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首長科技集團有限公司

SHOUGANG CONCORD TECHNOLOGY HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 521)

**Supplemental document
relating to the
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 Shougang Concord Technology Holdings Limited

CIMB

CIMB-GK Securities (HK) Limited

The procedures for acceptances of the Share Exchange Offer and related information are set out in Appendix II to the Offer Document dated 20 February 2006 and in the Form of Acceptance attached thereto. Acceptance of the Share Exchange Offer must be received by the Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, before 4:00 p.m. on Monday, 3 April 2006 or such later time as the Offeror may determine and announce with the consent of the Executive.

3 March 2006

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LETTER FROM THE COMPANY



首長科技集團有限公司

SHOUGANG CONCORD TECHNOLOGY HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 521)

Directors:

Cao Zhong (*Chairman*)

Zhang Wenhui (*President*)

Tzu San Te

Tse Chun Sing

Chen Jang Fung

Leung Shun Sang, Tony

Chan Wah Tip, Michael

Choy Hok Man, Constance

Kan Lai Kuen, Alice (*Independent Non-executive Director*)

Kwan Bo Ren, Dick (*Independent Non-executive Director*)

Wong Kun Kim (*Independent Non-executive Director*)

Registered office:

Units 4-9 & 15-18

10th Floor, Honour Industrial Centre

6 Sun Yip Street

Chai Wan

Hong Kong

3 March 2006

To the SST Shareholders,

**Supplemental document
relating to the
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**

Reference is made to the Offer Document published by the Company on 20 February 2006 sent to you in respect of the Share Exchange Offer. This supplemental document contains information extracted from the circular of SCT dated 3 March 2006 in respect of the Share Exchange Offer and should be read together with the Offer Document, of which this supplemental document forms part. Terms used herein shall have the same meanings as those defined in the Offer Document, unless the context otherwise requires.

The purpose of this supplemental document is to provide you with further information relating to, among other things, the unaudited pro forma financial information and the management discussion and analysis of the Enlarged Group.

LETTER FROM THE COMPANY

The procedures for acceptances of the Share Exchange Offer and related information are set out in Appendix II to the Offer Document dated 20 February 2006 and in the Form of Acceptance attached thereto. Acceptance of the Share Exchange Offer must be received by the Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, before 4:00 p.m. on Monday, 3 April 2006 or such later time as the Offeror may determine and announce with the consent of the Executive.

Yours faithfully,
For and on behalf of
Shougang Concord Technology Holdings Limited
Cao Zhong
Chairman

The management discussion and analysis of the Enlarged Group in this appendix has been extracted from the circular of SCT dated 3 March 2006 published in relation to the Share Exchange Offer.

1. MANAGEMENT DISCUSSION AND ANALYSIS OF THE PERFORMANCE OF THE SCT GROUP

(i) For the year ended 31 December 2002

The following is the management discussion and analysis principally extracted from the annual report of SCT for the year ended 31 December 2002. Terms and definitions used below shall bear the same respective meaning as defined in such annual report.

GROUP RESULTS

Turnover of the SCT Group dropped to HK\$426,300,000 for the year under review, representing a decrease of HK\$90,000,000 or 17.4%.

The effect of disposal of the SCT Group's subsidiary in Australia and deconsolidation of a joint venture in Shanghai in 2001 contributed to HK\$68,600,000 in drop of turnover.

The SCT Group reported a profit of HK\$25,100,000 for the year ended 31 December 2002 as compared to a loss of HK\$62,700,000 for the year ended 31 December 2001.

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 December 2002, the SCT Group's gearing ratio (total borrowings divided by equity) has increased to 0.50 (2001: 0.09) whereas current ratio (current assets divided by current liabilities) has improved to 4.20 (2001: 2.60).

Bank loans had increased by approximately HK\$17,000,000 to HK\$60,000,000 as at 31 December 2002. As at 31 December 2002, the SCT Group had outstanding convertible bonds with an aggregate amount of HK\$200,000,000, bearing interest at a fixed rate of 2.5% per annum. The SCT Group's borrowings are mostly denominated in Hong Kong dollars. The SCT Group therefore did not adopt any policy to hedge its exposure to foreign exchange fluctuations in 2002.

In 2002, the SCT Group generally financed its operation by internal generated resources and bank and credit facilities provided by banks and financial institutions in Hong Kong. The borrowing requirements of the SCT Group are depending upon the amount of orders on hand and the position of its working capital with no particular seasonal borrowing patterns. The maturity profile of borrowings of the SCT Group as at 31 December 2002 (as extracted from note 24 to the financial statements for the year ended 31 December 2003 disclosed in SCT's annual report for the year ended 31 December 2003) is as follows:

	THE SCT GROUP 2002 HK\$'000	SCT 2002 HK\$'000
On demand or within one year	60,199	57,120
In the second year	–	–
In the third to fifth years inclusive	–	–
After five years	–	–
	<u>60,199</u>	<u>57,120</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(60,199)</u>	<u>(57,120)</u>
Amount due for settlement after 12 months	<u>–</u>	<u>–</u>

After taking into account the existing cash resources and unutilised banking facilities, the directors are of the opinion that the SCT Group will maintain an adequate liquidity position throughout the financial year ending 31 December 2003.

Capital structure

There were no movements in the ordinary share capital of the Company during the year.

Contingent liabilities

The contingent liabilities of the SCT Group, mainly from guarantees for banking facilities granted to a jointly controlled entity, decreased from HK\$104,800,000 as at 31 December 2001 to HK\$83,200,000 as at 31 December 2002.

Pledge of assets

As at 31 December 2002, certain of the SCT Group's assets with an aggregate net book value of HK\$63,600,000 (2001: HK\$47,100,000) were pledged to secure general banking facilities granted to the SCT Group.

BUSINESS REVIEW

Though general economy and consumer confidence was weak in 2002, the SCT Group had implemented cost reduction measures to achieve a turnaround in its financial results. The SCT Group's long term investment on printed circuit board factory in Tianjin continued to show satisfactory profit growth. Based on the improvement of financial results and asset valuation of the long term investment, the SCT Group has decided to write back the impairment provision on this investment.

Telephone accessories and power cords

The segment turnover has increased to approximately HK\$222,705,000 on the back of expansion in sales of new power cord products. The division reported a segment profit before finance cost of approximately HK\$129,000 in 2002 reflecting strengthened cost and stock control measures implemented since last year. The segment margin of this division was approximately 0.1% in 2002.

Adaptors and electronic products

The division has recently completed its restructuring. Despite a substantial drop in the segment turnover to approximately HK\$42,236,000, the division was able to generate a segment profit before finance cost of approximately HK\$194,000 in the year under review. Performance of the division will further be improved as sales order is increasing. The segment margin of this division was approximately 0.5% in 2002.

Printed circuit boards

On 25 September 2002, Printronics China Limited, a wholly-owned subsidiary of the Company, has entered into an agreement with Shanghai Jinling Holdings Company Limited, a connected person of the Company, to dispose its 60.2% equity interest in Shanghai Printronics Circuit Corporation, which was then a loss-making subsidiary of the Company principally engaged in the manufacturing of printed circuit boards, at a cash consideration of RMB48 million. The proceeds from such disposal was used for general working capital purposes.

Business of the Dongguan factory remained stable. This division had generated a segment turnover of approximately HK\$70,102,000 in 2002. Having enhanced control on the production cost and operation efficiency, the factory has further improved its segment profit before finance cost to approximately HK\$3,663,000 in the year under review. The segment margin of this division was approximately 5.2%.

High precision metal parts

The segment turnover of the division rose by 28% to approximately H\$47,710,000 and the division reported a segment profit before finance cost and a segment margin of approximately HK\$1,431,000 and 3.0% respectively in 2002. The division will continue to expand its customer base on non-computer products for business growth.

Freight forwarding and delivery services

Local warehousing and freight forwarding business was operating at a difficult economic environment and marketing condition. Notwithstanding the segment turnover of approximately HK\$26,144,000 generated in 2002, the division incurred a segment loss before finance cost of approximately HK\$1,738,000.

The SCT Group has disposed of its warehouse business to an independent third party at HK\$2,400,000 and discontinued its freight forwarding and delivery services business since January 2003.

Jointly controlled entity – Copper wire

With flexible pricing policy, the jointly controlled entity has successfully maintained its leading position in the supply of copper wire for computer cords in the Pearl River Delta Region. A growth both in turnover and profit was achieved.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2002, the total number of employees in the SCT Group was 3,959.

The remuneration policies of the SCT Group are to ensure the fairness and competitiveness of total remuneration to motivate and retain existing employees and at the same time to attract potential employees. Remuneration packages are structured in such a way that take into account local practices in the various geographical locations in which the SCT Group and its associates operate. These remuneration packages include basic salaries, allowances, retirement schemes, discretionary service bonuses, fixed bonuses, performance related payments and share options where appropriate.

As at 31 December 2002, a total of 4,824,000 employee share options of SCT with exercise price of HK\$0.580 and an exercise period of 10 years were outstanding. The exercise in full of such outstanding employee share options would result in the issue of additional 4,824,000 SCT Shares.

BUSINESS OUTLOOK

Besides enhanced controls on the manufacturing cost of all divisions on a timely basis, the SCT Group will emphasise on control in production yield rate and operation efficiency to improve its gross profit margin.

The SCT Group is currently reviewing investment opportunities which are in line with the existing development strategy of the SCT Group with an aim to strengthen the quality of its investment portfolio and to improve the operational efficiency and the overall financial performance of the SCT Group. The cash holding of the SCT Group at the balance sheet date provides adequate financial resources for the SCT Group to fund its investment opportunities.

Based on the work accomplished during the year and the positive business trend from the latest development of the SCT Group, the Board is optimistic about the performance of the SCT Group in the forthcoming year.

There were no material changes in the market and operation conditions of the SCT Group's business in 2002.

(ii) For the year ended 31 December 2003

The following is the management discussion and analysis principally extracted from the annual report of SCT for the year ended 31 December 2003. Terms and definitions used below shall bear the same respective meaning as defined in such annual report.

GROUP RESULTS

Turnover of the SCT Group dropped to approximately HK\$387,744,000 for the year under review, representing a decrease of approximately HK\$38,525,000 or 9.0%.

The effect of discontinuing warehouse and forwarding and delivery services business contributed to approximately HK\$26,144,000 in drop of turnover.

The SCT Group reported a profit of approximately HK\$22,400,000 for the year ended 31 December 2003 representing a drop of approximately HK\$3,884,000 as compared to 2002.

FINANCIAL REVIEW

Liquidity and financial resources

At 31 December 2003, the SCT Group's gearing ratio (total borrowings divided by equity) has decreased to 0.19 (31 December 2002: 0.50) due to increase of equity through exercise of convertible bonds and placement of new shares, whereas current ratio (Current assets divided by current liabilities) has dropped to 1.38 (31 December 2002: 4.20) due to liquidity fund applied on investment of photomask business.

Bank loans had increased by approximately HK\$86,927,000 to approximately HK\$147,126,000 as at 31 December 2003.

In 2003, the SCT Group generally financed its operation by internal generated resources and bank and credit facilities provided by banks and financial institutions in Hong Kong. The borrowing requirements of the SCT Group are depending upon the amount of orders on hand and the position of its working capital with no particular seasonal borrowing patterns. The maturity profile of borrowings of the SCT Group as at 31 December 2003 (as extracted from note 23 to the financial statements for the year ended 31 December 2004 disclosed in SCT's annual report for the year ended 31 December 2004) is as follows:

	THE SCT GROUP 2003 HK\$'000	SCT 2003 HK\$'000
On demand or within one year	86,426	79,022
More than one year, but not exceeding two years	15,175	15,175
More than two years, but not exceeding five years	45,525	45,525
	<u>147,126</u>	<u>139,722</u>
Less: Amount due for settlement within one year (shown under current liabilities)	<u>(86,426)</u>	<u>(79,022)</u>
Amount due for settlement after one year	<u><u>60,700</u></u>	<u><u>60,700</u></u>

At 31 December 2003, the SCT Group had capital commitments contracted but not provided for amounting to approximately HK\$4,902,000 (31 December 2002: HK\$328,000).

