferred from retained profits		<u>738</u>	<u>18</u>	<u>756</u>	<u>660</u>	<u>17</u>	<u>677</u>
At end of year		<u>2,349</u>	<u>61</u>	<u>2,410</u>	<u>1,611</u>	<u>43</u>	<u>1,654</u>
Exchange fluctuation reserve							
At beginning of year		240	–	240	–	–	–
Exchange realignment		<u>(226)</u>	<u>1</u>	<u>(225)</u>	<u>240</u>	<u>–</u>	<u>240</u>
At end of year		<u>14</u>	<u>1</u>	<u>15</u>	<u>240</u>	<u>–</u>	<u>240</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

Group	Year ended 31 December 2004			Year ended 31 December 2003		
	Shareholders of the Company	Attributable to Minority interests	Total equity	Shareholders of the Company	Attributable to Minority interests	Total equity
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Retained profits						
At beginning of year	51,054	780	51,834	34,435	231	34,666
Profit for the year	22,943	835	23,778	31,808	456	32,264
Transferred to statutory surplus reserve	(750)	(23)	(773)	(695)	(19)	(714)
Transferred to enterprise expansion fund	(738)	(18)	(756)	(660)	(17)	(677)
Acquisition of a subsidiary	–	–	–	–	(230)	(230)
Disposals of subsidiaries	–	–	–	–	574	574
Derecognition of negative goodwill	586	–	586	–	–	–
Dividends	(13,790)	(157)	(13,947)	(13,834)	(215)	(14,049)
At end of year	<u>59,305</u>	<u>1,417</u>	<u>60,722</u>	<u>51,054</u>	<u>780</u>	<u>51,834</u>
Total reserves	<u>148,970</u>	<u>1,571</u>	<u>150,541</u>	<u>138,684</u>	<u>892</u>	<u>139,576</u>
Minority interests in the capital of subsidiaries						
At beginning of year	–	4,825	4,825	–	2,549	2,549
Disposals of subsidiaries	–	–	–	–	(899)	(899)
Capital contribution	–	–	–	–	3,175	3,175
At end of year	<u>–</u>	<u>4,825</u>	<u>4,825</u>	<u>–</u>	<u>4,825</u>	<u>4,825</u>
Total equity	<u>160,484</u>	<u>6,396</u>	<u>166,880</u>	<u>150,175</u>	<u>5,717</u>	<u>155,892</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

Balance Sheet

31 December 2004

	<i>Notes</i>	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	<i>12</i>	74	502
Interest in subsidiaries	<i>15</i>	<u>108,013</u>	<u>84,513</u>
Total non-current assets		<u>108,087</u>	<u>85,015</u>
Current assets			
Cash and cash equivalents		3,169	1,283
Deposits pledged with financial institutions	<i>18</i>	–	15,986
Prepayments, deposits and other receivables		<u>224</u>	<u>5,398</u>
Total current assets		<u>3,393</u>	<u>22,667</u>
Current liabilities			
Accrued liabilities and other payables		<u>2,798</u>	<u>1,223</u>
Total current liabilities		<u>2,798</u>	<u>1,223</u>
Net current assets		<u>595</u>	<u>21,444</u>
Total assets less current liabilities		<u><u>108,682</u></u>	<u><u>106,459</u></u>
Total equity			
Issued capital	<i>25</i>	11,514	11,491
Reserves	<i>27</i>	<u>97,168</u>	<u>94,968</u>
Total equity		<u><u>108,682</u></u>	<u><u>106,459</u></u>

Notes to the financial Statements

31 December 2004

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 12 December 2001 under the Companies Law (2001 Second Revision) of the Cayman Islands.

The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies, the Cayman Islands. The principal place of business of the Group is Building G, Zhejiang University, National Science Park, No. 525 Xi Xi Road, Hangzhou, the People's Republic of China (the "PRC").

The principal activity of the Company is investment holding. During the year, the Group was principally engaged in the development and provision of system integration solutions in the PRC and the Hong Kong Special Administrative Region (the "Hong Kong SAR").

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation**

These 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.

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

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

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

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

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.

Basis of consolidation and presentation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The results of subsidiaries acquired or disposed off during the year are consolidated with reference to their effective dates of acquisition or disposal, respectively. All inter company transactions and balances within the Group are eliminated on consolidation.

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

Subsidiaries

A subsidiary is a company over which the Company has the power to govern its financial and operating policies so as to obtain benefits from its activities. A subsidiary is excluded from consolidation if it operates under severe long term restrictions which may impair its ability to transfer funds to the Company or it is acquired and held exclusively with a view to subsequent disposal in the near future.

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

An assessment of interests in subsidiaries is performed when there is an indication that the asset has been impaired.

Associates

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

The Group’s share of the post-acquisition results and reserves of the associates are included in the consolidated income statement and consolidated reserves, respectively. The Group’s investments in the associates are stated in the consolidated balance sheet at the Group’s share of net assets under the equity method of accounting less any impairment losses. The Group’s interests in associates include goodwill on acquisition, which is treated in accordance with the accounting policy for goodwill stated below.

Goodwill

On and before 1 January 2004

Goodwill arising on the acquisition of subsidiaries and associates represents the excess purchase consideration paid over the Group's share of the fair value of the identifiable assets and liabilities acquired as at the date of acquisition on or before 1 January 2004. Goodwill is amortised on the straight-line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill is stated at cost less accumulated amortisation and any impairment in value.

On and after 1 January 2004

IFRS 3 "Business Combinations" was adopted on 1 January 2004. On and after 1 January 2004, goodwill is stated at cost less any impairment in value.

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

On disposal of subsidiaries and associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

Negative goodwill

On and before 1 January 2004

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

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

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

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

On and after 1 January 2004

IFRS 3 "Business Combinations" was adopted on 1 January 2004. On 1 January 2004, the carrying amount of negative goodwill previously recognized is derecognised and credited to retained profits.

On and after 1 January 2004, negative goodwill is recognised in the consolidated income statements immediately.

Investments

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

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

Unbilled amounts due from customers for contract works

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

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

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

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

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

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

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

Revenue recognition

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

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

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment loss in value.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise.

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

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

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

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

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is calculated as the higher of its value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the income statement in the period in which it arises.

Intangible assets

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

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

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

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

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

Inventories

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

Trade and other receivables

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

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

Receivables from related parties are recognised and carried at cost.

Trade and other payables

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

Payables to related parties are recognised and carried at cost.

Loans and borrowings

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

Borrowing costs

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

Operating leases

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

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognized in the same or a different period directly in equity.

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

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

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

Retirement benefits

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

Accommodation benefits

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

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the consolidated income statement or consolidated balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Government grants and subsidies

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

Foreign currencies

The functional currency of the Company and its subsidiaries incorporated outside the PRC is Hong Kong dollars ("HK\$"). The functional currency of the PRC subsidiaries is Renminbi ("RMB"). The Group's presentation currency is RMB.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

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

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

Cash and cash equivalents

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

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

For the purpose of the consolidated cashflow statement, cash and cash equivalents consist of cash on hand and deposit in banks.

3. SEGMENT INFORMATION

a. Business segment

The Group is principally engaged in the development and provision of solutions for software, hardware and value-added service in 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 2004

	Hong Kong SAR RMB'000	The Mainland of the PRC RMB'000	Consolidated RMB'000
Segment revenue	<u>46,079</u>	<u>247,055</u>	<u>293,134</u>
Segment results	13,566	23,045	36,611
Unallocated corporate expenses			(3,755)
Provision for impairment loss of goodwill			(94)
Other income			<u>158</u>
Profit from operating activities			32,920
Finance costs			(3,860)
Share of profit of associates			<u>84</u>
Profit before tax			29,144
Income tax expense			<u>(5,366)</u>
Profit for the year			<u><u>23,778</u></u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

	Hong Kong SAR <i>RMB'000</i>	The Mainland of the PRC <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Attributable to:			
Shareholders of the Company			22,943
Minority interests			835
			<u>23,778</u>
Other segment information			
Segment assets	31,612	325,519	357,131
Unallocated corporate assets			37,395
Consolidated total assets			<u>394,526</u>
Segment liabilities	2,608	222,238	224,846
Unallocated corporate liabilities			2,800
Consolidated total liabilities			<u>227,646</u>
Capital expenditures	<u>5,290</u>	<u>13</u>	<u>5,303</u>
Depreciation of property, plant and equipment	<u>2,076</u>	<u>247</u>	<u>2,323</u>
Other non cash expenses:			
Loss on disposal of property, plant and equipment	310	340	650
Provision for impairment loss of goodwill	–	94	94
Amortisation of intangible assets	–	1,073	1,073
Provision for bad and doubtful debts	<u>–</u>	<u>21</u>	<u>21</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

