



SINO STRIDE

SINO STRIDE TECHNOLOGY (HOLDINGS) LIMITED

中程科技集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8177)

Interim Report 2006

* *For identification purpose only*

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The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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



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INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006 (UNAUDITED)

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2006 (the “Relevant Period”), together with the comparative figures for the six months ended 30 June 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	(Unaudited)		(Unaudited)	
		Three months ended		Six months ended	
		30 June		30 June	
		2006	2005	2006	2005
		RMB'000	RMB'000	RMB'000	RMB'000
Revenue	4	37,716	64,697	89,709	109,414
Cost of sales		(28,245)	(53,008)	(70,667)	(84,171)
Gross profit		9,471	11,689	19,042	25,243
Other income	4	400	242	611	1,014
Selling and distribution costs		(2,347)	(2,936)	(4,830)	(8,250)
Administrative costs		(4,726)	(4,771)	(9,668)	(11,799)
Other operating expenses		(48)	–	(557)	–
Profit from operating activities	5	2,750	4,224	4,598	6,208
Finance costs	6	(1,471)	(1,128)	(2,762)	(2,124)
Share of losses of associates		(107)	151	(126)	(95)
Profit before tax		1,172	3,247	1,710	3,989
Income tax expenses	7	1,493	872	974	832
Profit for the period		2,665	4,119	2,684	4,821
Attributable to:					
Equity holders of the parent		2,291	3,695	2,510	4,170
Minority interests		374	424	174	651
		2,665	4,119	2,684	4,821
Earnings per share					
– Basic and diluted (RMB cents)	8	0.21	0.34	0.23	0.38

* For identification purpose only.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2006

		(Unaudited) 30 June 2006 <i>RMB '000</i>	(Audited) 31 December 2005 <i>RMB '000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	10	9,262	9,977
Intangible assets	11	3,499	4,051
Goodwill		70	70
Interests in associates	12	2,345	2,471
Long term investments		6,250	4,375
Total non-current assets		<u>21,426</u>	<u>20,944</u>
Current assets			
Cash and cash equivalents		14,753	24,598
Deposit pledged with financial institutions	13	17,963	18,733
Trade receivables	14	53,155	61,799
Prepayments, deposits and other receivables		54,241	50,128
Unbilled amount due from customers for contract works		168,455	170,987
Amount due from a related party		4,884	5,012
Inventories		68,305	50,913
Total current assets		<u>381,756</u>	<u>382,170</u>
Current liabilities			
Bank loans	15	94,615	87,672
Trade and notes payable	16	64,324	94,378
Accrued liabilities and other payables		69,325	45,333
Amount due to a related party		1,879	3,345
Tax payable		4,086	6,021
Total current liabilities		<u>234,229</u>	<u>236,749</u>
Net current assets		<u>147,527</u>	<u>145,421</u>
Total assets less current liabilities		<u>168,953</u>	<u>166,365</u>
Non-current liabilities			
Deferred income		–	96
Net assets		<u>168,953</u>	<u>166,269</u>
Represented by:			
Capital and reserves			
Issued capital		11,514	11,514
Reserves		151,060	148,550
		<u>162,574</u>	<u>160,064</u>
Minority interests		6,379	6,205
		<u>168,953</u>	<u>166,269</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the period ended 30 June 2006

	(Unaudited)	
	Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
Net cash outflow from operating activities	(12,004)	(33,977)
Net cash outflow from investing activities	(2,022)	(1,205)
Net cash outflow before financing	(14,026)	(35,182)
Net cash inflow/(outflow) from financing	4,181	(6,209)
Decrease in cash and cash equivalents	(9,845)	(41,391)
Cash and cash equivalents at the beginning of period	24,598	58,178
Cash and cash equivalents at the end of period	14,753	16,787
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	14,753	16,787

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

Notes	Issued Capital	Share premium	Contribution surplus	Statutory surplus reserve	Enterprise expansion fund	Exchange fluctuation reserve	Retained profits	Minority interests	Total
	RMB'000	RMB'000	(a) RMB'000	(b) RMB'000	(c) RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2006	11,514	61,361	13,499	3,779	2,890	(508)	67,529	6,205	166,269
Net profit for the period	-	-	-	-	-	-	2,510	174	2,684
As at 30 June 2006	11,514	61,361	13,499	3,779	2,890	(508)	70,039	6,379	168,953
As at 1 January 2005	11,514	70,573	13,499	3,230	2,349	14	59,305	6,396	166,880
Net profit for the period	-	-	-	-	-	-	4,170	651	4,821
Dividends	-	(9,212)	-	-	-	-	-	(175)	(9,387)
As at 30 June 2005	11,514	61,361	13,499	3,230	2,349	14	63,475	6,872	162,314

Notes:

(a) Contribution surplus

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

(b) Statutory surplus reserve

In accordance with the Company Law of the PRC and the articles of association of the PRC subsidiaries, certain PRC subsidiaries are required to allocate 5% to 10% of its profit after tax, as determined in accordance with the accounting principle generally accepted in the PRC ("PRC GAAP") applicable to the PRC subsidiaries, to the statutory surplus reserve ("SSR") until such reserve reaches 50% of the registered capital of the PRC subsidiaries, and part of the SSR may be converted to increase the paid-up capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(c) Enterprise expansion fund

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

NOTES TO THE CONDENSED CONSOLIDATED RESULTS

1. Background of the Corporation

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

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

The accounting policies have been consistently applied by the Group and are consistent with those used in the preparation of the Group's consolidated financial statements for the year ended 31 December 2005.

2. Basis of Preparation

The unaudited consolidated results have been prepared under the historical cost convention in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards and Interpretations of the Standing Interpretations Committee approved by the International Accounting Standards Committee that remain in effect and the disclosure requirements of the Hong Kong Companies Ordinance.

3. Segment information

(a) *Business segment*

The Group is principally engaged in the development and provision of solutions for software, hardware and value-added service in intelligent information industry. The products and services of the Group are subject to similar risks and returns and, therefore, the Group has only one business segment.

(b) *Geographical segment*

The following table presents revenue and profits for the Group's geographical segments for the six months ended 30 June 2006.

	Unaudited six months ended 30 June					
	Hong Kong SAR		The Mainland of the PRC		Consolidated	
	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Segment revenue	<u>9,028</u>	<u>1,700</u>	<u>80,681</u>	<u>107,714</u>	<u>89,709</u>	<u>109,414</u>
Segment results	817	(9)	5,982	8,205	6,799	8,196
Unallocated corporate expenses					(2,203)	(1,988)
Other income					2	—
Profit from operating activities					4,598	6,208
Finance costs					(2,762)	(2,124)
Share of losses of associates					(126)	(95)
Profit before tax					1,710	3,989
Income tax expenses					974	832
Profit for the period					<u>2,684</u>	<u>4,821</u>
Attributable to:						
Equity holders of the parent					2,510	4,170
Minority interests					174	651
					<u>2,684</u>	<u>4,821</u>

4. Revenue and other income

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

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Revenue	37,716	64,697	89,709	109,414
Other income				
Interest income	115	51	257	124
Others	285	191	354	890
	<u>400</u>	<u>242</u>	<u>611</u>	<u>1,014</u>
Total	<u>38,116</u>	<u>64,939</u>	<u>90,320</u>	<u>110,428</u>

5. Profit from operating activities

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

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Cost of sales	28,245	53,008	70,667	84,171
Auditors' remuneration	253	95	565	402
Amortisation of intangible assets	276	678	552	954
Depreciation of property, plant and equipment	511	563	1,020	1,134
Minimum lease payment under operating leases for buildings	699	721	1,356	1,468
Loss/(gain) on disposal of property, plant and equipment	102	14	98	(6)
Staff costs:				
Retirement benefits	73	52	171	162
Accommodation benefits	8	82	20	165
Other staff costs	2,248	4,171	5,145	8,887
	<u>2,329</u>	<u>4,305</u>	<u>5,336</u>	<u>9,214</u>
Less: Amount classified as deferred development costs	-	-	-	-
Total staff costs	<u>2,329</u>	<u>4,305</u>	<u>5,336</u>	<u>9,214</u>

6. Finance costs

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2006	2005	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000
Interest on bank loans	1,212	1,085	2,448	2,047
Bank charges and commissions	259	43	314	77
	1,471	1,128	2,762	2,124

7. Income tax expenses

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2006	2005	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000
Provision for the period				
– Hong Kong SAR	–	–	112	–
– The mainland of PRC	134	397	541	668
	134	397	653	668
Overprovision in prior year – The PRC	(1,627)	(1,269)	(1,627)	(1,500)
Total	(1,493)	(872)	(974)	(832)

Hong Kong taxable profits has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the period (2005: Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the period). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

According to the Income Tax Law of the PRC, Sino Stride Technology Co., Ltd. (“Sino Stride Technology”) and Hangzhou Sino Stride Megain Optic-Electronic Technology Company Limited (“Megain”), the subsidiaries of the Company located in the Mainland of the PRC, are both qualified as advanced technology enterprises and operate in one of the approved high and new technology industrial development zones of the Mainland of the PRC and thus are subject to a corporate tax rate of 16.5% (2005: 10%) and 15% (2005: 15%), respectively, being the preferential tax rate applicable to companies operating in approved high and new technology industrial development zones of the PRC.