After taking into account the existing cash resources and unutilized banking facilities, the directors are of the opinion that the SCT Group will maintain an adequate liquidity position throughout 2004.

Exposure to fluctuations in exchange rates

Exposure to fluctuation in exchange rates is immaterial to the SCT Group's financial result as both the SCT Group's borrowings and revenue are mostly denominated in Hong Kong Dollars or United States Dollars. The SCT Group therefore did not adopt any policy to hedge its exposure to foreign exchange fluctuations in 2003.

Capital structure

On 21 August 2003, HK\$200,000,000 convertible bonds were exercised at the conversion price of HK\$0.66 per share resulting in the issue of 303,030,303 shares.

On 8 September 2003, 88,000,000 shares were issued for cash at a subscription price of HK\$0.66 per share.

Contingent liabilities

The contingent liabilities of the SCT Group, mainly from guarantees for banking facilities granted to a jointly controlled entity, increased from approximately HK\$83,153,000 as at 31 December 2002 to approximately HK\$101,039,000 as at 31 December 2003.

Pledge of assets

As at 31 December 2003, certain of the SCT Group's assets with an aggregate net book value of approximately HK\$462,404,000 (31 December 2002: HK\$63,600,000) were pledged to secure general facilities granted to the SCT Group.

BUSINESS REVIEW

The decrease in net profit for the year is mainly due to increase in finance cost, upon fund injected into new project for the year and the existence of some non-recurrent income in last year including write back of impairment provision for investment and gain on disposal of investment in a jointly controlled entity.

Telephone accessories and power cords

Sales to external customers dropped 10.8% due to keen competition. Notwithstanding this division had generated a segment turnover of approximately HK\$197,845,000 in 2003, a segment loss before finance cost of approximately HK\$5,294,000 was incurred in the same year. A provision of approximately HK\$4 million has been provided in 2003 to write down the value of obsolete materials and finished goods which adversely affected the performance of the division.

Adaptors and electronic products

New products of electronic switching adaptor have successfully expanded business. Despite rising trend of material cost, the division has improved its result in current year by increase in scrap sales recorded as other income. Notwithstanding this division had generated a segment turnover of approximately HK\$62,861,000 in 2003, a segment loss before finance cost of approximately HK\$289,000 was incurred in the same year.

Printed circuit boards

The operation of Dongguan factory was unable to cope with tightened quality demand of product quality from customers since in the second quarter of the year and turnover of the current year dropped by 10.3%. Following the restructure of the factory management, in the fourth quarter of the year, the factory has greatly improved its product quality and was able to achieve a segment turnover and a segment profit before finance cost of approximately HK\$62,842,000 and HK\$793,000 respectively for the year under review. The segment margin of this division was approximately 1.3% in 2003.

High precision metal parts

The segment turnover and the segment profit before finance cost of this division had increased to approximately HK\$53,665,000 and HK\$4,723,000 respectively in 2003. The segment margin of this division was approximately 8.8% in 2003.

Development of new products, in particular of metal parts for electrical appliances which becomes the major product of the division is attributable to the growth in turnover and profit of the division for the current year.

Discontinuous Business – Freight forwarding and delivery services

The SCT Group has disposed of its loss-making warehouse business to an independent third party at HK\$2,430,000 and discontinued its freight forwarding and delivery services business in January 2003. The division has sustained a segment loss before finance cost of approximately HK\$1.7 million in 2002.

Jointly Controlled Entity – Copper wire

The jointly controlled entity was badly hit by the outbreak of the Severe Acute Respiratory Syndrome (SARS) in the second quarter of the year because the jointly controlled entity has cut down selling price to compete for sales order. Hence, the decrease in profit was substantially mitigated by the strong rebound of sales and gross profit margin in the second half of the year.

Associate – Tianjin Printronic Circuit Corporation (“TPC”)

The SCT Group has reclassified its investment in TPC as an associate from long-term investment since February 2003 following a reorganization scheme implanted to rationalize the structure of TPC. As a result, the SCT Group was able to exercise significant influence over TPC. During the year under review, TPC has reported an increase of turnover by 17.1% and profit by 16.2% in 2003.

New project – Photomasks

In April 2003, the SCT Group commenced the photomask manufacturing business. The purchase of factory premises at Tai Po Industrial Estate was completed on 7 May 2003. The construction of cleaning room facility was completed in August 2003 and installation of machineries was commenced since September 2003. The photomask business was principally financed by the internal resources, the external borrowings and the net proceeds of approximately HK\$56.5 million from the placement effected by SCT in September 2003.

By the end of 2003, the photomask factory has completed its trial run and successfully produced the first set of high quality photomask. Given this, no turnover had been generated by this division in 2003 whilst the loss before financial cost incurred amounted to approximately HK\$1.5 million in the same year. The SCT Group has written off the pre-operating cost before finance cost of approximately HK\$1.5 million for the year ended 31 December 2003.

Employees and remuneration policies

The SCT Group had a total of approximately 3,350 employees as at 31 December 2003.

The remuneration policies of the SCT Group are to ensure the fairness and competitiveness of total remuneration to motivate and retain existing employees and at the same time to attract potential employees. Remuneration packages are structured in such a way that take into account local practices in the various geographical locations in which the SCT Group and its associates operate. These remuneration packages include basic salaries, allowances, retirement schemes, discretionary service bonuses, fixed bonuses, performance related payments and share options where appropriate.

As at 31 December 2003, a total of 4,826,000 employee share options of SCT with exercise prices ranging from HK\$0.495 to HK\$0.580 and an exercise period of 10 years were outstanding. The exercise in full of such outstanding employee share options would result in the issue of additional 4,826,000 SCT Shares.

BUSINESS OUTLOOK

The SCT Group will continue to improve profitability of its original business, which comprises the manufacture and sale of telephone accessories and power cords, adaptors and electronic products, printed circuit boards, high precision metal components and copper wire, through development of new product and enhanced control on operating efficiency and quality control.

At the same time, development of the SCT Group's photomask business is in good progress. The SCT Group is committed to the photomask business development as the first step in its diversification strategy and an additional source of profit in the coming year.

Save for the adverse impact of the outbreak of severe acute respiratory syndrome, there were no material changes in the market and operation conditions of the SCT Group's business in 2003.

(iii) For the year ended 31 December 2004

The following is the management discussion and analysis principally extracted from the annual report of SCT for the year ended 31 December 2004. Terms and definitions used below shall bear the same respective meaning as defined in the annual report of SCT for the year ended 31 December 2004.

GROUP RESULTS

Turnover of the SCT Group has increased to HK\$436,532,000 for the year under review, representing an increase of HK\$48,788,000 or 12.6%.

The SCT Group reported a loss attributable to shareholders of HK\$94,019,000 for the year ended 31 December 2004, representing a drop of HK\$116,419,000 as compared to 2003.

There were no material changes in the market and operation conditions of the SCT Group's business in 2004.

FINANCIAL REVIEW

Liquidity and financial resources

At 31 December 2004, the SCT Group's gearing ratio (total borrowings divided by equity) has increased to 0.29 (31 December 2003: 0.19) whereas current ratio (current assets divided by current liabilities) has dropped to 1.20 (31 December 2003: 1.38). At 31 December 2004, approximately 35.2% of the SCT Group's total borrowings of approximately HK\$211.3 million was at fixed interest rates with reference to the Hong Kong Dollar Prime Rate or foreign currency's Trade Finance Rates.

Bank loans had decreased by approximately HK\$28,978,000 to HK\$118,148,000 as at 31 December 2004.

In 2004, the SCT Group generally financed its operation by internal generated resources and bank and credit facilities provided by banks and financial institutions in Hong Kong. The borrowing requirements of the SCT Group are depending upon the amount of orders on hand and the position of its working capital with no particular seasonal borrowing patterns. The maturity profile of borrowings of the SCT Group as at 31 December 2004 (as extracted from note 23 to the financial statements for the year ended 31 December 2004 disclosed in SCT's annual report for the year ended 31 December 2004) is as follows:

	THE SCT GROUP 2004	SCT 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
On demand or within one year	60,324	51,848
More than one year, but not exceeding two years	19,274	19,274
More than two years, but not exceeding five years	38,550	38,550
	<u>118,148</u>	<u>109,672</u>
Less: Amount due for settlement within one year (shown under current liabilities)	<u>(60,324)</u>	<u>(51,848)</u>
Amount due for settlement after one year	<u><u>57,824</u></u>	<u><u>57,824</u></u>

At 31 December 2004, the SCT Group has capital commitments contracted but not provided for amounting to approximately HK\$278,000 (31 December 2003: HK\$4,902,000).

After taking into account the existing cash resources and unutilized banking facilities, the directors are of the opinion that the SCT Group will maintain an adequate liquidity position throughout 2005.

Exposure to fluctuations in exchange rates

Exposure to fluctuation in exchange rates is immaterial to the SCT Group's financial results as both the SCT Group's borrowings and revenue are mostly denominated in Hong Kong Dollars or United States Dollars. The SCT Group therefore did not adopt any policy to hedge its exposure to foreign exchange fluctuations in 2004.

Capital structure

On 9 January 2004, 4,500,000 share options were exercised at the subscription price of HK\$0.58 per share resulting in issue of 4,500,000 shares.

On 23 April 2004, 800,000 shares options were exercised at the subscription price of HK\$0.58 per share resulting in issue of 800,000 shares.

Contingent liabilities

The contingent liabilities of the SCT Group, mainly from guarantees for banking facilities granted to a jointly controlled entity, increased from approximately HK\$101,039,000 as at 31 December 2003 to approximately HK\$125,610,000 as at 31 December 2004.

Pledge of assets

As at 31 December 2004, certain of the SCT Group's assets with an aggregate net book value of approximately HK\$402,133,000 (31 December 2003: HK\$450,609,000) were pledged to secure general facilities granted to the SCT Group.

BUSINESS REVIEW

The SCT Group reported a loss of HK\$94,019,000 for the year which is attributable from a profit of HK\$20,549,000 from original businesses, a loss of HK\$99,391,000 from photomask project, a loss of HK\$4,340,000 from 3S projects (referring to technologies in respect of geographical information system ("GIS"), global positioning system ("GPS") and remote sensing ("RS")) and total financing cost of HK\$10,837,000 (being the accrued interest expenses on bank borrowings wholly repayable within five years and finance leases) for the SCT Group. The photomask project has completed its trial run at the end of 2003. For 2004, the management team of the photomask project has allocated most resources to go through quality tests and verification process set by potential customers and obtain their approvals on our product. Depreciation expenses for the photomask project of HK\$74,445,000 have been provided for 2004 and were accounted for part of the loss of the SCT Group. With respect to the SCT Group's original businesses, a loss was reported for the sale of the SCT Group's telephone accessories, power cords and adaptor products due to sharp increase in the price of metal and plastic materials in the year under review. The SCT Group's jointly controlled entity which engaged in the manufacturing of copper wire, namely Hoperise Industrial Limited ("Hoperise"), has reported a profit.

Conservatively, due to the continued loss incurred by the original business, the SCT Group has decided to write down the carrying value in the amount of HK\$9,750,000 for its export approvals classified as intangible assets in the SCT Group's balance sheet as at 31 December 2004.

Photomasks

In April 2003, the SCT Group commenced its photomask business. By the end of 2003, the photomask facility 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 wafer. 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 a segment turnover of only HK\$2,167,000 for the second half of 2004, the SCT Group has successfully obtained product approval from several large wafer fabs which provides solid basis for the development of photomask project.