Year ended 31 December 2003

	Hong Kong SAR 2003 <i>RMB'000</i>	The Mainland of the PRC 2003 <i>RMB'000</i>	Consolidated 2003 <i>RMB'000</i>
Segment revenue	48,565	178,458	227,023
Segment results	13,388	29,316	42,704
Unallocated corporate expenses			(3,289)
Amortisation of negative goodwill			352
Amortisation of goodwill			(24)
Other revenue			121
Profit from operating activities			39,864
Finance costs			(2,693)
Share of loss of associates			(83)
Profit before tax			37,088
Income tax expense			(4,824)
Profit for the year			32,264
Attributable to:			
Shareholders of the Company			31,808
Minority interests			456
			32,264
Other segment information			
Segment assets	39,817	278,430	318,247
Unallocated corporate assets			24,344
Consolidated total assets			342,591
Segment liabilities	16,305	169,170	185,475
Unallocated corporate liabilities			1,224
Consolidated total liabilities			186,699
Capital expenditures	606	1,858	2,464
Depreciation of property, plant and equipment	267	1,637	1,904
Other non cash expenses:			
Gain on disposal of subsidiaries	–	(244)	(244)
Amortisation of goodwill	–	24	24
Amortisation of negative goodwill	–	(352)	(352)
Amortisation of intangible assets	–	70	70

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

4. TURNOVER AND OTHER REVENUE

Revenue 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 inter company transactions are eliminated on consolidation.

	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>22</u>	<u>42</u>
Other revenue	<u>880</u>	<u>1,549</u>
Total revenue	<u><u>294,014</u></u>	<u><u>228,572</u></u>

5. PROFIT FROM OPERATING ACTIVITIES

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

	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
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 (including directors and senior executives emoluments as set out in notes 7 and 8)	<u>15,484</u>	<u>11,985</u>
Total Staff costs	16,310	12,742
Less: Amounts classified as deferred development costs	<u>(1,672)</u>	<u>(2,143)</u>
	<u><u>14,638</u></u>	<u><u>10,599</u></u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

6. FINANCE COSTS

	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank loans	3,620	2,450
Bank charges and commissions	<u>240</u>	<u>243</u>
	<u><u>3,860</u></u>	<u><u>2,693</u></u>

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
	<i>RMB'000</i>	<i>RMB'000</i>
Fees	248	232
Basic salaries and other benefits	876	793
Pension scheme contributions	<u>26</u>	<u>47</u>
	<u><u>1,150</u></u>	<u><u>1,072</u></u>

Directors' remuneration by each individual:

Mr. Chau Chit	379	439
Mr. Wong Wai Tin	249	258
Mr. Shen Yue	254	–
Mr. Zhang Xiao Feng	20	143
Mr. Wong Wai Kwan	106	106
Mr. Cai Xiao Fu	21	20
Mr. Shi Jian Jun	15	–
Mr. Li Xiaoqiang, Richard	53	–
Mr. Wu Ming Dong	<u>53</u>	<u>106</u>
Total	<u><u>1,150</u></u>	<u><u>1,072</u></u>

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

On 27 August 2004, 6,000,000 share options were granted to certain directors in respect of their services to the Group under the share option scheme of the Company, further details are set out in note 26 to the financial statements. 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 directors' remuneration disclosures.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

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
	<i>RMB'000</i>	<i>RMB'000</i>
Basic salaries and other benefits	561	540
Pension scheme contributions	<u>13</u>	<u>25</u>
	<u>574</u>	<u>565</u>

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

During the year, 100,000 share options were granted to one of the highest paid employees in respect of his service provide to the Group, further details are set out in note 26 to the financial statements. 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
	<i>RMB'000</i>	<i>RMB'000</i>
Current year income tax charge:		
– Hong Kong SAR	1,296	1,839
– The Mainland of the PRC	<u>4,014</u>	<u>2,985</u>
	5,310	4,824
Underprovision in prior year – Hong Kong SAR	<u>56</u>	<u>–</u>
Total	<u>5,366</u>	<u>4,824</u>

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.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

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

	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
Accounting profits	29,144	37,088
Non-deductible tax losses of consolidated subsidiaries, the holding company and associates	2,300	1,303
Non-taxable profits of consolidated subsidiaries	<u>(5,045)</u>	<u>–</u>
Profits of the Group subject to income tax	<u>26,399</u>	<u>38,391</u>
Tax expenses at applicable income tax rate of 15% in the PRC (2003: 10%)	2,985	2,645
Tax expenses at applicable income tax rate of 15% in the PRC (2003: 15%)	33	190
Tax expenses at applicable income tax rate of 33% in the PRC	155	–
Tax expenses at applicable income tax rate of 17.5% in Hong Kong (2003: 17.5%)	1,296	1,839
Effect of expenses not deductible for tax purposes	841	150
Underprovision of tax in prior year	<u>56</u>	<u>–</u>
Income tax expenses	<u><u>5,366</u></u>	<u><u>4,824</u></u>

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 Limited, a subsidiary of the Company which operates in Hong Kong, is 17.5% based on existing legislation.

The applicable PRC income tax rate of the other PRC subsidiaries is 33% based on existing legislation. No provision for income tax has been made for 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
	<i>RMB'000</i>	<i>RMB'000</i>
Dividend declared and paid	<u>13,790</u>	<u>13,834</u>

On 7 June 2004, the Company declared and the shareholders approved a final dividend of HK\$1.2 cents (2003: HK\$1.2 cents) per ordinary share, amounting to approximately RMB13,790,000 at the 2003 annual general meeting.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

On 29 March 2005, the directors proposed a final dividend of HK\$0.8 cents per ordinary share. The proposed dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The proposed final dividend has not been incorporated in the financial statements for the year ended 31 December 2004.

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 22,943,000 (2003: RMB31,808,000) and the weighted average number 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 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	<u>685,000</u>	<u>—</u>
Weighted average number of ordinary shares used in diluted earnings per share calculation	<u><u>1,085,356,000</u></u>	<u><u>1,084,090,000</u></u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

12. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Computer and office equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:					
As at 1 January 2004	1,170	1,842	5,627	5,636	14,275
Additions	2,592	140	937	1,634	5,303
Disposals	–	(1,365)	–	–	(1,365)
Exchange realignment	–	(4)	(3)	–	(7)
As at 31 December 2004	<u>3,762</u>	<u>613</u>	<u>6,561</u>	<u>7,270</u>	<u>18,206</u>
Accumulated depreciation:					
As at 1 January 2004	324	646	2,395	2,439	5,804
Charge for the year	53	387	956	927	2,323
Disposals	–	(715)	–	–	(715)
Exchange realignment	–	(1)	(1)	–	(2)
As at 31 December 2004	<u>377</u>	<u>317</u>	<u>3,350</u>	<u>3,366</u>	<u>7,410</u>
Net book value:					
As at 31 December 2004	<u>3,385</u>	<u>296</u>	<u>3,211</u>	<u>3,904</u>	<u>10,796</u>
As at 31 December 2003	<u>846</u>	<u>1,196</u>	<u>3,232</u>	<u>3,197</u>	<u>8,471</u>
Company					
Cost:					
As at 1 January 2004	–	681	53	–	734
Additions	–	–	13	–	13
Disposals	–	(610)	–	–	(610)
Exchange realignment	–	(3)	–	–	(3)
As at 31 December 2004	<u>–</u>	<u>68</u>	<u>66</u>	<u>–</u>	<u>134</u>
Accumulated depreciation:					
As at 1 January 2004	–	218	14	–	232
Charge for the year	–	117	12	–	129
Disposals	–	(300)	–	–	(300)
Exchange realignment	–	(1)	–	–	(1)
As at 31 December 2004	<u>–</u>	<u>34</u>	<u>26</u>	<u>–</u>	<u>60</u>
Net book value:					
As at 31 December 2004	<u>–</u>	<u>34</u>	<u>40</u>	<u>–</u>	<u>74</u>
As at 31 December 2003	<u>–</u>	<u>463</u>	<u>39</u>	<u>–</u>	<u>502</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

13. INTANGIBLE ASSETS

Group	Deferred development costs	
	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
Cost:		
At beginning of year	7,019	1,600
Additions	2,489	6,019
Disposal of subsidiaries	—	(600)
	<u>9,508</u>	<u>7,019</u>
At end of year		
Accumulated amortisation:		
At beginning of year	—	200
Provided during the year	(1,073)	70
Disposal of subsidiaries	—	(270)
	<u>(1,073)</u>	<u>—</u>
At end of year		
Net carrying amount	<u>8,435</u>	<u>7,019</u>

14. GOODWILL AND NEGATIVE GOODWILL

Goodwill	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
	Cost:	
At beginning of year	298	31
Arising on acquisition of a subsidiary	—	281
Disposal of subsidiaries	—	(14)
	<u>298</u>	<u>298</u>
At end of year		
Accumulated amortisation and provision for impairment losses:		
At beginning of year	(41)	(31)
Impairment loss provided for the year	(94)	—
Amortisation charge for the year	—	(24)
Disposal of subsidiaries	—	14
	<u>(135)</u>	<u>(41)</u>
At end of year		
Net carrying amount	<u>163</u>	<u>257</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

Negative goodwill	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
Cost:		
At beginning of year	(1,055)	(1,055)
Derecognition during the year	<u>1,055</u>	<u>–</u>
At end of year	<u>–</u>	<u>(1,055)</u>
Accumulated amortisation:		
At beginning of year	469	117
Provided during the year	–	352
Derecognition during the year	<u>(469)</u>	<u>–</u>
At end of year	<u>–</u>	<u>469</u>
Net carrying amount	<u>–</u>	<u>(586)</u>

15. INTERESTS IN SUBSIDIARIES

Company	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted shares, at cost	24,621	24,621
Due from subsidiaries	<u>83,392</u>	<u>59,892</u>
	<u>108,013</u>	<u>84,513</u>

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. These advances are non-trade in nature.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

Particulars of the subsidiaries are set out as follows:

Company	Place and date of incorporation/ establishment/ and operations	Nominal value of issued shares/paid-up capital	Percentage of equity interest attributable to the Group				Principal activities
			Direct %		Indirect %		
			2004	2003	2004	2003	
Sino Stride (BVI) Limited	British Virgin Islands/Hong Kong 5 October 2001	US\$101	100	100	–	–	Investment holding
Ever Create Profits Limited	British Virgin Islands/Hong Kong 2 July 2002	US\$1	100	100	–	–	System design and sale of system hardware
Choice Delta Asset Limited	British Virgin Islands/Hong Kong 2 July 2002	US\$1	100	100	–	–	Investment holding
Sino Stride Technology Co., Ltd.	PRC 31 December 1992	RMB60 million	–	–	97.5	97.5	System value-added service solution and development
Hangzhou Sino Stride Xingda Computer System Co., Ltd.	PRC 16 May 2000	RMB3 million	–	–	92.6	92.6	System value-added service solution and development
Beijing Sino Stride Powerlink Technology Co., Ltd.	PRC 4 September 2003	RMB10 million	–	–	73	73	System design and sale of system hardware
Chongqing Sino Stride Technology Co., Ltd.	PRC 22 September 2003	RMB5.6 million	–	–	98.1	98.1	System value-added service solution and development
Hangzhou Vico Software Engineering Co. Ltd.	PRC 8 August 1996	RMB1.5 million	–	–	53.6	53.6	System value-added service solution and development

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

16. INVESTMENTS IN ASSOCIATES

Group	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Share of net assets of associates	<u>2,662</u>	<u>2,577</u>

Particulars of the associates which all are incorporated in the PRC are as follows:

Company	Business structure	Paid-up capital <i>RMB'000</i>	Percentage of equity interest attributable to the Group		Principal activities
			2004	2003	
Zhejiang University Sino Stride Fire Prevention Engineering Co., Ltd.	Corporate	800	36.6%	36.6%	Fire prevention system installation
Shenzhen Fasten Sino Stride Technology Limited	Corporate	5,000	39.0%	39.0%	Sale of hardware and equipment related to system integration and system design
Hangzhou Sino Stride Hospital Yida System Technology Co., Ltd.	Corporate	1,000	27.8%	27.8%	Sale of medical equipment

17. LONG TERM INVESTMENTS

Group	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Unquoted investments, at cost	<u>2,500</u>	<u>2,500</u>

The directors are of the opinion that there is no impairment for the above investments as at 31 December 2004.

18. DEPOSITS PLEDGED WITH FINANCIAL INSTITUTIONS

	Group		Company	
	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Fixed deposits	<u>11,675</u>	<u>18,151</u>	<u>–</u>	<u>15,986</u>

Fixed deposits as at 31 December 2004 have been pledged to financial institutions for the issuance of letters of credits and notes payable. Fixed deposits as at 31 December 2003 have been pledged to financial institutions for the issuance of letters of credit, notes payable and to secure bank loans in the amount of RMB9,572,000 as set out in note 22.

The pledged cash deposits bear interest at rates ranging from 0.72% to 1.62% (2003: 0.0025% to 1.04%) per annum.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

19. TRADE RECEIVABLES

Group	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Trade receivables	84,569	55,556
Less: provision for bad and doubtful debts	<u>(21)</u>	<u>–</u>
	<u>84,548</u>	<u>55,556</u>

An aged analysis of the trade receivables is as follows:

	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Within 30 days	45,878	24,617
Between 31 and 90 days	18,492	25,620
Between 91 and 180 days	17,398	2,943
Between 181 and 360 days	1,292	300
Over 360 days	<u>1,509</u>	<u>2,076</u>
	<u>84,569</u>	<u>55,556</u>

20. UNBILLED AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

Contract costs incurred plus recognised profits amounted to approximately RMB569,159,000 for the year (2003: RMB375,398,000).

Unbilled amounts due from customers for contract works amounted to approximately RMB146,041,000 for the year (2003: RMB108,203,000).

21. INVENTORIES

Group	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
At cost:		
Parts and components	141	1,545
Purchased equipment	<u>18,318</u>	<u>14,353</u>
	18,459	15,898
At net realisable value:		
Purchased equipment	<u>–</u>	<u>452</u>
	<u>18,459</u>	<u>16,350</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

22. BANK LOANS

Group	<i>Notes</i>	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Short term loans:			
Unsecured	<i>(a)</i>	67,873	73,281
Secured	<i>(b)</i>	—	9,572
		<u>67,873</u>	<u>82,853</u>

Notes:

- (a) The unsecured bank loans bear interest at rates ranging from 4.2% to 5.8% (2003: 5% to 5.3%) per annum and are repayable in less than 12 months.
- (b) The bank loans are secured by fixed deposits as set out in note 18 to the financial statements, bearing interest at a rate of 2.4% per annum and are repayable in less than 12 months.

23. TRADE AND NOTES PAYABLES

The ageing of the trade and notes payable is as follows:

	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Within 90 days	80,478	54,805
Between 91 and 180 days	7,401	4,395
Between 181 and 360 days	3,889	7,394
Over 360 days	9,472	2,818
	<u>101,240</u>	<u>69,412</u>

24. DEFERRED INCOME

The balance as at 31 December 2004 represented government grants granted by the Hangzhou Ministry of Finance and Hangzhou Science and Technology Bureau. The government grants will be given by the Hangzhou Ministry of Finance and Hangzhou Science and Technology Bureau to the Group once the specified research and development projects of the Group are approved and certified by the Hangzhou Science and Technology Bureau on completion. The Group will recognize the government grants as income when the underlying conditions of the government grants are met.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

25. ISSUED CAPITAL

Group and Company	<i>Note</i>	2004 RMB'000	2003 RMB'000
<i>Authorised:</i>			
2,000,000,000 (2003: 2,000,000,000) ordinary shares of HK\$0.01 each		<u>21,200</u>	<u>21,200</u>
<i>Issued and fully paid:</i>			
1,086,300,000 (2003: 1,084,090,000) ordinary shares of HK\$0.01 each			
At 1 January 2004		11,491	11,491
Issuance of share pursuant to share options	26	<u>23</u>	<u>–</u>
At 31 December 2004		<u>11,514</u>	<u>11,491</u>

Details of the Company's share option scheme and the share options issued under the scheme are set out in note 26 to the financial statements.

26. SHARE OPTION SCHEME

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

The maximum number of shares in respect of which options may be granted under the 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 for a period of 10 consecutive years. The Share Option Scheme will remain in force for the period of 10 years commencing on 16 July 2002. No option may be granted to any one person which, if exercised in full, would result in the total number of shares already issued and which may fall to be issued to him under all the options previously granted to him pursuant to the Share Option Scheme in any 12-months period up to the date of grant to such person exceeding 1% of the maximum aggregate number of shares for the time being issued and which may fall to be issued under the Share Options Scheme.