The business activities of the photomask project in 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 HK\$74,445,000 since the equipment was set up and ready for use. The Directors consider that the SCT Group being a new manufacturer in the photomask market requires certain time to establish its customer base and to gain market recognition and awareness to its product quality and technology standard. Given the provision of the aforesaid depreciation expenses and the fact that the photomask business is in an early stage, notwithstanding the segment turnover generated in 2004 of approximately HK\$2,167,000, the photomask business has incurred a segment loss before finance cost of HK\$99,391,000 in 2004.

Photomask is a high-end technology manufacturing business. Development of business and market requires a much longer period for a photomask manufacturer as compared to manufacturer of other industrial products. Professional technology knowledge and skill in photomask production is a barrier to new entrants and is an asset for maintenance of high profit margin to established manufacturers.

Telephone accessories and power cords

While the segment turnover of the SCT Group's telephone accessories and power cords has increased by 21% to HK\$239,491,000, the business has recorded a segment loss before finance cost of approximately HK\$15,379,000 due to increase in material costs, including costs for plastic and metal materials, petroleum and commodity prices during 2004. 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 Pearl River Delta has increased in the year under review as a result of the economic growth in the PRC. This has further increased the SCT Group's manufacturing costs.

In view of the operation is under severe competitive market environment, the division's performance will be adversely affected by the rising trend of material costs. The SCT Group has decided, conservatively, to accelerate the depreciation of its approval expenses under intangible assets, so as to write down the full carrying value at the end of 2004. This has increased the loss of the division by HK\$3,730,000.

Adaptors and electronic products

The division has achieved growth in the segment turnover by 46% to HK\$91,880,000. Faced with a business environment similar to that for telephone accessories and power cords division, the division reported a segment loss before finance cost of approximately HK\$15,294,000 due to rise in labour costs and material costs.

Faced with fluctuating material costs, the SCT Group has decided to write down a total of HK\$5,580,000 being the carrying value of export approvals at the end of 2004 under intangible assets.

Printed circuit boards

The segment turnover of the division has increased by 4% to HK\$65,329,000. A major portion of the materials are products supplied by other manufacturers, such as laminates, prepag, copper foil and chemicals. Only a few items such as gold salt, nickel and copper anodes of which the purchase prices will follow the international market prices. The SCT Group was able to reduce the extent of rise in material costs through its control on material purchases. The division reported a segment profit before finance cost of approximately HK\$227,000 for 2004. The segment margin of this division was approximately 0.3% in 2004.

High-precision metal components

The segment turnover of the division has increased by 2.4% to HK\$54,975,000. The proportion of its costs component accounted by material costs for the division is relatively low and the division was able to improve operation efficiency to mitigate cost from rise in material price. The segment profit before finance cost has decreased to approximately HK\$4,219,000 in 2004 as compared to approximately HK\$4,723,000 in 2003. The segment margin of this division was approximately 7.7% in 2004.

Jointly controlled entity – copper wire

Profit attributable to the SCT Group from its jointly controlled entity producing copper wire, Hoperise, has increased to HK\$35,140,000 in 2004 as compared to HK\$13,750,000 in 2003. Sales volume of Hoperise remains constant but sales value of Hoperise has increased by 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 jointly controlled entity is able to maintain a normal operating profit in addition to a profit from inflation value on its stockholding of copper wire in 2004.

Associate – Tianjin Printronics Circuit Corporation (“TPC”)

TPC is a sino-foreign entity joint venture which principal activities are sale and production of printed circuit boards in the PRC. The SCT Group’s interest in TPC is 28.17%. In view of increased demand in local market, TPC has increased its production capacity in 2003 and 2004. The SCT Group’s attributable profit from TPC has increased from HK\$6,040,000 in 2003 to HK\$10,388,000 in line with increase in sale of TPC by 55.9% in 2004.

3S projects (GPS, GIS, RS)

The SCT Group incorporated 3S Technology Holdings Limited in February 2004 for the development and sale of car navigation and termination GPS equipment, and development and sale of GIS. In 2004, the SCT Group has completed investment of RMB15,000,000 to acquire 75% of Sky Light Communication (Shenzhen) Limited and RMB15,000,000 to acquire 75% of Sky Land Navigator Technology (Shenzhen) Limited. Such investments were financed by internal resources. Manufacturing process of these two projects has not yet commenced. Given that such 3S projects are in an early stage of development, the SCT Group has written off a total of HK\$4,340,000 preliminary expenses as the start-up cost of such 3S projects in accordance with the Hong Kong Financial Reporting Standards for the year under review.

EMPLOYEES AND REMUNERATION POLICIES

The SCT Group had a total of approximately 3,665 employees as at 31 December 2004.

The remuneration policies of the SCT Group are to ensure the fairness and competitiveness of total remuneration to motivate and retain existing employees and at the same time to attract potential employees. Remuneration packages are structured in such a way that take into account local practices in the various geographical locations in which the SCT Group and its associates operate. These remuneration packages include basic salaries, allowances, retirement schemes, discretionary service bonuses, fixed bonuses, performance related payments and share options where appropriate.

As at 31 December 2004, a total of 2,924,000 employee share options of SCT with exercise prices ranging from HK\$0.495 to HK\$0.580 and an exercise period of 10 years were outstanding. The exercise in full of such outstanding employee share options would result in the issue of additional 2,924,000 SCT Shares.

PROSPECTS

The SCT Group has completed the product quality testing procedures for photomasks prescribed by several wafer fabs and has become their approved vendors. It is expected the SCT Group’s photomask division will see better results. Sale orders of high-end photomask with minimum line width 0.15 um have been received as proof of our technology skill in producing high-end photomasks. It is acknowledged that photomask is a business involving high-end technology and requires a relative long development period. It is anticipated that further investment in production equipment to expand the existing production capacity of photomask will be made, when appropriate, to cope with the necessary future growth in sales

and to achieve future operating profit. In addition to market development and exploration, the SCT Group also considers to establish strategic partnership with investors that may bring synergy effect and accelerate business development of the photomask business.

It is expected that products will be launched by the 3S projects to the market in the second quarter of 2005 and bring additional source of income and profit for the SCT Group.

Quality and cost control will be enhanced to the original businesses. Sale in products with higher profit margin such as electronic adaptors will be promoted in order to put the SCT Group in a better position when material cost are inflated in the short run.

Performance of the Kun Shan factory of the SCT Group's copper wire jointly controlled entity was breakeven in the past. With expansion in local sales in 2005, the Kun Shan factory will become an additional source of profit for the jointly controlled entity.

TPC, the SCT Group's associated company, has made an investment plan of RMB120,000,000 to construct a new factory funded partly through internal source from previous years' profit and partly from new bank loans. This will facilitate the development and profit for the associated company.

(iv) For the six months ended 30 June 2005

The following is the management discussion and analysis principally extracted from the interim report of SCT for the six months ended 30 June 2005. Terms and definitions used below shall bear the same respective meaning as defined in such interim report.

BUSINESS REVIEW

The SCT Group reported a loss of HK\$48,771,000 for the six months ended 30 June 2005, which is attributable from a profit of HK\$15,624,000 from its manufacturing business, a loss of HK\$51,596,000 from its photomask business, a loss of HK\$2,594,000 from the 3S project, expense of HK\$4,387,000 in relation to share option granted to employees and financing cost of HK\$5,818,000.

A substantial amount of the loss was incurred due to high production overhead, including the provision of a depreciation charge of HK\$39,401,000 for the plant and equipment, with a relatively low turnover recorded by the photomask business during the period under review. 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 material and labour costs has adversely affected the performance of the division as compared to 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 provided a profit of HK\$8,353,000 for the period ended 30 June 2005.

Photomasks

The photomask division commenced its commercial production in the second half of 2004. The segment turnover of the photomask business for the six months ended 30 June 2005 is HK\$6,693,000.

As compared to the corresponding period in 2004, the amount of the segment loss before finance cost increased by HK\$3,516,000 to HK\$51,596,000 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 to produce high-end photomask with minimum width of 0.13um to 0.15um, which 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 PRC and South East Asia.

During the period under review, the photomask business has expanded its customer base and has been granted the approved vendor status by two more wafer fabs.

Telephone accessories and power cords

The division operated in a difficult environment during the period under review. 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 SCT Group has tried to pass on its customers the increased cost in order to reduce the loss.

During the six months period ended 30 June 2005, the segment turnover of the division dropped by 0.3% to HK\$107,729,000 and a segment loss before finance cost of HK\$6,937,000 was recorded.

Adaptors and electronic products

The segment turnover increased by 11.8% to HK\$50,475,000. The division faced rising labour cost and raw material price. In order to be competitive in the market, the division has made modifications to its product design to mitigate the effect of rising material cost.

The division reported a segment loss before finance cost of HK\$568,000 for the period under review as compared to a segment profit before finance cost of HK\$709,000 to the corresponding period in 2004.

Printed circuit boards

The segment turnover of the division dropped by 20.6% to HK\$26,426,000. 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 segment loss before finance cost was approximately HK\$3,365,000 in the first six months of 2005 as compared to the segment profit before finance cost of approximately HK\$727,000 for the corresponding period in 2004.

High-precision metal components

The segment turnover of the division has increased by 23.6% to HK\$29,744,000. The rise in material costs, such as aluminium and zinc, has negative impact on the SCT Group's performance. The segment profit before finance cost has decreased to approximately HK\$1,181,000 in the first six months of 2005 as compared to approximately HK\$1,972,000 to the corresponding period in 2004. The segment margin of this division was approximately 4.0% for the first six months of 2005.

Jointly controlled entity – copper wire

Sales of Hoperise in terms of tonnage has increased by 9.1% due to the business growth of its Kun Shan factory, which has benefited from economies of scale and provided profit contribution. Profit attributable to the SCT Group for the period under review dropped by 22% to HK\$12,379,000. It is due to the market price of copper wire rose during the corresponding period in 2004 and brought an additional profit from stockholding of the jointly controlled entity.

Associate – Tianjin Printronics Circuit Corporation (“TPC”)

During the period under review, TPC has slightly increased in turnover. Profit attributable to TPC increased by 13.5% to HK\$5,693,000.

3S project (GPS, GIS, RS)

The 3S project are operated by two jointly controlled entities, 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 launched its products during the period under review. Sky Light Communication is in the phase of product development and promotion.

According to the SCT Group's accounting policies, preliminary expenses and research and development cost of both companies were written off and loss attributable from 3S project to the SCT Group for the six months ended 30 June 2005 is HK\$2,593,000.

PROSPECTS

The development of the semi-conductor market in PRC is expected to be growing rapidly in the next 5 years, while the market for high-precision photomask is on an early stage. The SCT Group is well positioned to develop high-end photomasks to take advantage of the anticipated growth in the high-end photomask market. According to the market research conducted by SCT, along with the increase in the worldwide semi-conductor market with an annual growth rate of approximately 15%, Asia is the central part for manufacture of semi-conductors. It is estimated that sales of worldwide semi-conductors in 2006 will increase by approximately 8.2% to approximately US\$208 billion. The PRC semi-conductor market

recorded an annual growth rate of over 40% in each of 2003 and 2004 and is expected to continue to grow with an estimated growth rate of over 30%. In view of the above, the Directors expect that the PRC semi-conductor market, which includes the photomask market, will continue to grow in the future. Given this and to enhance its production capacity and competitive strength the SCT Group may acquire new equipments for further expansion of its photomask business, and such acquisition is expected to be financed by internal resources and/or external borrowings. In addition, based on the past performance and the existing market conditions, the Directors do not expect that there will be material changes in the trading prospects of other businesses of the SCT Group.

Sales of Sky Land Navigator are expected to grow as products will be modified and launched later, performance of the 3S project will be improved in the second half of 2005.