On 27 August 2004, the Company granted certain employees under the Share Option Scheme a total of 12,000,000 share options to subscribe for the Company's shares of HK\$0.01 each, at an exercise price of HK\$0.34 per share, exercisable at any time from 27 August 2004 to 26 August 2014. The exercise price of the share options of HK\$0.34 per share was determined with reference to the average closing price of the Company's shares as quoted on 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, 2,210,000 share options were exercised by certain employees, which resulted in the issue of 2,210,000 ordinary shares of the Company and additional share capital of RMB23,000 and share premium of RMB773,000.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

The following share options were outstanding under the Share Option Scheme during the year:

Name or category of participant	Number of share options				At 31 December 2004	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$	Price of Company's shares***	
	At 1 January 2004	Granted during the year	Exercised during the year	Lapsed during the year					At grant date of options HK\$	At exercise date of options 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	-
	-	6,000,000	-	-	6,000,000					
Chief executives										
Mr. Wang Ning	-	100,000	(30,000)	-	70,000	27 August 2004	27 August 2004 to 26 August 2014	0.34	0.34	0.34
Mr. Xu Dong Hui	-	100,000	(30,000)	-	70,000	27 August 2004	27 August 2004 to 26 August 2014	0.34	0.34	0.34
Mr. Guo Wei	-	100,000	(30,000)	-	70,000	27 August 2004	27 August 2004 to 26 August 2014	0.34	0.34	0.34
	-	300,000	(90,000)	-	210,000					
Other employees										
In aggregate	-	5,700,000	(2,120,000)	(340,000)	3,240,000	27 August 2004	27 August 2004 to 26 August 2014	0.34	0.34	0.34
Total	-	12,000,000	(2,210,000)	(340,000)	9,450,000					

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

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

At the balance sheet date, the Company had 9,450,000 share options outstanding under the Share Option Scheme, which represented approximately 0.9% of the Company's shares in issue as at 31 December 2004. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 9,450,000 additional ordinary shares of the Company and additional share capital of RMB101,000 and share premium of RMB3,306,000 (before issue expenses).

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

27. RESERVES

Company	Share premium <i>RMB'000</i>	Contribution surplus <i>RMB'000</i>	Exchange fluctuation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
		(a)			
At 1 January 2003	69,800	24,620	–	6,275	100,695
Net profit for the year	–	–	–	7,650	7,650
Dividends	–	–	–	(13,834)	(13,834)
Exchange realignment	–	–	457	–	457
At 31 December 2003	69,800	24,620	457	91	94,968
Issuance of shares pursuant to share options	773	–	–	–	773
Net profit for the year	–	–	–	15,654	15,654
Dividends	–	–	–	(13,790)	(13,790)
Exchange realignment	–	–	(437)	–	(437)
At 31 December 2004	<u>70,573</u>	<u>24,620</u>	<u>20</u>	<u>1,955</u>	<u>97,168</u>

(a) Contribution surplus

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

(b) Statutory surplus reserve

In accordance with the Company Law of the PRC and the articles of association of the PRC subsidiaries, certain PRC subsidiaries are required to allocate 5% to 10% of their profits after tax, as determined in accordance with 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 liquidation of these subsidiaries. EEF must be used for production and operation expansion purposes.

28. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

(a) Interest rate risk

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

The Group does not hedge interest rate fluctuations.

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

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

(b) *Exchange rate risk*

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

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

(c) *Credit risk*

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

(d) *Credit risk exposures*

The Group's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event that the counterparts fail to perform their obligations as at 31 December 2004 in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the consolidated balance sheet.

(e) *Significant concentrations of credit risk*

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

As at 31 December 2003 and 2004, the Group's unbilled amounts due from customers for contract works amounted to approximately RMB108,203,000 and RMB146,041,000, respectively. The unbilled amount due from customers for contract works accounted for approximately 32% and 37% of the Group's total assets as at 31 December 2003 and 2004, respectively. The Group bills its customers for services provided in accordance with payment terms as stipulated in the intelligent information solution contracts signed with its customers. Therefore, the Group has a significant concentrations of credit risk for unbilled amounts due from customers for contract works as set out above.

(f) *Net fair values*

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

29. CONTINGENT LIABILITIES

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

30. COMMITMENTS

Group	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Future minimum lease rentals payable under non-cancellable operating leases expiring:		
Within one year	2,707	1,986
In the second to fifth years, inclusive	<u>2,749</u>	<u>2,320</u>
	<u>5,456</u>	<u>4,306</u>
Capital commitments:		
Contracted, but not provided for Property, plant and equipment	<u>3,200</u>	<u>6,050</u>
Investment in an associate	<u>3,750</u>	<u>–</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

Company	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Future minimum lease rentals payable under non-cancellable operating leases expiring:		
Within one year	321	679
In the second to fifth years, inclusive	188	1,583
	509	2,262

The Group and the Company did not have any other significant capital expenditure and commitments as at 31 December 2004.

31. POST BALANCE SHEET EVENTS

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 share. 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.

On 29 March 2005, the directors proposed a final dividend of HK\$0.8 cents per ordinary share. The proposed dividend is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting.

32. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Company and its subsidiaries had the following material transactions with related parties:

Name of related parties	Nature of transactions	2004 <i>RMB'000</i>	2003 <i>RMB'000</i>
Group			
Sino Stride Holdings Limited (“HKSS”) (<i>note a</i>)	Operating lease of buildings from the related company (<i>note d</i>)	553	600
Hangzhou Advance Technology Company Limited (“HAT”) (<i>note b</i>)	Subcontracting to the related company (<i>note e</i>)	1,037	–
Company			
HKSS (<i>note a</i>)	Operating lease of buildings from the related company (<i>note d</i>)	553	600
Ever Create Profits Limited (“ECP”) (<i>note c</i>)	Provision of management services to the related company (<i>note f</i>)	265	468
ECP (<i>note c</i>)	Provision of sales arrangement services to the related company (<i>note g</i>)	2,417	2,728
Chau Chit (<i>note h</i>)	Share options granted to a director (<i>note h</i>)	1,020	–
Wong Wai Tin (<i>note h</i>)	Share options granted to a director (<i>note h</i>)	680	–
Shen Yue (<i>note h</i>)	Share options granted to a director (<i>note h</i>)	340	–
Sino Stride Technology Co., Ltd. (“SST”) (<i>note c</i>)	Advance from the related company (<i>note i</i>)	1,618	1,579
Sino Stride (BVI) Limited (“Sino BVT”) (<i>note c</i>)	Advance to the related company (<i>note j</i>)	49,880	50,160
ECP (<i>note c</i>)	Advance to the related company (<i>note j</i>)	30,065	10,778
Choice Delta Assets Limited (“CDA”) (<i>note c</i>)	Advance to the related company (<i>note j</i>)	5,065	533

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

Notes:

- (a) HKSS is 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.
- (b) HAT is a company in which Mr. Zhang Xiao Feng, a former director of the Company, has 48% equity interest. The transactions were entered into during the service of his directorship.
- (c) ECP, SST, Sino BVI and CDA are subsidiaries of the Company.
- (d) On 19 April 2002, HKSS, as landlords, entered into two lease agreements 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 rentals of HK\$21,000, as determined based on approximate prevailing market prices; and
 - ii. an apartment located at Flat F, 22/F, Tower One, Park Tower, 1 King's road, Causeway Bay, Hong Kong, for use as living quarters for the directors for a term of five years each commencing from 19 April 2002, at monthly rentals of HK\$26,000, as determined based on approximate prevailing market prices.
- (e) On 24 April 2004, SST and HAT entered into a subcontracting agreement. Pursuant to the agreement, SST subcontracted contract works amounting to RMB1,036,000 to HAT. In the opinion of the directors, this transaction was carried out based on normal commercial terms and in accordance with the terms of the underlying agreement.
- (f) These transactions have been entered into in the normal course of business and have been transacted based on the terms and conditions determined by agreement of the parties.
- (g) On 1 February 2003, the Company entered into an agreement with ECP in relation to the provision of sales arrangement services. The sales arrangement service charges, as determined by agreement of both parties, are set at 5% of the turnover of ECP.
- (h) On 27 August 2004, share options were granted to Mr. Chau Chit, Mr. Wong Wai Tin and Mr. Shen Yue in respect of their services to the Group under the Company's Share Option Scheme. The theoretical values of the shares of RMB1,020,000, RMB680,000 and RMB340,000, respectively, which is computed based on the exercise price of HK\$0.34 per share. The exercise price was determined with reference to the average closing price of the Company's shares as quoted on the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant.
- (i) The advance from SST is unsecured, interest-free and has no fixed term of repayment as set out in note 15 to the financial statements.

Had interest been charged on the outstanding amount due to the subsidiary, based on the official lending rate in the PRC quoted by the People's Bank of China of approximately 5.76% per annum for the year ended 31 December 2004, the Company would have borne interest expenses, net of tax, of approximately RMB79,000 (2003: RMB77,000) for the year ended 31 December 2004.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

- (j) The advances to the subsidiaries are unsecured, interest-free and has no fixed term of repayment as set out in note 15 to the financial statements.

Had interest been charged on the outstanding amount due from the subsidiaries, based on the official interest rate in Hong Kong quoted by the Hongkong and Shanghai Banking Corporation Limited of approximately 2.25% per annum for the year ended 31 December 2004, the Company would have an interest income, net of tax, of approximately RMB1,578,000 (2003: RMB1,141,000) for the year ended 31 December 2004.

In addition to the above disclosed transactions, on 21 December 2004, Sino Stride Technology Co., Ltd. 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 Kinetics Limited, a fellow subsidiary of the Company’s substantial shareholder, Singapore Technologies Electronics Limited, and Zhejiang University Logistics and Investment Holdings Company. According to the JV Agreement, Sino Stride Technology Co., Ltd. will contributed RMB3,750,000 in cash in 2005, representing 25% of the registered capital of the joint venture. No capital contribution was paid as at 31 December 2004.

The directors of the Company are of the opinion that the above transactions with related parties were carried out based on normal commercial terms in the ordinary course of business.

33. COMPARATIVE AMOUNTS

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

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2005.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

3. UNAUDITED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2005

The following is the reproduction of the announcement of SST Group dated 12 August 2005 in relation to the unaudited financial information for the six months ended 30 June 2005:

Condensed Consolidated Income Statement

	<i>Notes</i>	(Unaudited)		(Unaudited)	
		Three months ended 30 June		Six months ended 30 June	
		2005	2004	2005	2004
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	3	64,697	78,727	109,414	117,565
Cost of sales		<u>(53,008)</u>	<u>(66,142)</u>	<u>(84,171)</u>	<u>(93,716)</u>
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		<u>(4,771)</u>	<u>(5,679)</u>	<u>(11,799)</u>	<u>(10,211)</u>
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		<u>151</u>	<u>11</u>	<u>(95)</u>	<u>(5)</u>
Profit before tax		3,247	3,383	3,989	6,160
Income tax	7	<u>872</u>	<u>(670)</u>	<u>832</u>	<u>(1,257)</u>
Profit for the period		<u>4,119</u>	<u>2,713</u>	<u>4,821</u>	<u>4,903</u>
Attributable to:					
Shareholders of the Company		3,695	2,583	4,170	4,833
Minority interests		<u>424</u>	<u>130</u>	<u>651</u>	<u>70</u>
		<u>4,119</u>	<u>2,713</u>	<u>4,821</u>	<u>4,903</u>
Earnings per share					
– Basic and diluted (<i>RMB cents</i>)	8	<u>0.34</u>	<u>0.24</u>	<u>0.38</u>	<u>0.45</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

Condensed Consolidated Balance Sheet

As at 30 June 2005

		(Unaudited)	(Audited)
		30 June	31 December
		2005	2004
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment	<i>10</i>	9,585	10,796
Intangible assets	<i>11</i>	8,052	8,435
Goodwill		163	163
Interests in associates	<i>12</i>	4,442	2,662
Long term investments		<u>2,500</u>	<u>2,500</u>
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	<i>13</i>	13,449	11,675
Trade receivables	<i>14</i>	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		<u>60,038</u>	<u>18,459</u>
Total current assets		<u>410,370</u>	<u>369,970</u>
Current liabilities			
Bank loans	<i>15</i>	73,000	67,873
Trade and notes payable	<i>16</i>	119,604	101,240
Accrued liabilities and other payables		76,239	51,391
Tax payable		<u>3,955</u>	<u>7,047</u>
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		<u>–</u>	<u>95</u>
Net assets		<u><u>162,314</u></u>	<u><u>166,880</u></u>
Represented by:			
Capital and reserves			
Issued capital		11,514	11,514
Reserves		<u>143,928</u>	<u>148,970</u>
		155,442	160,484
Minority interests		<u>6,872</u>	<u>6,396</u>
		<u><u>162,314</u></u>	<u><u>166,880</u></u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

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	Con- tribution surplus	Statutory surplus reserve	Enterprise expansion fund	Exchange fluctuation reserve	Retained profits	Minority interests	Total
	(a)	(b)	(c)						
	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 realignment	–	–	–	–	–	(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.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

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) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2005 <i>RMB'000</i>	2004 <i>RMB'000</i>	2005 <i>RMB'000</i>	2004 <i>RMB'000</i>
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
Other revenue	242	59	1,014	202
Total revenue	<u>64,939</u>	<u>78,786</u>	<u>110,428</u>	<u>117,767</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

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	ended 30 June		2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	1,700	13,156	107,714	104,409	109,414	117,565
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					4,821	4,903
Attributable to:						
Shareholders of the Company					4,170	4,833
Minority interests					651	70
					4,821	4,903

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

5. PROFIT FROM OPERATING ACTIVITIES

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

	(Unaudited)		(Unaudited)	
	Three months		Six months	
	ended 30 June		ended 30 June	
	2005	2004	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>4,305</u>	<u>3,040</u>	<u>9,214</u>	<u>6,080</u>

6. FINANCE COSTS

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

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

7. INCOME TAX

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 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
	<u>397</u>	<u>670</u>	<u>668</u>	<u>1,257</u>
Overprovision in prior year				
– The PRC	(1,269)	–	(1,500)	–
	<u>(1,269)</u>	<u>–</u>	<u>(1,500)</u>	<u>–</u>
Total	<u>(872)</u>	<u>670</u>	<u>(832)</u>	<u>1,257</u>

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).

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

10. PROPERTY, PLANT AND EQUIPMENT

	(Unaudited)	(Audited)
	At 30 June	At 31 December
	2005	2004
	<i>RMB'000</i>	<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><u>9,585</u></u>	<u><u>10,796</u></u>

11. INTANGIBLE ASSETS

	Deferred development costs	
	(Unaudited)	(Audited)
	At 30 June	At 31 December
	2005	2004
	<i>RMB'000</i>	<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><u>8,052</u></u>	<u><u>8,435</u></u>

12. INTEREST IN ASSOCIATES

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

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

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	<u>13,449</u>	<u>11,675</u>

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

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

14. TRADE RECEIVABLES

The ages of the trade receivables are analysed as follows:

	(Unaudited)	(Audited)
	At 30 June	At 31 December
	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
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

		(Unaudited)	(Audited)
	<i>Note</i>	At 30 June	At 31 December
		2005	2004
		<i>RMB'000</i>	<i>RMB'000</i>
Unsecured	<i>(a)</i>	<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)	(Audited)
	At 30 June	At 31 December
	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
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>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

17. THE COMMITMENTS

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

	(Unaudited) At 30 June 2005 <i>RMB'000</i>	(Audited) At 31 December 2004 <i>RMB'000</i>
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	<u>1,791</u>	<u>2,749</u>
	<u>3,949</u>	<u>5,456</u>
Capital commitments:		
investment in an associate	<u>1,875</u>	<u>3,750</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

4. UNAUDITED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2005

The following is the reproduction of the announcement of SST Group dated 11 November 2005 in relation to the unaudited financial information for the nine months ended 30 September 2005:

Condensed Consolidated Income Statement

	<i>Notes</i>	(Unaudited)		(Unaudited)	
		Three months ended		Nine months ended	
		30 September		30 September	
		2005	2004	2005	2004
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	3	70,994	67,333	180,408	184,898
Cost of sales		<u>(59,570)</u>	<u>(51,376)</u>	<u>(143,741)</u>	<u>(145,092)</u>
Gross profit		11,424	15,957	36,667	39,806
Other revenue	3	2,769	111	3,783	313
Selling and distribution costs		(6,409)	(7,009)	(14,659)	(12,920)
Administrative costs		(2,447)	(2,538)	(14,246)	(12,749)
Other operating costs		<u>–</u>	<u>(164)</u>	<u>–</u>	<u>(164)</u>
Profit from operating activities	5	5,337	6,357	11,545	14,286
Finance costs	6	(1,158)	(1,055)	(3,282)	(2,819)
Share of losses of associates		<u>(193)</u>	<u>(206)</u>	<u>(288)</u>	<u>(211)</u>
Profit before tax		3,986	5,096	7,975	11,256
Income tax	7	<u>(1,106)</u>	<u>(1,127)</u>	<u>(274)</u>	<u>(2,384)</u>
Profit for the period		<u>2,880</u>	<u>3,969</u>	<u>7,701</u>	<u>8,872</u>
Attributable to:					
Shareholders of the Company		3,069	4,293	7,239	9,126
Minority interests		<u>(189)</u>	<u>(324)</u>	<u>462</u>	<u>(254)</u>
		<u>2,880</u>	<u>3,969</u>	<u>7,701</u>	<u>8,872</u>
Earnings per share					
– Basic and diluted					
(<i>RMB cents</i>)	8	<u>0.3</u>	<u>0.4</u>	<u>0.7</u>	<u>0.8</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