To cope with rising price in copper and plastic material, the management will enhance control on quality, improve product yield rate, and improve product design to minimize the cost of material.

TPC, the SCT Group's associated company, has made an investment plan of RMB120,000,000 to construct a new factory and recently completed the foundation work of its new factory building.

LIQUIDITY AND FINANCIAL RESOURCES

At 30 June 2005, the SCT Group's gearing ratio (total borrowings divided by equity) has increased to 0.32 (31 December 2004: 0.29) whereas current ratio (current assets divided by current liabilities) has decreased to 1.14 (31 December 2004: 1.20). At 30 June 2005, approximately 31.6% of the SCT Group's total borrowings of approximately HK\$213.1 million was at fixed interest rates with reference to the Hong Kong Dollar Prime Rate or foreign currency's Trade Finance Rates.

Bank loans had increased by approximately HK\$13,577,000 to HK\$131,725,000 as at 30 June 2005.

During the six months ended 30 June 2005, the SCT Group generally financed its operation by internal generated resources and bank and credit facilities provided by banks and financial institutions in Hong Kong. The borrowing requirements of the SCT Group are depending upon the amount of orders on hand and the position of its working capital with no particular seasonal borrowing patterns. As stated in note 18 to the financial statements for the six months ended 30 June 2005 disclosed in SCT's interim report of for the six months ended 30 June 2005, during the period, the SCT Group obtained new bank loans amounting to approximately of HK\$23,662,000 and repaid HK\$10,085,000. The loans bear interest at market rates and are repayable in instalments over a period of one to five years. The proceeds were used to finance the purchase of raw materials and acquisition of plant and equipment.

At 30 June 2005, the SCT Group had capital commitments contracted but not provided for amounting approximately HK\$964,000 (31 December 2004: HK\$278,000).

After taking into account the existing cash resources and unutilized banking facilities, the directors are of the opinion that the SCT Group will maintain an adequate liquidity position throughout 2005.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Exposure to fluctuation in exchange rates is immaterial to the SCT Group's financial results as both the SCT Group's borrowings and revenue are mostly denominated in Hong Kong Dollars or United States Dollars. The SCT Group therefore did not adopt any policy to hedge its exposure to foreign exchange fluctuations during the six months ended 30 June 2005.

CAPITAL STRUCTURE

There were no movements in the ordinary share capital of the Company during the period.

CONTINGENT LIABILITIES

The contingent liabilities of the SCT Group, mainly from guarantees for banking facilities granted to a jointly controlled entity, decreased from approximately HK\$125,610,000 as at 31 December 2004 to approximately HK\$86,358,000 as at 30 June 2005.

PLEDGE OF ASSETS

As at 30 June 2005, certain of the SCT Group's assets with an aggregate net book value of approximately HK\$380,060,000 (31 December 2004: HK\$402,133,000) were pledged to secure general facilities granted to the SCT Group.

EMPLOYEES AND REMUNERATION POLICIES

The SCT Group had a total of approximately 3,505 employees as at 30 June 2005.

The remuneration policies of the SCT Group are to ensure the fairness and competitiveness of total remuneration to motivate and retain existing employees and at the same time to attract potential employees. Remuneration packages are structured in such a way that take into account local practices in the various geographical locations in which the SCT Group and its associates operate. These remuneration packages include basic salaries, allowances, retirement schemes, discretionary service bonuses, fixed bonuses, performance related payments and share options where appropriate.

As at 30 June 2005, a total of 2,924,000 employee share options of SCT with exercise prices ranging from HK\$0.495 to HK\$0.580 and an exercise period of 10 years were outstanding. The exercise in full of such outstanding employee share options would result in the issue of additional 2,924,000 SCT Shares.

(v) Disposal of property during the six months ended 31 December 2005

On 18 August 2005, Jetsbo Investment Limited, an indirectly wholly-owned subsidiary of SCT, had entered into a sale and purchase agreement with First Property Investment Company Limited, an independent third party, in relation to a disposal of a property located at San Tai Industrial Building, No. 4 Tai Yip Street, Kwun Tong, Kowloon, Hong Kong at a cash consideration of HK\$38.8 million. A portion of such property was then leased to third parties for rental income purposes while the remaining portion was then occupied by Jetsbo Investment Limited as warehouse.

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE PERFORMANCE OF THE SST GROUP**(i) For the year ended 31 December 2002**

The following is the management discussion and analysis principally extracted from the annual report of SST for the year ended 31 December 2002. Terms and definitions used below shall bear the same respective meaning as defined in such annual report.

FINANCIAL REVIEW**Overview**

For the year ended 31 December 2002, the turnover of the SST Group amounted to approximately RMB200 million, representing an increase of approximately 110% over the year ended 31 December 2001. The growth in the turnover of the SST Group for the year ended 31 December 2002 was mainly attributed to the increase in the SST Group's contract value and number of clients resulting from the geographical expansion and enhancement of the quality and features of the SST Group's system integration solutions.

For the year ended 31 December 2002, the Mainland PRC segment and the Hong Kong segment accounted for 78.5% and 21.5% of the SST Group's total turnover respectively, whilst each of these two segments accounted for 76.4% and 23.6% of the SST Group's total segment results respectively.

Operating profit before tax and minority interests of the SST Group as a percentage of turnover rose to 20.2% for the year ended 31 December 2002 compared to 17.2% for the year ended 31 December 2001. This is mainly because fixed overheads included in selling and distribution expenses and administration expenses did not increase proportionally with the increase in turnover. In addition, the increase in turnover was far much greater than the additional fixed overheads incurred in newly established offices. The percentage of selling and distribution expenses to turnover decreased from 6.35% in year 2001 to 4.65% in year 2002 while the percentage of administrative expenses to turnover decreased from 7.63% in year 2001 to 5.17% in year 2002.

Liquidity, financial resources and debt ratio

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 Company's shares on 29 July 2002. As at 31 December 2002, the SST Group had outstanding bank borrowings of RMB38 million which are unsecured and guaranteed by Zhejiang Sino Stride or Xingda Computer. During the year ended 31 December 2002, the SST Group did not create any mortgage. The unsecured bank loans bear interest at rates ranging from 3.78% to 4.425% (2001: 5.85%) per annum and are repayable in less than eight months.

The directors of SST advised that normally there is no apparent seasonality of borrowing requirements for the SST Group. The directors of SST advised that the maturity profile of the SST Group's borrowings as at 31 December 2002 are 100% repayable within 1 year.

As at 31 December 2002, the SST Group's cash and cash equivalent amounted to approximately RMB96 million.

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

Gearing ratio

The SST Group expresses its gearing ratio as a percentage of bank borrowings over total assets. As at 31 December 2002, the SST Group's gearing ratio was 15% (2001: 20%). The reduction in gearing ratio was mainly due to the fund injection of the proceeds from the placing of the Company's share on 29 July 2002.

Significant investments

Save as those disclosed in the paragraph "OPERATIONS REVIEW", the SST Group did not hold any significant investment as at 31 December 2002.

Material acquisitions and disposals of subsidiaries and affiliated companies

Save as those disclosed in the paragraph "OPERATIONS REVIEW", the SST Group did not make any material acquisitions or disposals of subsidiaries or affiliated companies during the year ended 31 December 2002.

Exchange rate risk

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

The SST 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 Renminbi against foreign currencies could affect the SST Group's results of operations. No financial instruments are used by the SST Group for hedging purposes. No foreign currency net investments of the SST Group are hedged by currency borrowings and other hedging instruments.

Contingent liabilities

As of the date of this results announcement and at 31 December 2002, the Board is not aware of any material contingent liabilities.

Segmental information

Details of information relating to different business segments of the SST Group have been set out in note 4 to the financial statements.

Charge on assets

Other than the SST Group's bank deposits of RMB2,106,580 (2001: RMB2,494,050) which had been pledged to financial institutions for the issuance of letter of credits, as at 31 December 2002, the SST Group did not have any charge on its assets.

Employees

As at 31 December 2002, the SST Group had 330 (2001: 286) employees. Total staff costs increase to approximately RMB11.4 million from approximately RMB6.9 million in the last financial year ended 31 December 2001. The increase in staff costs was mainly due to the employment of more staff to cope with the expansion of the SST Group's business. The Board believes that the quality of its employees is the most important factor in sustaining the SST Group's growth and enhancing its profitability. Employees are remunerated according to their performance and working experience. In addition to basic salaries and retirement scheme, staff benefits include discretionary performance bonus. No specific training scheme is adopted by the SST Group. On 16 July 2002, SST approved a share option scheme under which the SST Directors may, at their discretion, grant options to the SST Directors, SST employees and SST subsidiaries to subscribe for shares in SST. As at 31 December 2002, no share options had been granted under the share option scheme.

Future plans for material investments or capital assets

The SST Group intends to pursue strategic acquisitions of and/or investments in system integration business and relevant system software development business to strengthen or complement the SST Group's existing business. Up to the date of this report, no such acquisitions and/or investments targets other than those mentioned in the paragraph "OPERATIONS REVIEW" have been located by the SST Group. Accordingly, the SST Group did not have any intended plans for material investments or capital assets as at 31 December 2002.

OPERATIONS REVIEW

For the year ended 31 December 2002, the SST Group has made a number of achievements in the area of business development such as Intelligent Building Project Specialized Contractor Grade A Qualification, Top Ten Software Enterprise of Zhejiang Province in 2002 and Software Enterprise under the Encouraging Policies of Zhejiang Provincial Department of Information Industry. In addition, the SST Group won the bid for the projects of Shaoxing Opera Theatre, Xuzhou City People Court of Zhejiang Province, Wuxi 4th People Hospital, Ningbao convention center, Custom of Hangzhou, Yuennam Airport, Shenzhen Broadcasting Electricity Centre as well as new campus of Zhejiang University.

Based upon the SST Group's established reputation, the SST Group has expanded its market coverage and commenced operations in Yuennam, Chongqing, Beijing, Shanghai and Hong Kong through the establishment of branches and subsidiaries. Turnover generated from business outside Zhejiang Province contributed to approximately 27% of the total turnover of the SST Group in year 2002 as compared to 9% in year 2001. The Directors believe that with offices set up close to the SST Group's customers and locations of the projects, the SST Group will be able to ensure a thorough understanding of and prompt response to customers' demands, better management and control of its projects and more efficient after-sales services.

Under the cooperation with Zhejiang University, the research and development on digitized hospital systems was completed and a testing laboratory for the related systems has been established in Hangzhou. In addition to conducting testing function, this laboratory also serves as demonstration site for marketing and promoting these systems.

With its endeavour in promoting the SST Group's urban traffic system integrations, the SST Group has been commissioned to develop the vehicle monitoring and control system for the provincial government of Zhejiang Province and now on the testing stage.

In July 2002, Zhejiang Sino Stride has been assessed as an enterprise with AAA credit rating by the relevant government organization in Zhejiang Province. Zhejiang Sino Stride is the only one enterprise engaging in provision for intelligent building system integration solutions and computer system network integration solutions in Hangzhou that has achieved such credit rating. In addition, Xingda Computer and Yida System have also been assessed as the enterprises with AA credit rating.

On 13 September 2002, the Company increased its equity interest in Zhejiang Sino Stride from 90% to 97.5% by making a further capital contribution through a wholly-owned subsidiary of the Company, Sino Stride (BVI) Limited, in the amount of RMB45 million pursuant to an approval granted by the relevant office of the Ministry of Foreign Trade and Economic Co-operation of the PRC. In doing so, the SST Group deployed part of the funds raised from the placing of the Company's shares on 29 July 2002 for implementing its business plan as set out in the Prospectus. Furthermore, from the experiences of Zhejiang Sino Stride, some of its potential customers require that only companies with registered capital over RMB50,000,000 could bid for and engaged in larger scale projects. As such, the capital injection of RMB45 million into Zhejiang Sino Stride would strategically position the SST Group to capture the market potential in the field of development and provision of system integration solutions for larger scale projects in the PRC in the future.