Condensed Consolidated Statement Of Changes In Equity

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

	Issued capital	Share premium	Con- tribution surplus	Statutory surplus reserve	Enterprise expansion fund	Exchange fluctuation reserve	Retained profits	Minority interests	Total
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>(a)</i> <i>RMB'000</i>	<i>(b)</i> <i>RMB'000</i>	<i>(c)</i> <i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	-	-	-	-	-	-	7,239	462	7,701
Dividends	-	-	-	-	-	-	(9,212)	(175)	(9,387)
As at 30 September 2005	<u>11,514</u>	<u>70,573</u>	<u>13,499</u>	<u>3,230</u>	<u>2,349</u>	<u>14</u>	<u>57,332</u>	<u>6,683</u>	<u>165,194</u>
As at 1 January 2004	11,491	69,800	13,499	2,480	1,611	240	51,054	5,717	155,892
Share issue under share option scheme	<i>(d)</i> 23	773	-	-	-	-	-	-	796
Exchange realignment	-	-	-	-	-	(240)	-	-	(240)
Derecognition of negative goodwill	-	-	-	-	-	-	587	-	587
Net profit for the period	-	-	-	-	-	-	9,126	(254)	8,872
Transferred to reserves	-	-	-	738	738	-	(1,476)	-	-
Dividends	-	-	-	-	-	-	(13,758)	(150)	(13,908)
As at 30 September 2004	<u>11,514</u>	<u>70,573</u>	<u>13,499</u>	<u>3,218</u>	<u>2,349</u>	<u>-</u>	<u>45,533</u>	<u>5,313</u>	<u>151,999</u>

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%

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

of the registered capital of the PRC subsidiaries, and part of the SSR may be converted to increase the paid-up capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(c) Enterprise expansion fund

In accordance with the Company Law of the PRC, certain PRC subsidiaries are required to transfer 5% to 10% of its profit after tax, as determined in accordance with PRC GAAP applicable to the PRC subsidiaries, to the enterprise expansion fund (“EEF”), which is a non-distributable reserve other than in the event of the liquidation of these subsidiaries. EEF must be used for production and operation expansion purposes.

(d) Shares issued under share option scheme

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

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

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		Nine months ended	
	30 September		30 September	
	2005	2004	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	70,994	67,333	180,408	184,898
Interest income	53	78	177	264
Gain on disposal of property, plant and equipment	2,357	–	2,363	–
Others	359	33	1,243	49
	<u>2,769</u>	<u>111</u>	<u>3,783</u>	<u>313</u>
Other revenue				
Total revenue	<u>73,763</u>	<u>67,444</u>	<u>184,191</u>	<u>185,211</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

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 nine months ended 30 September 2005.

	Unaudited nine months ended 30 September					
	Hong Kong SAR		The Mainland of the PRC		Consolidated	
	2005	2004	2005	2004	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	<u>1,700</u>	<u>25,181</u>	<u>178,708</u>	<u>159,717</u>	<u>180,408</u>	<u>184,898</u>
Segment results	(131)	3,144	14,630	13,390	14,499	16,534
Unallocated corporate expenses					(2,955)	(2,543)
Amortisation of goodwill					–	(18)
Other revenue					<u>1</u>	<u>313</u>
Profit from operating activities					11,545	14,286
Finance costs					(3,282)	(2,819)
Share of losses of associates					<u>(288)</u>	<u>(211)</u>
Profit before tax					7,975	11,256
Income tax					<u>(274)</u>	<u>(2,384)</u>
Profit for the period					<u><u>7,701</u></u>	<u><u>8,872</u></u>
Attributable to:						
Shareholders of the Company					7,239	9,126
Minority interests					<u>462</u>	<u>(254)</u>
					<u><u>7,701</u></u>	<u><u>8,872</u></u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

5. PROFIT FROM OPERATING ACTIVITIES

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

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2005	2004	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of sales	59,570	51,376	143,741	145,092
Auditors' remuneration	158	185	560	584
Amortisation of intangible assets	563	236	1,517	828
Amortisation of goodwill	–	6	–	18
Depreciation of property, plant and equipment	542	416	1,676	1,572
Minimum lease payment under operating leases for buildings	674	565	2,141	1,679
Staff costs:				
Retirement benefits	112	157	277	413
Other staff costs	3,179	3,358	12,066	9,649
Total staff costs	3,291	3,515	12,343	10,062
Less: Amount classified as deferred development costs	(1,108)	(292)	(1,108)	(859)
	<u>2,183</u>	<u>3,223</u>	<u>11,235</u>	<u>9,203</u>

6. FINANCE COSTS

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2005	2004	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank loans repayable within one year	1,105	918	3,152	2,582
Bank charges and commissions	53	137	130	237
	<u>1,158</u>	<u>1,055</u>	<u>3,282</u>	<u>2,819</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

7. INCOME TAX

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	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	–	131	–	492
– The mainland of PRC	<u>1,084</u>	<u>996</u>	<u>1,752</u>	<u>1,892</u>
	1,084	1,127	1,752	2,384
Under/(over) provision in prior year				
– The PRC	<u>22</u>	<u>–</u>	<u>(1,478)</u>	<u>–</u>
Total	<u><u>1,106</u></u>	<u><u>1,127</u></u>	<u><u>274</u></u>	<u><u>2,384</u></u>

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 September 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 nine months ended 30 September 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 nine months periods ended 30 September 2005 is based on the net profit attributable to shareholders of approximately RMB3,069,000 and RMB7,239,000 (2004: RMB4,293,000 and RMB9,126,000) and the number of 1,086,300,000 ordinary shares in issue for the three months and nine months ended 30 September 2005 (2004: weighted average number of 1,084,186,087 and 1,084,122,145 ordinary shares in issue for the three months and nine months ended 30 September 2004).

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

9. INTERIM DIVIDENDS

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

APPENDIX I FINANCIAL INFORMATION RELATING TO THE SST GROUP

5. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 December 2005, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this document, the SST Group had outstanding borrowings of approximately HK\$82,866,000, which was analysed as follows:

	<i>HK\$'000</i>
Secured	
Trust receipt loans and bank loans secured by the pledged bank deposits and inventories of SST Gourp, and properties pledged from a related company repayable within one year	8,338
Unsecured	
Bank loans repayable within one year	<u>74,528</u>
	<u><u>82,866</u></u>

One of the subsidiaries of the SST Group has provided two corporate guarantees in the aggregate amount of RMB10,000,000 (approximately at HK\$9,434,000) in favour of an independent third party based in PRC on 31 October 2005 and 31 December 2005, respectively. That independent third party has also provided two corporate guarantees in the aggregate amount of RMB 10,000,000 (approximately at HK\$ 9,434,000) on 21 September 2005 and 1 December 2005, respectively.

Save as disclosed above, and apart from intra-group liabilities, the SST Group did not have outstanding at the close of business on 31 December 2005 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

6. MATERIAL CHANGES

Save for the information as disclosed in the quarterly reports of SST for the three months ended 31 March 2005 and nine months ended 30 September 2005 and the interim report of SST for the six months ended 30 June 2005 respectively, the SST Directors are not aware of any material change in the financial or trading position or outlook of the SST Group since 31 December 2004, the date to which the latest published audited financial statements of the SST Group were made up.

1. RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Listing Rules and the Takeovers Code. The SST Directors jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than that relating to the Offeror, SCT and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document (other than those of or in relation to Offeror, SCT and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained herein, the omission of which would make any statement contained herein (other than that relating to Offeror, SCT and parties acting in concert with it) misleading.

The information contained herein relating to the Offeror, SCT and parties acting in concert with it and their intention with respect to the SST Group and information contained herein relating to the Share Exchange Offer has been extracted from the Offer Document. The SST Directors jointly and severally accept full responsibility for the correct extraction of such information and further confirm, to the best of the SST Directors' knowledge, that there are no other facts not contained herein, the omission of which would make any extraction misleading.

2. SHARE CAPITAL

(a) Share capital

<i>Authorised share capital:</i>		<i>HK\$</i>
<u>2,000,000,000</u>	SST Shares	<u>20,000,000</u>
<i>Issued, fully paid or credited as fully paid as at the Latest Practicable Date:</i>		
<u>1,086,300,000</u>	SST Shares	<u>10,863,000</u>

All the SST Shares rank *pari passu* in all aspects, including all rights as to dividend, voting and interests in the capital.

The SST Shares are listed on and traded on the GEM of the Stock Exchange. No SST Shares are listed on or dealt in, nor is any listing of or permission to deal in the SST Shares being, or proposed to be, sought on any other stock exchange. No SST Shares have been issued since 31 December 2004 (being the date to which the latest published audited consolidated accounts of the SST Group were made up) and up to the Latest Practicable Date.