In addition, Zhejiang Sino Stride invested the sum of RMB2,000,000 into a newly formed company namely "National Software Industrial Base of Hangzhou Limited" 杭州國家軟件產業基地有限公司 by acquiring 10% stake in this company during September 2002. The principal activities of this company are to plan, develop and minister software enterprise foundation bases and provide related auxiliary services thereto. As at 31 December 2002, this company has not commenced any business.

During December 2002, Hangzhou Sino Stride Xingda Computer System Co., Ltd (“Xingda”) and Hangzhou Sino Stride Yida System Technology Co., Ltd (“Yida”) invested RMB700,000 and RMB300,000 respectively in a newly formed company namely “Hangzhou Sino Stride Hospital Yida System Technology Co., Ltd” 杭州中程興達醫療設備有限公司. Xingda and Yida own 70% and 30% respectively of the equity interest in this company. The principal activity of this company is to supply of medical equipment and system. As at 31 December 2002, this company has not commenced any business.

To realize the synergy effects from a strategic cooperation agreement dated 11 January 2002 entered into between Zhejiang Sino Stride and Singapore Technologies Electronics Limited (“ST Elect”), delegation of ST Elect has visited the SST Group’s headquarters in Zhejiang Province to discuss the details of wide-ranged business collaboration issues in September 2002.

On 3 January 2003, the SST Group has signed a distribution partner agreement with Enterasys Networks Singapore Pte Ltd (“Enterasys”) which enables the SST Group to obtain system hardware and licensed software from Enterasys with more favorable terms. The SST Group will continue to explore the possibility of various forms of alliance with reputable enterprises and research institution to further complement its existing business and to enhance its competitiveness in the industry.

As far as the prospect of new business/projects of the SST Group is concerned, the directors of SST advised that the large intelligent building system and value added service solutions projects successfully bid by the SST Group during the year have been performed in accordance with the respective contract terms and expected progresses.

PROSPECTS

In light of the 2008 Beijing Summer Olympic Games, PRC’s entry to the WTO and PRC’s continuous economic growth, the Board believes that the SST Group will have a considerable amount of business opportunities in PRC’s intelligent building system integration solutions industry. Through its Beijing branch, the SST Group is actively exploring business collaboration opportunities in relation to the Beijing 2008 Summer Olympic Games. Moreover, following the accession of the PRC to the WTO as mentioned above, there will be a necessity for the government organisations, public agencies, medical institutions, private enterprises and education institutions to be in line with their counterparts in the rest of the world. Accordingly, there will be a potential growth in the computer network system integration solutions and the system software markets in the PRC.

In order to capture the potential market growth, the SST Group will continue to intensify its marketing and promotion efforts, establish branches and/or subsidiaries in various provinces and place more emphasis on the development of its products. The SST Group also intends to pursue strategic acquisition of and/or investments in system integration business and relevant system software development business in the future if such opportunities arise to strengthen and complement the SST Group’s existing business. Meanwhile, the SST Group would progressively transform any alliance cooperation plan with ST Elect into action to be benefited from leveraging on the technological know-how of ST Elect in developing new products.

(ii) For the year ended 31 December 2003

The following is the management discussion and analysis principally extracted from the annual report of SST for the year ended 31 December 2003. Terms and definitions used below shall bear the same respective meaning as defined in such annual report.

FINANCIAL REVIEW**Overview**

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

For the year ended 31 December 2003, the Mainland PRC segment and the Hong Kong segment accounted for 78.6% and 21.4% of the SST Group's total turnover respectively, whilst each of these two segments accounted for 68.6% and 31.4% of the SST Group's total segment results respectively.

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

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

For the year ended 31 December 2003, the SST Group's net profit from ordinary activities attributable to shareholders amounted to approximately RMB32 million, representing a slight decrease of approximately 2.7% over the year ended 31 December 2002.

Liquidity, financial resources and debt ratio

The 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 Company's shares on 29 July 2002. As at 31 December 2003, the SST Group had outstanding bank borrowings of RMB83 millions (2002: RMB38 millions) of which RMB10 millions (2002: Nil) are secured by cash deposit. The rest of outstanding bank borrowing RMB73 millions (2002: RMB 38 millions) are unsecured and guaranteed by PRC Sino Stride or Xingda Computer. During the year ended 31 December 2003, the SST Group did not create any mortgage. The unsecured bank loans bear interest at rates ranging from 5.04% to 5.31% (2002: 3.78% to 4.425%) per annum and are repayable in less than 12 months.

The directors of SST advised that normally there is no apparent seasonality of borrowing requirements for the SST Group. The directors of SST advised that the maturity profile of the SST Group's borrowings as at 31 December 2003 are 100% repayable within 1 year.

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

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

Gearing ratio

The SST Group expresses its gearing ratio as a percentage of bank borrowings over total assets. As at 31 December 2003, the SST Group's gearing ratio was 24% (2002: 15%). The increase in gearing ratio was mainly due to the additional borrowings for the purpose of the SST Group's business expansion.

Significant investments

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

Material acquisitions and disposals of subsidiaries and affiliated companies

Save as those disclosed in the paragraph "OPERATIONS REVIEW", the SST Group did not make any material acquisitions or disposals of subsidiaries or affiliated companies during the year ended 31 December 2003.

Exchange rate risk

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

The SST Group has foreign currency risk as certain of its payables to suppliers, trade receivables and bank borrowings are denominated in foreign currencies, principally United States dollars. Fluctuations in exchange rates of Hong Kong Dollars and Renminbi against foreign currencies could affect the SST Group's results of operation. No financial instruments are used by the SST Group for hedging purposes. No foreign currency net investments of the SST Group are hedged by currency borrowings and other hedging instruments.

Contingent liabilities

As of the date of this results announcement and at 31 December 2003, the Board is not aware of any material contingent liabilities.

Segmental information

Details of information relating to different business segments of the SST Group have been set out in Note 3 under "Notes to the Audited Financial Statements".

Charge on assets

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

Employees

As at 31 December 2003, the SST Group had 390 (2002: 330) employees. Total staff costs increased to approximately RMB12.7 million from approximately RMB11.4 million for the year ended 31 December 2002. The increase in staff costs was mainly due to the employment of more staff to cope with the expansion of the SST Group's business. The Board believes that the quality of its employees is the most important factor in sustaining the SST Group's growth and enhancing its profitability. Employees are remunerated according to their performance and working experience. In addition to basic salaries and retirement scheme, staff benefits include discretionary performance bonus. No specific training scheme is adopted by the SST Group. On 16 July 2002, SST approved a share option scheme under which the SST Directors may, at their discretion, grant options to the SST Directors, SST employees and SST subsidiaries to subscribe for shares in SST. As at 31 December 2002, no share options had been granted under the share option scheme.

Future plans for material investments or capital assets

The SST Group intends to pursue strategic acquisitions of and/or investments in system integration business and relevant system software development business to strengthen or complement the SST Group's existing business. Up to the date of this results announcement, no such acquisitions and/or investments targets other than those mentioned in the paragraph "OPERATIONS REVIEW" have been located by the SST Group. Accordingly, the SST Group did not have intended plans for material investments or capital assets as at 31 December 2003.

OPERATIONS REVIEW

During the year ended 31 December 2003, the SST Group has made a number of achievements in the area of business development. The magazine 中國企業家 (China Enterprise Magazine) and 清華大學經營管理學院中國創業研究中心 (China Entrepreneurship center of Qing Hua University Business Management Institute) jointly awarded the prize of 2003年未來之星 (2003 China Most Promised Enterprise) to the SST Group for its well development and brightness prospectus. PRC Sino Stride won the award of the Top Ten Software Enterprises of Zhejiang Province in 2003. On 3 March 2003, the committee of High and New Technology Industrial Development Zone of Hangzhou City presented the prize of 2002年度管理創新獎 (Business Innovation and Management Awards in year 2002) to our chairman Mr. Chau Chit. Furthermore, nine of our intelligent buildings system and value added service solution projects were awarded 2003年度浙江省建設工程錢江杯獎 (優質工程) (2003 Zhejiang Province Construction Projects Qian Jiang Cup (Quality Projects) awards) during November 2003. During January 2004, PRC Sino Stride was awarded as one of the 2003年度華東十家最具潛力IT企 (Top Ten Highest Potential IT enterprise in the Eastern China of year 2003) by 中國計算機報 (PRC Computer Newspaper) and 賽迪顧問股份有限公司 (CCID Consulting Company Limited). On 16 February 2004, PRC Sino Stride and Mr. Shen Yue, the director and president of PRC Sino Stride was awarded as 高新區(濱江)2003年度先進企業 (Advanced Enterprise of High and Advanced Technology (Bin Jiang) District of year 2003) and 2003年度經濟發展突出貢獻企業家獎 (outperformed entrepreneur in economic development of year 2003) respectively by the government of Bin Jiang District. In February 2004, PRC Sino Stride was designated as one of the 2003年度國家規劃布局內重點軟件企業 (Outstanding Software enterprise defined by the National Development Bureau of the PRC of year 2003) and is subjected to corporate income tax of the PRC at a rate of 10%, being preferential tax rate applicable to the outstanding software enterprise.

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

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

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

During the year 2003, the SST Group has successfully launched proprietary software technology and products under the brand name of “Sino Stride”, namely 中程放射影像診斷工作站 (Sino Stride Medical Radiation Diagnose Workstation), 中程政府機關公文處理系統 (Sino Stride Government Documents and Administration System), 中程政府辦公信息採編系統 (Sino Stride Government Information System), 中程自助網站管理系統 (Sino Stride DIY Web Page Administration System) and 中程車輛監控管理系統 (Sino Stride Motor Vehicle Monitoring and Controlling System). Moreover, the SST Group has launched its self developed system, namely 智能呼叫和排隊管理系統 (Intelligent Announcement and Queuing Management System “SSQ-mkll”) which not only automatically collected and processed queuing static for clients such as bank, hospital, insurance and utility companies, but also has high compatibility with clients’ installed network system.

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

On 3 January 2003, the SST Group has signed a distribution partner agreement with Enterasys Networks Singapore Pte Ltd. (“Enterasys”), which enables the SST Group to obtain system hardware and licensed software from Enterasys with more favorable terms. As the progress of distribution of Enterasys products was satisfactory, the SST Group’s senior management was invited by Enterasys to visit their Asia Pacific center in Singapore during July 2003 and the vice president of Enterasys, Mr. Robert Ray also visited our Headquarter in Hangzhou to discuss strategic promotion of Enterasys products in China on 14 October 2003. During the “Enterasys Asia Pacific Regional Conference of year 2003” held in Thailand on 2 February 2004, the SST Group was awarded by Enterasys as “the best value added distributor in China of year 2003” and “outperformed partner of Enterasys in Asia Pacific of year 2003”.

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

In March 2003, PRC Sino Stride invested RMB2,000,000 (representing 40% stake) into a newly formed company namely 深圳市法爾勝中程科技有限公司 (Shenzhen Fasten Sino Stride Technology Co., Ltd.). The principal activities of this company are to research and develop computer relevant technology for software and hardware and provide digital system design and supply and distribute hardware and general merchandise and provide related information and enquiry services thereto. In order to extend the SST Group’s business scope to fire prevention engineering related business, PRC Sino Stride invested RMB360,000 (representing 37.5% stake) into a company named 浙江浙大中程消防工程有限公司 (Zhejiang University Sino Stride Fire Prevention Engineering Co. Ltd) (“ZUSS Fire”) during May 2003.