(b) SST share option scheme

Pursuant to written resolutions of the shareholders of SST dated 16 July 2002, a share option scheme of SST was approved and adopted. On 27 August 2004, SST granted options to directors, namely, Mr. Chau Chit, Mr. Wong Wai Tin and Mr. Shen Yue and certain employees under the said share option scheme a total of 12,000,000 share options to subscribe for SST Shares which are exercisable at any time from 27 August 2004 to 26 August 2014 at an exercise price of HK\$0.34 per share. On 27 September 2004, as to 2,210,000 share options were exercised by certain employees of the Group. As at the Latest Practicable Date, SST has no options outstanding as all outstanding share options were cancelled by SST with consent by the grantees on or about 11 November 2005.

As at the Latest Practicable Date, SST did not have any outstanding equity securities (including equity related convertible securities, warrants, options or subscription rights in respect of any equity share capital).

3. MARKET PRICES

The table below shows the closing prices of the SST Shares quoted on the Stock Exchange on (i) the last trading day for each of the calendar months during the period commencing six months preceding the date of the Announcement and ending on the Latest Practicable Date, (ii) the Last Trading Day; (iii) the last day on which trading took place in each of the calendar months after the Announcement up to the Latest Practicable Date and (iv) the Latest Practicable Date:

Date	Closing price per SST Share HK\$
30 June 2005	0.310
29 July 2005	0.310
31 August 2005	0.315
30 September 2005	0.300
31 October 2005	0.295
30 November 2005	0.320
15 December 2005 (the Last Trading Day)	0.335
30 December 2005	0.330
27 January 2006	0.290
28 February 2006 (the Latest Practicable Date)	0.280

The highest and lowest closing prices per SST Share recorded on the Stock Exchange during the relevant period were HK\$0.340 recorded on 14 December 2005 and HK\$0.230 recorded on 15 November 2005 respectively. There are no other securities of SST which are listed on the Stock Exchange.

4. DISCLOSURE OF INTERESTS

Interests of the directors and chief executives of SST

As at the Latest Practicable Date, the interests of the SST Directors and chief executive of SST in the SST Shares, underlying SST Shares and debentures of SST or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to SST and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register maintained by SST pursuant to section 352 of the SFO; or (iii) were required to be notified to SST and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules; or (iv) were required to be disclosed in this document pursuant to the Takeovers Code were as follows:

Long positions in SST Shares

Name	Number of SST Shares	Capacity	Approximate percentage of interest (%)
Mega Start (<i>Note 1</i>)	451,740,000	Beneficial owner	41.59%
Mr. Chau Chit (<i>Note 1</i>)	451,740,000	Interest in a controlled corporation	41.59%
Ms. Ting Hiu Wan (<i>Note 1</i>)	451,740,000	Interest in a controlled corporation	41.59%
Mr. Wong Wai Tin (<i>Note 1</i>)	451,740,000	Interest in a controlled corporation	41.59%
Mr. Wong Wai Tin (<i>Note 2</i>)	2,500,000	Beneficial owner	0.23%

Notes:

1. Mega Start, the single largest shareholder of SST, which is owned as to 50% by Mr. Chau Chit, a director of SST, 30% by Ms. Ting Hiu Wan, the spouse of Mr. Chau Chit and 20% by Mr. Wong Wai Tin, a director of SST.
2. The 2,500,000 SST Shares are held by Mr. Wong Wai Tin directly.

Short positions in SST Shares

Name	Number of SST Shares	Capacity	Approximate percentage of interest (%)
Mega Start (<i>Note 3</i>)	451,740,000	Beneficial owner	41.59%
Mr. Chau Chit (<i>Note 3</i>)	451,740,000	Interest in a controlled corporation	41.59%
Ms. Ting Hiu Wan (<i>Note 3</i>)	451,740,000	Interest in a controlled corporation	41.59%
Mr. Wong Wai Tin (<i>Note 3</i>)	451,740,000	Interest in a controlled corporation	41.59%
Mr Wong Wai Tin (<i>Note 4</i>)	2,500,000	Beneficial owner	0.23%

Notes:

- On 23 December 2005, Mega Start, which is owned as to 50% by Mr. Chau Chit, a director of SST, 30% by Ms. Ting Hiu Wan, the spouse of Mr. Chau Chit and 20% by Mr. Wong Wai Tin, a director of SST, has tendered 451,740,000 SST Shares for acceptance of the Share Exchange Offer.
- The 2,500,000 SST Shares were held by Mr. Wong Wai Tin directly. On 23 December 2005, Mr. Wong Wai Tin has tendered 2,500,000 SST Shares for acceptance of the Share Exchange Offer.

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of SST, none of the SST Directors or chief executive of SST had any interests or short positions in the SST Shares, underlying SST Shares or debentures of SST or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to SST and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register required to be kept by SST pursuant to section 352 of the SFO; or (c) otherwise to be notified to SST and the Stock Exchange pursuant to the Rule 5.46 of the GEM Rules or which were required to be disclosed in this document pursuant to the requirements of the Takeovers Code.

Interests in the Offeror and arrangement affecting SST Directors

As at the Latest Practicable Date,

- there is no benefit (other than statutory compensation) to be given to any SST Director as compensation for loss of office or otherwise in connection with the Share Exchange Offer;

- (b) there are no agreements or arrangements between any SST Director and any other person which is conditional or dependent upon the outcome of the Share Exchange Offer or otherwise connected with the Share Exchange Offer; and
- (c) there are no material contracts entered into by the Offeror and/or SCT in which any SST Director has a material personal interest.

Other disclosure of interests

- (a) As at the Latest Practicable Date:
 - (i) SST did not own or had any interest in any securities of SCT and/or the Offeror;
 - (ii) no SST Directors owned or had any interest in any securities of SCT and/or the Offeror;
 - (iii) no member of the SST Group or any pension fund of any member of the SST Group owned or had any interest in any securities of SST or SCT or the Offeror;
 - (iv) none of First Shanghai, Partners Capital International Limited or any advisers to SST as specified in class (2) of the definition of associate under the Takeovers Code owned or had any interest in any securities of SST or SCT or the Offeror; and
 - (v) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between SST, or any person who was an associate of SST by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code, and any other person.
- (b) During the period commencing 6 months prior to 23 December 2005 and ending on the Latest Practicable Date:
 - (i) SST had not dealt for value in any securities of SCT and/or the Offeror;
 - (ii) no SST Directors had dealt for value in any securities of SCT and/or the Offeror; and
 - (iii) no SST Directors had dealt for value in any securities of SST.

- (c) During the period commencing from 23 December 2005 and ending on the Latest Practicable Date:
- (i) no member of the SST Group or any pension fund of any member of the SST Group had dealt for value in any securities of SST or SCT or the Offeror;
 - (ii) none of First Shanghai, Partners Capital International Limited or any advisers to SST as specified in class (2) of the definition of associate under the Takeovers Code had dealt for value in any securities of SST or SCT or the Offeror;
 - (iii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with SST or any person who was an associate of SST by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code had dealt for value in any securities of SST or SCT or the Offeror; and
 - (iv) no fund manager connected with SST who managed the shareholdings of SST on a discretionary basis had dealt for value in any securities of SST or SCT or the Offeror.

5. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to any SST Director or chief executive of SST, the following persons, other than the interests disclosed above in the paragraph “Interests of the Interests of the directors and chief executives of SST”, had interest or short position in SST Shares or underlying SST Shares which would fall to be disclosed to SST under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly, interested in 5% or more of the nominal value of any class of shares capital carrying rights to vote in all circumstances at general meetings of any member of the SST Group:

Long positions in SST Shares and in equity derivatives in, or in respect of, underlying SST Shares

Substantial shareholders	Notes	Capacity and nature of interest	Number of ordinary shares/issued capital held	Percentage of SST's issued share capital
SST				
Mega Start	(a)	Directly beneficially owned	451,740,000	41.59%
Mr. Chau Chit	(a)	Through a controlled corporation	451,740,000	41.59%

Substantial shareholders	Notes	Capacity and nature of interest	Number of ordinary shares/issued capital held	Percentage of SST's issued share capital
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%
Singapore Technologies Electronics Limited ("ST Electronics")	(b)	Directly beneficially owned	304,260,000	28.00%
Singapore Technologies Engineering Ltd. corporation ("ST Engineering")	(b)	Through a controlled corporation	304,260,000	28.00%
Temasek Holdings (Private) Ltd. ("Temasek Holdings")	(b)	Through a controlled corporation	304,260,000	28.00%

Notes:

- (a) Mega Start, the single largest shareholder of SST, 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.