The remaining interest of ZUSS Fire is held by a company under Zhejiang University. The SST Group has invested RMB7,500,000 (representing 75% stake) into a newly formed company namely 北京中程滙強科技有限公司 (Beijing Sino Stride Powerlink Technology Co., Ltd) during July 2003. It is principally engaged in the development and provision of system and value added service solutions. During July 2003, the SST Group entered into an agreement to dispose its entire interest in a subsidiary, Yida System, to an independent third party. The Board believed this would not materially affect the SST Group's operation and one of the SST Group's subsidiary, PRC Sino Stride, will continue the development in electronic hospital information system software. Besides, the SST Group has set up a newly incorporated company namely 重慶中程科技有限公司 (Chongqing Sino Stride Technology Co Ltd) for the Southwest market of China during July 2003. During October 2003, the SST Group invested RMB825,000 (representing 55% stake) in 杭州維科軟件工程有限責任公司 (Hangzhou Vico Software Engineering Co., Ltd) to enhance overall research and development capabilities.

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

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

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

As far as the prospect of new business/projects of the SST Group is concerned, the directors of SST advised that the large intelligent building system and value added service solutions projects successfully bid by the SST Group during the year have been performed in accordance with the respective contract terms and expected progresses.

PROSPECTS

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

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

Unlike small system integration providers without self-developed products under own brand name and technology know how, the cooperation with reputable enterprises and research institutions like ST Elect and Zhejiang University supply the SST Group necessary human resources, research and development capabilities for developing self-proprietary software technology and products with the brand name of "Sino Stride" to fulfil unique requirements in PRC market. To further enhance its competitiveness in the industry, the SST 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 SST Group's existing business.

(iii) For the year ended 31 December 2004

The following is the management discussion and analysis principally extracted from the annual report of SST for the year ended 31 December 2004. Terms and definitions used below shall bear the same respective meaning as defined in such annual report.

FINANCIAL REVIEW

Overview

For the year ended 31 December 2004, the SST Group recorded a turnover of approximately RMB293 million, representing an increase of approximately 29% over the year ended 31 December 2003. The turnover of the SST Group for the year ended 31 December 2004 was primarily derived from the provision of system integration solution of approximately RMB185 million, computer network system integration solution of approximately RMB106 million and system software of approximately RMB2 million, respectively. The growth in the turnover of the SST Group for the year ended 31 December 2004 was mainly attributed to several large engagements in system integration solution projects including 蘇州國際博覽中心 (Shuzou International Exhibition Centre), 深圳規劃大廈 (Shenzhen City Guihua Building), 無錫市體育中心 (Wuxi City Sport Complex) and 溫州市行政中心西樓 (Wenzhou City Administration Building West Wing).

For the year ended 31 December 2004, the Mainland PRC segment and the Hong Kong segment accounted for 84.3% and 15.7% of the SST Group's total turnover respectively, whilst each of these two segments accounted for 62.9% and 37.1% of the SST Group's total segment results respectively.

During the year ended 31 December 2004, the SST Group recorded a gross profit of approximately RMB68 million, representing a profit margin of approximately of 23% as compared to the gross profit margin of 26% for the year ended 31 December 2003. The decrease in gross profit margin was mainly attributable to (i) the sub-contracting and cooperation arrangement of smaller-sized projects. As the labour intensive system integration works of those smaller-sized projects were carried out by those sub-contractors and partners, the role of the SST Group therefore shifted towards focusing on the design of solutions, quality controls and project management. This arrangement enabled the SST Group bid for and focus its resources on larger-sized projects. However it also resulted in lower profit margin in smaller-sized projects; (ii) increased competition in the industry of system integration solution business; and (iii) the profit margin of increased sales through Beijing Sino Stride, was relatively lower than that of the SST Group. Beijing Sino Stride, served as a trading vehicle to procure hardware and software on behalf of the SST Group's customers. Due to its trading nature, gross profit margin of Beijing Sino Stride was relatively lower than that of the SST Group.

The percentage of selling and distribution expense to turnover remain stable at 4% for the year ended 31 December 2004.

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

Other operating costs for the year ended 31 December 2004 increased by RMB2.1 million because additional professional costs were incurred for the Company's plan to list its shares on the Main Board of the Stock Exchange (the "Main Board") by way of introduction.

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

Liquidity, financial resources and debt ratio

The 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 Company's shares on 29 July 2002. As at 31 December 2004, the SST Group had outstanding bank borrowings of RMB68 million (2003: RMB83 million). The bank borrowing of RMB68 million (2003: RMB73 million) are unsecured and guaranteed by Sino Stride Technology or Xingda Computer. Bank borrowing of RMB10 million was secured by cash deposit as at 31 December 2004. During the year ended 31 December 2004, the SST Group did not create any mortgage. 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.

The directors of SST advised that normally there is no apparent seasonality of borrowing requirements for the SST Group. The directors of SST advised that the maturity profile of the SST Group's borrowings as at 31 December 2004 are 100% repayable within 1 year.

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

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

Gearing ratio

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

Significant investments

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

Material acquisitions and disposals of subsidiaries and affiliated companies

Save as those disclosed in the paragraph "OPERATIONS REVIEW", the SST Group did not make any material acquisitions or disposals of subsidiaries or affiliated companies during the year ended 31 December 2004.

Exchange rate risk

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

The SST Group has foreign currency risk as certain of its payables to suppliers, trade receivables and bank borrowings are denominated in foreign currencies, principally United States dollars. Fluctuations in exchange rates of Hong Kong Dollars and Renminbi against foreign currencies could affect the SST Group's results of operation. No financial instruments are used by the SST Group for hedging purposes. No foreign currency net investments of the SST Group are hedged by currency borrowings and other hedging instruments.

Contingent liabilities

As of the date of this results announcement and at 31 December 2004, the Board is not aware of any material contingent liabilities.

Segmental information

Details of information relating to different business segments of the SST Group have been set out in Note 3 under “Notes to the Audited Financial Statements”.

Charge on assets

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

Employees

As at 31 December 2004, the SST Group had 351 (2003: 390) employees. The Board believes that the quality of its employees is the most important factor in sustaining the SST Group’s growth and enhancing its profitability. Employees are remunerated according to their performance and working experience. In addition to basic salaries and retirement scheme, staff benefits include discretionary performance bonus. No specific training scheme is adopted by the SST Group. Details of share options applicable for this year/period are duplicated in the notes to financial statements of the SST Group as reproduced in Appendix II to this circular.

Future plans for material investments or capital assets

The SST Group intends to pursue strategic acquisitions of and/or investments in system integration business and relevant system software development business to strengthen or complement the SST Group’s existing business. Up to the date of this results announcement, no such acquisitions and/or investments targets other than those mentioned in the paragraph “OPERATIONS REVIEW” have been located by the SST Group. Accordingly, the SST Group did not have intended plans for material investments or capital assets as at 31 December 2004.

OPERATIONS REVIEW

For the year ended 31 December 2004, the SST Group has made a number of achievements in the area of business development. In March 2004, Sino Stride Technology was awarded as 2004浙江省軟件業十強企業(2004 Zhejiang Province Top Ten Software Enterprise) by Zhejiang Province Information Technology Bureau. In June 2004, Sino Stride Technology was awarded 2004年中國軟件產業最大規模100強(Top 100 Large Scale PRC Software Enterprise in 2004) by the Ministry of Information Industry of the PRC (“MII”). In October 2004, Sino Stride Technology was awarded as 杭州市企業技術中心(Hangzhou Enterprise Technology Centre of Hangzhou) by 杭州經濟委員會(Hangzhou Economic Committee). In November 2004, one of our intelligent buildings system solution project 紹興市中級人民法院 (Shaoxing intermediate People Court) was awarded 浙江省優秀安裝質量獎(Zhejiang Province Premium Installation Quality Prize). In December 2004, the SST Group emerged 224th ranking of “Deloitte Technology Fast 500 Asia Pacific 2004 Ranking” by Deloitte Touche Tohmatsu. On 1 March 2005, the SST Group emerged 1st ranking of PRC intelligent building system integration solution providers according to the research carried out by 中國建築業協會智能建築專業委員會(Intelligent Construction Committee of China Construction Association).

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

As for the provision of intelligent traffic system (“ITS”), the SST Group successfully bid for the project of 緞雲交通警察電子警察系統 (Jin Yu Electronic Traffic Police System) and 瑞安公安治安動態監控系統 (Rui On District Police Monitoring & Control System) and the project of providing optical fibre and computer network system equipment for 天津高速高路局 (Tian Jin Highway Bureau). Besides, the research and development of 中程智能交通卡口抓拍系統(Sino Stride intelligent traffic control gate photo system) and 中程公路車輛智能監測記錄系統第一版(Sino Stride intelligent highway vehicles monitoring and recording system version 1) were completed.

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

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.

As far as the prospect of new business/projects of the SST Group is concerned, the directors of SST advised that the large intelligent building system and value added service solutions projects successfully bid by the SST Group during the year have been performed in accordance with the respective contract terms and expected progresses.

PROSPECTS

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

The Ministry of Construction ("MOC") and the Ministry of Information Industry ("MII") of the PRC promulgated market entry requirements and qualification verification process for system integration solutions and value added service solution providers respectively, new competitors without recognition are difficult to accumulate relevant experience and technology to fulfill the market entry requirements to enter this regulated market. Leveraging on the SST Group's compliance with the market entry requirements, grade A standard in system integration solutions and value added service solution, the prominent market position recognised by awards such as "Top Ten Software Enterprise" of Zhejiang Province and "Deloitte Technology Fast 500 Asia Pacific 2004 Ranking", the SST Group will continue to increase its marketing efforts, expand its market coverage to other provinces in the PRC.

Unlike small system integration providers without self-developed products under their own brand name and technology know how, the cooperation with reputable enterprises and research institutions like Singapore Technologies Electronics Limited and Zhejiang University supply the SST Group with necessary human resources, research and development capabilities for developing proprietary software technology and products with the brand name of "Sino Stride" to satisfy market requirements in PRC market. To further enhance its competitiveness in the industry, the SST 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 SST Group's existing business.

(iv) For the six months ended 30 June 2005

The following is the management discussion and analysis principally extracted from the interim report of SST for the six months ended 30 June 2005. Terms and definitions used below shall bear the same respective meaning as defined in such interim report.

FINANCIAL REVIEW**Overview**

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

For the six months ended 30 June 2005, the Mainland PRC segment and the Hong Kong segment accounted for 98.4% and 1.6% of the SST Group's total turnover respectively, whilst each of these two segments accounted for 100.1% and -0.1% of the SST Group's total segment results respectively.

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

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

Capital Structure

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

Liquidity, financial resources and debt ratio

The 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 Company's shares on 29 July 2002. As at 30 June 2005, the SST Group had outstanding bank borrowings of RMB73 million. For the details of these bank borrowing, please refer to note 15 of the Notes to the Condensed Consolidated Results. During the Relevant Period, the SST Group did not create any mortgage. 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.

The directors of SST advised that normally there is no apparent seasonality of borrowing requirements for the SST Group. The directors of SST advised that the maturity profile of the SST Group's borrowings as at 30 June 2005 are 100% repayable within 1 year.

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

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

Gearing ratio

The SST Group expresses its gearing ratio as a percentage of bank borrowings over total assets. As at 30 June 2005, the SST Group's gearing ratio was 16.8%.

Significant investments

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

Material acquisitions and disposals of subsidiaries and affiliated companies

Save as those disclosed in the paragraph "OPERATIONS REVIEW", the SST Group did not make any material acquisitions or disposals of subsidiaries or affiliated companies during the Relevant Period.

Exchange rate risk

The SST Group has foreign currency risk as certain of its payables to suppliers, trade receivables and bank borrowings are denominated in foreign currencies, principally United States dollars. Fluctuations in exchange rates of Hong Kong Dollars and Renminbi against foreign currencies could affect the SST Group's results of operation. No financial instruments are used by the SST Group for hedging purposes. No foreign currency net investments of the SST Group are hedged by currency borrowings and other hedging instruments.

Contingent liabilities

As of the date of this results announcement and at 30 June 2005, the Board was not aware of any material contingent liabilities.

Segmental information

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

Charge on assets

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

Employees

As at 30 June 2005, the SST Group had 384 (as at 31 December 2004: 351) employees. The Board believes that the quality of its employees is one of the most important factors in sustaining the SST Group's growth and enhancing its profitability. Employees are remunerated according to their performance and working experience. In addition to basic salaries and retirement scheme, staff benefits include discretionary performance bonus. No specific training scheme is adopted by the SST Group. As at 30 June 2005, a total of 9,100,000 share options of SST with exercise price of HK\$0.34 and exercise period of 10 years were outstanding. The exercise in full of such outstanding share options would result in the issue of 9,100,000 SST shares.

Future plans for material investments or capital assets

The SST Group intends to pursue strategic acquisitions of and/or investments in system integration business and relevant system software development business to strengthen or complement the SST Group's existing business. Up to the date of this results announcement, no such acquisitions and/or investments targets other than those mentioned in the paragraph "OPERATIONS REVIEW" have been located by the SST Group. Accordingly, the SST Group did not have intended plans for material investments or capital assets as at 30 June 2005.

OPERATIONS REVIEW

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

During the six months ended 30 June 2005, the SST Group successfully bid several large intelligent building system and value added service solution projects such as 浙江大學房地產管理部 (The Property Management Department of Zhejiang University), 浙江省能源集團有限公司 (Zhejiang Province Energy Sources Group Limited), 浙江省蕪草公司平陽縣公司 (Pingyang County Branch of Zhejiang Province Tobacco Corporation), 福建省民主黨派工商聯合聯辦公大樓 (Fujian Province Democratic Parties & Industry and Commercial Association & Taiwanese Association Office Building), 麗水公安局設備採購 (Equipment Purchasing for Lishui City Public and Security Bureau), 溫州楊府山小區智能化 (Intelligent Management System for Wenzhou Yangfushan Community), 河北省疾病預防控制中心實驗樓弱電系統 (Electroweak System Project for Testing Building of Hebei Disease Prevention & Controlling Center), 嘉興時代廣場弱電系統 (Electroweak System Project for Jiaxin Times Plaza), 寧波華泰劍橋三期智能化系統 (Intelligent Management System for Ningbo Huataijianqiao phase III), 浙江大學塘北花苑經濟適用房工程 (Zhejiang University's Tangbei Economical House Engineering Project), 福建省民主黨派工商聯合聯辦公樓弱電工程 (Electroweak Engineering Project for Fujian Province Democratic Parties & Industry and Commercial Association & Taiwanese Association Office Building), 福建省電力調度通信中心智能化工程 (Fujian Province Electricity Control and Communication Centre Building intelligence system), 山東移動通信樞紐交換中心弱電系統工程 (Electroweak System Engineering Project for Pivot Exchanging Center of Shandong Province Mobile Communication Corporation) and 北京市通信公司綜合業務樓工程弱電系統 (Electroweak System Engineering Project for Multipurpose Building of Beijing Communication Corporation).

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

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

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, training, technology consultation, tow truck service and after-sales technical support, etc, there was no recent material

acquisitions or disposals of subsidiaries and associated companies of the SST Group. Up to the Latest Practicable Date, the directors of SST advised that the said joint venture was still at its preliminary set-up stage, with its potential yet to be realised.

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.

As far as the prospect of new business/projects of the SST Group is concerned, the directors of SST advised that the large intelligent building system and value added service solutions projects successfully bid by the SST Group during the six months have been performed in accordance with the respective contract terms and expected progresses.

PROSPECTS

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

The Ministry of Construction ("MOC") and the MII of the PRC promulgated market entry requirements and qualification verification process for system integration solutions and value added service solution providers respectively, new competitors without recognition are difficult to accumulate relevant experience and technology to fulfill the market entry requirements to enter this regulated market. Leveraging on the SST Group's compliance with the market entry requirements, grade A standard in system integration solutions and value added service solution, the prominent market position recognised by awards such as "Top Ten Software Enterprise" of Zhejiang Province, and "Outstanding Software Enterprise of Year 2005" defined by the National Development Bureau of the PRC, the SST Group will continue to increase its marketing efforts, expand its market coverage to other provinces in PRC.

Unlike small system integration providers without self-developed products under their own brand name and technology know how, the cooperation with reputable enterprises and research institutions like Singapore Technologies Electronic Limited and Zhejiang University supply the SST Group with necessary human resources, research and development capabilities for developing proprietary software technology and products with the brand name of "Sino Stride" to satisfy market requirements in PRC market. To further enhance its competitiveness in the industry, the SST 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 SST Group's existing business.

(v) For the nine months ended 30 September 2005

The following is the management discussion and analysis principally extracted from the third quarterly report of SST for the nine months ended 30 September 2005. Terms and definitions used below shall bear the same respective meaning as defined in such third quarterly report.

FINANCIAL REVIEW**Overview**

For the Relevant Period, the SST Group recorded a turnover of approximately RMB180 million, representing a decrease of approximately 2% over the nine months ended 30 September 2004. The turnover was primarily derived from the provision of system integration solutions of RMB146 million, computer network system integration solutions of approximately RMB33 million and system software of approximately RMB1 million. During the Relevant Period, the SST Group recorded an overall gross profit of approximately RMB37 million, representing a profit margin of approximately of 20%.

For the nine months ended 30 September 2005, the Mainland PRC segment and the Hong Kong segment accounted for 99.1% and 0.9% of the SST Group's total turnover respectively, whilst each of these two segments accounted for 100.9% and -0.9% of the SST Group's total segment results respectively.

Selling and distribution costs, and administrative costs for the nine months ended 30 September 2005 increased by RMB1.7 million and RMB1.5 million, respectively.

For the Relevant Period, the SST Group's net profit from ordinary activities attributable to shareholders amounted to approximately RMB7.2 million, representing a decrease of approximately 21% over the nine months ended 30 September 2004. The directors of SST advised that whilst the SST Group's turnover were focused on the PRC segment, the turnover from geographical segment of Hong Kong became less significant for the nine months ended 30 September 2005.

The Group generally finances its operations with internally generated financial resources, short-term bank loans and part of the proceeds from the placing of the SST Shares on 29 July 2002. As at 30 September 2005, the SST Group had outstanding bank borrowings of RMB77 million. The bank borrowing of RMB77 million are unsecured and guaranteed by SST or SST's subsidiary. The directors of SST advised that normally there is no apparent seasonality of borrowing requirements for the SST Group. 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. The directors of SST advised that the maturity profile of the SST' Group's borrowings as at 31 December 2005 are 100% repayable within 1 year. The SST Group expresses its gearing ratio as a percentage of bank borrowings over total assets. As at 30 September 2005, the SST Group's gearing ratio was 17.7%. As at 30 September 2005, the SST Board was not aware of any material contingent liabilities.

As at 30 September 2005, the SST Group's cash and cash equivalents amounted to approximately RMB31 million. Fixed deposits of RMB18,303,000 have been pledged to financial institutions for the issuance of letter of credits and notes payable.

The SST Group has foreign currency risk as certain of its payables to suppliers, trade receivables and bank borrowings are denominated in foreign currencies, principally United States dollars. Fluctuations in exchange rates of Hong Kong Dollars and Renminbi against foreign currencies could affect the Group's results of operation. No financial instruments are used by the SST Group for hedging purposes. No foreign currency net investments of the SST Group are hedged by currency borrowings and other hedging instruments.

Contingent liabilities

As of the date of this results announcement and at 30 September 2005, the Board was not aware of any material contingent liabilities.

Employees

As at 30 September 2005, the SST Group had 366 employees. The Board believes that the quality of its employees is the most important factor in sustaining the SST Group's growth and enhancing its profitability. Employees are remunerated according to their performance and working experience. In addition to basic salaries and retirement scheme, staff benefits include discretionary performance bonus. No specific training scheme is adopted by the SST Group. As at 30 September 2005, a total of 8,060,000 share options of SST with exercise price of HK\$0.34 and exercise period of 10 years were outstanding. The exercise in full of such outstanding share options would result in the issue of 8,060,000 SST shares.

OPERATIONS REVIEW

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

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As far as the prospect of new business/projects of the SST Group is concerned, the directors of SST advised 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 31 March 2005, 30 June 2005 and 30 September 2005 respectively have been performed in according with the respective contract terms and expected progresses.

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

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

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.

PROSPECTS

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

The Ministry of Construction ("MOC") and the MII of the PRC promulgated market entry requirements and qualification verification process for system integration solutions and value added service solution providers respectively, new competitors without recognition are difficult to accumulate relevant experience and technology to fulfill the market entry requirements to enter this regulated market. Leveraging on the SST Group's compliance with the market entry requirements, grade A standard in system integration solutions and value added service solution, the prominent market position recognised by awards such as "Top Ten Software Enterprise" of Zhejiang Province, and "Outstanding Software Enterprise of Year 2005" defined by the National Development Bureau of the PRC, the SST Group will continue to increase its marketing efforts, expand its market coverage to other provinces in PRC.

Unlike small system integration providers without self-developed products under their own brand name and technology know how, the cooperation with reputable enterprises and research institutions like Singapore Technologies Electronic Limited and Zhejiang University supply the SST Group with necessary human resources, research and development capabilities for developing proprietary software technology and products with the brand name of "Sino Stride" to satisfy market requirements in PRC market. To further enhance its competitiveness in the industry, the SST 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 SST Group's existing business.

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

The unaudited pro forma financial information on the Enlarged Group in this appendix has been extracted from the circular of SCT dated 3 March 2006. Terms used in this appendix shall have the same meanings as those defined in such circular, unless the context otherwise requires.

1. LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The following is the text of a letter from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, in respect of the unaudited pro forma assets and liabilities statement of the Enlarged Group as set out in this appendix.

Deloitte.
德勤

德勤·關黃陳方會計師行
香港中環干諾道中111號
永安中心26樓

Deloitte Touche Tohmatsu
26/F Wing On Centre
111 Connaught Road Central
Hong Kong

3 March 2006

The Directors
Shougang Concord Technology Holdings Limited
Unit 4-9 & 15-18
10th Floor, Honour Industrial Centre
6 Sun Yip Street
Chai Wan
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of Shougang Concord Technology Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out in this Appendix IV of the circular dated 3 March 2006 in connection with the conditional acquisition of all the issued shares of Sino Stride Technology (Holdings) Limited (the “Acquisition”), which has been prepared, for illustrative purposes only, to provide information about how the Acquisition might have affected the financial information presented.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in

the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the listing rules” issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company.

Our work does not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and accordingly we do not express any such assurance on the unaudited pro forma financial information.

The unaudited pro forma financial information has been prepared on the basis set out in this Appendix IV of the circular dated 3 March 2006 for illustrative purpose only and, because of its nature, it may not be indicative of the financial position of the Group as at 30th June, 2005.

Opinion

In our opinion:

- a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

2. UNAUDITED PRO FORMA COMBINED ASSETS AND LIABILITIES STATEMENT

The unaudited pro forma combined assets and liabilities statement of the Enlarged Group is based on the unaudited condensed consolidated balance sheet of the SCT Group as at 30 June 2005, and the unaudited condensed consolidated balance sheet of the SST Group as at 30 June 2005. They have been prepared to illustrate the effect of the SCT Group's proposed acquisition of all the issued share capital of SST (the "Transaction"), as if the Transaction had taken place at the date reported. They have been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the Enlarged Group at the date reported, or at any future date.