Short positions in SST Shares

Name	Number of SST Shares	Capacity	Approximate percentage of interest (%)
Mega Start (Note 3)	451,740,000	Beneficial owner	41.59%
Mr. Chau Chit (Note 3)	451,740,000	Interest in a controlled corporation	41.59%

Name	Number of SST Shares	Capacity	Approximate percentage of interest (%)
Ms. Ting Hiu Wan (<i>Note 3</i>)	451,740,000	Interest in a controlled corporation	41.59%
Mr. Wong Wai Tin (<i>Note 3</i>)	451,740,000	Interest in a controlled corporation	41.59%
Mr Wong Wai Tin (<i>Note 4</i>)	2,500,000	Beneficial owner	0.23%

Notes:

3. On 23 December 2005, Mega Start, which is owned as to 50% by Mr. Chau Chit, a director of SST, 30% by Ms. Ting Hiu Wan, the spouse of Mr. Chau Chit and 20% by Mr. Wong Wai Tin, a director of SST, has tendered 451,740,000 SST Shares for acceptance of the Share Exchange Offer.
4. The 2,500,000 SST Shares were held by Mr. Wong Wai Tin directly. On 23 December 2005, Mr. Wong Wai Tin has tendered 2,500,000 SST Shares for acceptance of the Share Exchange Offer.

6. MATERIAL CONTRACTS

Save as disclosed below, there are no contracts (not being contracts entered into the ordinary course of business carried on) have been entered into by SST or members of the SST Group since 23 December 2003 (being two years immediately preceding the commencement of the offer period in relation to the Share Exchange Offer) and up to the Latest Practicable Date and are or may be material:

- (i) a joint venture agreement dated 21 December 2004 between Sino Stride Technology Co. Ltd. (a subsidiary of SST), Singapore Technologies Kinetics Limited (a fellow subsidiary of ST Electronics) and Zhejiang University Logistics and Investment Holdings Company (a wholly-owned company of Zhejiang University and an independent third party) for the establishment in the PRC of 浙江星時達汽車專業維護有限公司 (STAR (Zhejiang) Automotive Center Co., Ltd) with a total registered capital of RMB15,000,000 (in the proportion of 25%:70%:5%), which is engaged in providing automotive services, including automotive fixing maintaining service, automotive examination and maintenance, damage fixing, automotive beautifying and decorating, trading and supplying of automotive spare parts, training, technology consultation, tow truck service and after-sales technical support, etc.

7. DIRECTORS' SERVICE CONTRACTS

Details of the service contracts with the SST Group or its subsidiaries or associated companies in force for the SST Directors which have more than 12 months to run are set out below:

Name of Director	Contract Term	Contract period	Amount of fixed remuneration	Amount of variable remuneration
Mr. Chau Chit (Note 1)	approximately 3 years	29 July 2002 – 15 July 2005	HK\$25,000 per month	Note 4
	3 years	16 July 2005 – 15 July 2008	HK\$25,000 per month	Note 4
Mr. Wong Wai Tin (Note 1)	approximately 3 years	29 July 2002 – 15 July 2005	HK\$15,000 per month	Note 4
	3 years	16 July 2005 – 15 July 2008	HK\$15,000 per month	Note 4
Mr. Shen Yue	3 years	23 June 2004 – 22 June 2007	RMB120,000 per annum	Note 4
Mr. Wong Wai Kwan (Note 2)	3 years	26 April 2002 – 25 April 2005	HK\$100,000 per annum	N/A
	3 years	26 April 2005 – 25 April 2008	HK\$100,000 per annum	N/A
Mr. Cai Xiao Fu (Note 3)	3 years	26 April 2002 – 25 April 2005	HK\$20,000 per annum	N/A
	3 years	26 April 2005 – 25 April 2008	HK\$20,000 per annum	N/A
Mr. Shi Jian Jun	3 years	23 June 2004 – 22 June 2007	RMB30,000 per annum	N/A
Mr. Li Xiao Qiang, Richard	3 years	15 July 2004 – 14 July 2007	HK\$100,000 per annum	N/A

Notes:

1. Director service contracts with Mr. Chau Chit and Mr. Wong Wai Tin were renewed on 13 February 2006 in the ordinary course of business of SST.
2. Director service contracts with Mr. Wong Wai Kwan was renewed on 23 February 2006 in the ordinary course of business of SST.
3. Director service contracts with Mr. Cai Xiao Fu was renewed on 15 February 2006 in the ordinary course of business of SST.
4. Each of Mr. Chau Chit, Mr. Wong Wai Tin and Mr. Shen Yue is entitled to bonus of not exceeding 5% of the audited consolidated net profit, after taxation and minority interests but before extraordinary and exceptional items, of SST Group for that year.

As at the Latest Practicable Date, save as disclosed above, there are no service contracts with SST or any of its subsidiaries or associated companies in force for the SST Directors which

- (i) have been entered into or amended within 6 months before the commencement of the offer period in relation to the Share Exchange Offer;
- (ii) are continuous contracts with a notice period of more than 12 months; or
- (iii) which are fixed term contracts with more than 12 months to run irrespective of the notice period.

8. LITIGATION

As at the Latest Practicable Date, neither SST nor any of its subsidiaries was engaged in any litigation or claims which is in the opinion of the SST Directors of material importance and no litigation or claims which is in the opinion of the SST Directors of material importance is known to the SST Directors of to be pending or threatened by or against any member of the SST Group.

9. CONSENTS AND QUALIFICATION

The following are the qualifications of the experts who have given opinion or recommendation which are contained in this document:

Name	Qualification
First Shanghai	A corporation licensed to carry out type 6 regulated activity (advising on corporate finance) under the SFO

First Shanghai has given and has not withdrawn their respective written consents to the issue of this document with the inclusion herein of their respective letters or recommendations (as the case may be) and references to their names, in the form and context in which they respectively appear. As at the Latest Practicable Date, First Shanghai has not had any interest in the asset of SST Group.

10. GENERAL

- (a) The registered office of SST is situated at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2861, George Town, British West Indies. The principal place of business of SST is at Room 1208, 12th Floor, Harcourt House, 39 Gloucester Road, Wan Chai, Hong Kong.

(b) The names and the residential addresses of the directors of SST are as follows:

Name	Residential Address
Mr. Chau Chit	Flat D, 9/F, Wisteria Mans, Tai Koo Shing, 4 Tai Koo Wan Road, Hong Kong.
Mr. Wong Wai Tin	Flat F, 22/F, Tower One, Park Tower, 1 King's Road, Causeway Bay, Hong Kong
Mr. Shen Yue	中國杭州杭富公路華庭雲頂8-1513
Mr. Wong Wai Kwan	Flat 3C, Block 3, Rivera Gardens, Tsuen Wan, Hong Kong
Mr. Ng Chong Khim	No. 127 Lentor Street Singapore 786831
Mr. Tay Hun Kiat	No. 7 Frankel Street, Singapore 458048
Mr. Cai Xiao Fu	中國杭州市中山北路觀巷61號1單元303室
Mr. Shi Jian Jun	中國南京市北京西路二號新村12幢303室
Mr. Li Xiaoqiang, Richard	15E, Block 3A, Parc Barcelona, Le Parc, 319 Fuzhong Road, Futian, Shenzhen, China

(c) The secretary of SST is Mr. Chow Shu Wing, CPA.

(d) The qualified accountant of SST is Mr. Chow Shu Wing, CPA.

(e) The English text of this document shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours of Monday to Friday 9 a.m. to 5 p.m. on any weekday excluding Saturdays and public holidays at the office of the Company, Room 1208, 12th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong while the Share Exchange Offer remain open for acceptance:

- (a) the memorandum of association and the articles of association of SST;
- (b) the annual report of SST for the year ended 31 December 2004, the interim report for the six months ended 30 June 2005 and the quarterly reports of SST for the three months ended 31 March 2005 and for the nine months ended 30 September 2005 respectively;
- (c) the letter of advice from First Shanghai contained in this document;

- (d) the letter from the Independent Board Committee contained in this document;
- (e) the letter of irrevocable undertaking from Mega Start and Mr. Wong Wai Tin (a director of SST);
- (f) the material contracts referred to in the paragraph headed “Material contracts” in this appendix;
- (g) the service contracts of Mr. Chau Chit, Mr. Shen Yue, Mr. Wong Wai Tin, Mr. Wong Wai Kwan, Mr. Cai Xiao Fu, Mr. Shi Jian Jun and Mr. Li Xiaoqiang Richard; and
- (h) the written consents referred to in the paragraph headed “Consents” in this appendix.

Copies of these documents will be available for inspection on the SFC website at www.sfc.hk and SST’s website at www.sinostride.com.