(i) Basis of preparation of the Pro Forma Combined Assets and Liabilities Statement

The pro forma combined assets and liabilities statement of the Enlarged Group has been prepared to demonstrate the effect of the SCT Group's proposed acquisition of all the issued share capital of SST (the "Transaction") on the assets and liabilities of the SCT Group on the assumption that SST will become a wholly-owned subsidiary of the Company and in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the Transaction as if the Transaction had been completed on 30 June 2005.

The pro forma combined assets and liabilities statement of the Enlarged Group is based upon the unaudited condensed consolidated balance sheet of the SCT Group as at 30 June 2005, which has been extracted from the interim report of the Company for the six months ended 30 June 2005, and the unaudited condensed consolidated balance sheet of the SST Group as at 30 June 2005 as extracted from the interim report of SST for the six months ended 30 June 2005, adjusted to reflect the effect to the pro forma adjustments described in the note thereto and reclassified certain balance sheet items to consistent with the presentation of the Enlarged Group. A narrative description of the pro forma adjustments of the Transaction that are (i) directly attributable to the transaction; (ii) expected to have a continuing impact on the SCT Group, and (iii) factually supportable, are summarised in the accompanying notes.

The pro forma combined assets and liabilities statement of the Enlarged Group is based on a number of assumptions, estimates and uncertainties. The pro forma combined assets and liabilities statement of the Enlarged Group does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Transaction been completed on 30 June 2005. The pro forma combined assets and liabilities statement of the Enlarged Group does not purport to predict the future financial position of the Enlarged Group.

The pro forma combined assets and liabilities statement of the Enlarged Group should be read in conjunction with the historical financial information of the SCT Group as set out in the interim report of the Company for the six months ended 30 June 2005 and other financial information included elsewhere in this circular.

APPENDIX II**UNAUDITED PRO FORMA FINANCIAL
INFORMATION ON THE ENLARGED GROUP****(ii) Unaudited Pro Forma Combined Assets and Liabilities Statement of the Enlarged Group**

	The SCT Group as at 30 June 2005 <i>HK\$'000</i>	The SST Group as at 30 June 2005 <i>HK\$'000</i>	Pro forma adjustment <i>HK\$'000</i>	Unaudited Enlarged Group as at 30 June 2005 <i>HK\$'000</i>
Non-current assets				
Investment properties	9,075	–		9,075
Property, plant and equipment	478,638	9,042		487,680
Intangible assets	–	7,596		7,596
Goodwill (<i>Note</i>)	–	154	172,764	172,918
Prepaid lease payments	8,839	–		8,839
Interests in jointly controlled entities	181,396	–		181,396
Interest in an associate(s)	41,078	4,191		45,269
Long term investments	–	2,358		2,358
Golf club memberships	560	–		560
Deferred tax assets	1,756	–		1,756
	<u>721,342</u>	<u>23,341</u>	<u>172,764</u>	<u>917,447</u>
Current assets				
Inventories	84,471	56,640		141,111
Unbilled amount due from customers for contract works	–	146,953		146,953
Prepaid lease payments	336	–		336
Trade and bills receivables	117,774	82,132		199,906
Other receivables	12,277	72,892		85,169
Amount due from a jointly controlled entity	19,293	–		19,293
Deposits pledged with financial institutions	–	12,688		12,688
Bank balances and cash	145,354	15,837		161,191
Non-current assets classified as held for sale	32,985	–		32,985
	<u>412,490</u>	<u>387,142</u>	<u>–</u>	<u>799,632</u>
TOTAL ASSETS	<u><u>1,133,832</u></u>	<u><u>410,483</u></u>	<u><u>172,764</u></u>	<u><u>1,717,079</u></u>

APPENDIX II**UNAUDITED PRO FORMA FINANCIAL
INFORMATION ON THE ENLARGED GROUP**

	The SCT Group as at 30 June 2005 <i>HK\$'000</i>	The SST Group as at 30 June 2005 <i>HK\$'000</i>	Pro forma adjustment <i>HK\$'000</i>	Unaudited Enlarged Group as at 30 June 2005 <i>HK\$'000</i>
Current liabilities				
Trade and bills payables	63,266	112,834		176,100
Other payables and accruals	36,479	71,924		108,403
Amount due to a related company	62,453	–		62,453
Amount due to a shareholder	81,871	–		81,871
Tax liabilities	1,538	3,731		5,269
Bank borrowings – due within one year	81,295	68,868		150,163
Obligations under finance leases – due within one year	35,228	–		35,228
	<u>362,130</u>	<u>257,357</u>	<u>–</u>	<u>619,487</u>
Non-current liabilities				
Bank borrowings – due after one year	50,430	–		50,430
Obligations under finance leases – due after one year	46,190	–		46,190
Deferred tax liabilities	68	–		68
	<u>96,688</u>	<u>–</u>	<u>–</u>	<u>96,688</u>
TOTAL LIABILITIES	<u>458,818</u>	<u>257,357</u>	<u>–</u>	<u>716,175</u>
NET ASSETS	<u>675,014</u>	<u>153,126</u>	<u>172,764</u>	<u>1,000,904</u>
TOTAL EQUITY	<u>675,014</u>	<u>153,126</u>	<u>172,764</u>	<u>1,000,904</u>

This statement has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group.

Note: The adjustment reflects the difference between the total consideration of the Share Exchange Offer of approximately HK\$325,890,000 calculated on the basis of the Share Exchange Offer of 2 new SCT Shares for every 3 SST Shares and based on the closing price of the SCT Shares of HK\$0.45 per SCT Share as quoted on the Stock Exchange on the Last Trading Day for the proposed acquisition of all the issued shares of SST and the unaudited net assets of the SST Group as at 30 June 2005 as extracted from the interim report for the six months ended 30 June 2005.

The final amount of the consideration for the proposed acquisition, the goodwill and the net assets of the SST Group at the date of the completion of the proposed acquisition may be different from those amounts as presented above.

Subsequent to initial recognition goodwill is measured at cost less any impairment losses in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" and accordingly it is required to test goodwill for impairment in the first accounting period of the proposed acquisition and annually or whenever there is an indication of any possible impairment.

3. INDEBTEDNESS

Borrowings

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 circular, the Enlarged Group had outstanding borrowings of approximately HK\$368,789,000 comprising secured borrowings of approximately HK\$186,398,000 and unsecured borrowings of approximately HK\$182,391,000. The secured borrowings of approximately HK\$186,398,000 included bank loans of approximately HK\$114,683,000, bank overdraft of approximately HK\$7,724,000 and obligations under finance leases of approximately HK\$63,991,000. The unsecured borrowings of approximately HK\$182,391,000 included loan due to a shareholder of approximately HK\$24,700,000, loan due to a related company of approximately HK\$83,163,000 and bank loans of approximately HK\$74,528,000.

Pledge of assets

As at the close of business on 31 December 2005, the secured borrowings were secured by certain of the Enlarged Group's assets of approximately HK\$358,806,000.

Debt securities

As at the close of business on 31 December 2005, the Enlarged Group had no debt securities.

Contingent liabilities

As at the close of business on 31 December 2005, the Enlarged Group issued a guarantee for banking facilities granted to a jointly controlled entity of approximately HK\$81,733,000 and two corporate guarantees in the aggregate amount of approximately HK\$9,434,000 to an independent third party based in China.

Save as disclosed above, and apart from intra-group liabilities, the Enlarged Group did not have outstanding as 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, debt securities, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

4. WORKING CAPITAL

Upon the Share Exchange Offer being declared unconditional, SCT will have more than 50% equity interest in SST and SST will become an indirectly owned subsidiary of SCT to form the Enlarged Group. Subject to the Share Exchange Offer becoming unconditional, the approval of the Share Exchange Offer by the Shareholders at the EGM and SST remaining a subsidiary of SCT, Shougang Holding has provided an undertaking to SCT that in the event that the Enlarged Group fails to meet any of its working capital requirements (as determined by the Directors), Shougang Holding will provide financial assistance to the Enlarged Group in meeting any shortfall in the Enlarged Group's working capital and/or financial requirements. The Directors therefore are of the opinion that, after taking into account the Enlarged Group's internal resources, present available banking and other facilities and the granting of financial assistance from Shougang Holding, the Enlarged Group has sufficient working capital for its present requirements.

5. MATERIAL CHANGE

Save for those disclosed under the section headed "Material Change" in Appendix I to the Offer Document, the Directors are not aware of any material changes in the financial or trading position or outlook of the SCT Group since 31 December 2004, the date to which the latest published audited consolidated financial statements of the SCT Group were made up.

1. RESPONSIBILITY STATEMENT

The directors of the Offeror and the Directors jointly and severally accept full responsibility for the accuracy of the information contained in this supplemental document, except in relation to information on the SST Group (which has been extracted from the annual reports of SST for the three years ended 31 December 2004, the interim report of SST for the six months ended 30 June 2005, the third quarterly report of SST for the nine months ended 30 September 2005 and the response document of SST to its shareholders in respect of the Share Exchange Offer dated 3 March 2006), and confirm that the information on SST so extracted is a fair and correct reproduction of such information, and that there are no other facts not contained in this supplemental document, the omission of which would make any statement herein misleading. The directors of the Offeror and the Directors further confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this supplemental document have been arrived at after due and careful consideration and there are no other facts not contained in this supplemental document, the omission of which would make any statement in this supplemental document, misleading.

2. CONSENT AND QUALIFICATION

The following is the qualification of the expert who has been named in this supplemental document or has given opinion, letter or advice contained in this supplemental document:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants

As at the date of this supplemental document, Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this supplemental document with the inclusion of its letter and references to its name in the form and context in which they appear.

3. EXPERT'S INTEREST IN ASSETS

As at 28 February 2006, being the latest practicable date for the purpose of the following statements prior to the printing of this supplemental document, Deloitte Touche Tohmatsu:

- (a) was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to the Company since 31 December 2004, being the date to which the latest published audited accounts of the Company were made up ; and
- (b) did not have any shareholding interest in any member of the SCT Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the SCT Group.

4. MISCELLANEOUS

The English text of this supplemental document will prevail over the Chinese text in the case of any inconsistency.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at 7th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong from 9:00 a.m. to 5:00 p.m. on any weekday (except Saturdays and public holidays) while the Share Exchange Offer remains open for acceptance:

- (a) memorandum and articles of association of the Offeror and the Company;
- (b) the letter from the Company, the text of which is set out on pages 6 to 9 of the Offer Document;
- (c) the letter from CIMB-GK, the text of which is set out on pages 10 to 24 of the Offer Document;
- (d) the letter of consent dated 20 February 2006 from CIMB-GK referred to in the section headed “Consent and qualifications” in Appendix III to the Offer Document;
- (e) the letter of consent dated 3 March 2006 from Deloitte Touche Tohmatsu referred to in the section headed “Consent and qualification” in this Appendix;
- (f) the letter on the unaudited pro forma assets and liabilities statement of the Enlarged Group issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this supplemental document;
- (g) the letter of irrevocable undertaking from Mega Start and Mr. Wong Wai Tin (a director of SST);
- (h) the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix II to this supplemental document;
- (i) the annual reports and the interim report of the Company for the three years ended 31 December 2002, 2003 and 2004 and the six months ended 30 June 2005 respectively;
- (j) the annual reports, the interim report and the third quarterly report of SST for the three years ended 31 December 2002, 2003 and 2004, the six months ended 30 June 2005 and the nine months ended 31 September 2005 respectively;
- (k) the material contracts referred to in the section headed “Material Contracts” in Appendix III to the Offer Document;
- (l) a copy of the circular of the Company dated 12 August 2005 relating to the disposal of a property in Hong Kong by Jetsbo Investment Limited, an indirectly wholly-owned subsidiary of the Company to First Property Investment Company Limited;

- (m) the Offer Document; and
- (n) a copy of the circular of the Company dated 3 March 2006 for the purpose of, inter alia, providing information on the Share Exchange Offer to the Shareholders and containing a notice of EGM.