Beijing Sino Stride Powerlink Technology Co., Ltd., a subsidiary of the Company in the Mainland of the PRC, which is also qualified as an advanced technology enterprise and operates in one of the approved high and new technology industrial development zones of the Mainland of the PRC, was exempted from corporate income tax of the PRC for the three years starting from 1 January 2004 to 31 December 2006.

The applicable PRC income tax rate of the other subsidiaries located in the Mainland of the PRC is 33% based on existing legislation. However, Chongqing Sino Stride Technology Company Limited (“Chongqing Sino Stride”), one of the subsidiaries of the Company, is exempted from corporate income tax for its first two profit making years (after deducting losses incurred in previous years) and is entitled to a 50% tax reduction for the succeeding three years in accordance with the relevant tax laws in the PRC.

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

8. Earnings per share

The calculation of basic earnings per share for the three months and six months periods ended 30 June 2006 is based on the net profit attributable to ordinary equity holders of the parent of approximately RMB2,291,000 and RMB2,510,000 (2005: RMB3,695,000 and RMB4,170,000) and the number of 1,086,300,000 ordinary shares in issue for the three months and six months ended 30 June 2006 and 2005.

Diluted earnings per share equals basic earnings per share because there were no potential dilutive ordinary shares outstanding during the three months and six months periods ended 30 June 2006 and 2005.

9. Interim dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2006 (2005: Nil).

10. Property, plant and equipment

	(Unaudited) At 30 June 2006 RMB'000	(Audited) At 31 December 2005 RMB'000
Net book value, beginning of period/year	9,977	10,796
Additions	454	2,559
Disposal	(149)	(775)
Exchange realignment	–	(5)
Depreciation	(1,020)	(2,598)
	<u>9,262</u>	<u>9,977</u>
Net book value, end of period/year	<u>9,262</u>	<u>9,977</u>

11. Intangible assets

	Deferred development costs (Unaudited) At 30 June 2006 RMB'000	(Audited) At 31 December 2005 RMB'000
Net booked value, beginning of period/year	4,051	8,435
Additions	–	2,799
Amortisation charge	(552)	(2,081)
Impairment loss	–	(5,102)
	<u>3,499</u>	<u>4,051</u>
Net book value, end of period/year	<u>3,499</u>	<u>4,051</u>

12. Interest in associates

	(Unaudited) At 30 June 2006 RMB'000	(Audited) At 31 December 2005 RMB'000
Share of net assets of associates	<u>2,345</u>	<u>2,471</u>

Particulars of the associates at 30 June 2006 are as follows:

Company	Business structure	Place of incorporation and operations	Paid-up capital RMB'000	Percentage of equity interest attributable to the Group	Principal activities
Zhejiang University Sino Stride Fire Prevention Engineering Co., Ltd 浙江浙大中程消防工程有限公司	Corporate	PRC	800	36.6%	Fire prevention system installation
Hangzhou Sino Stride Hospital Xingda System Technology Co., Ltd 浙江中程興達醫療設備有限公司	Corporate	PRC	1,000	27.8%	Sale of medical equipment
Shenzhen Fasten Sino Stride Technology Ltd 深圳市法爾勝中程科技有限公司	Corporate	PRC	5,000	39%	Sale of hardware and equipment related to system solution and system design.

13. Deposit pledged with financial institutions

	(Unaudited) At 30 June 2006 RMB'000	(Audited) At 31 December 2005 RMB'000
Fixed deposits	<u>17,963</u>	<u>18,733</u>

The above fixed deposits have been pledged to financial institutions for the issuance of letter of credits, notes payable and to secure bank loans of RMB13,615,000 (2005: RMB8,672,000).

14. Trade receivables

The ages of the trade receivables are analysed as follows:

	(Unaudited) At 30 June 2006 RMB'000	(Audited) At 31 December 2005 RMB'000
Outstanding balance with ages:		
Within 30 days	13,492	22,182
Between 31 to 90 days	9,099	7,548
Between 91 to 180 days	3,805	3,661
Between 181 to 360 days	8,279	7,533
Over 360 days	18,480	20,875
	<u>53,155</u>	<u>61,799</u>

15. Bank loans

		(Unaudited) At 30 June 2006 RMB'000	(Audited) At 31 December 2005 RMB'000
Short term loans			
Unsecured	(a)	81,000	79,000
Secured	(b)	13,615	8,672
		<u>94,615</u>	<u>87,672</u>

(a) The unsecured bank loans bear interest at rates ranging from 5.1% to 6.7% (31 December 2005: 5.1% to 6.7%) per annum and are repayable in less than 12 months.

(b) The bank loans bear interest at rates ranging from 5.75% to 10.0% (31 December 2005: 5.75% to 10.0%) per annum and are secured by fixed deposits and properties from a related company. The secured bank loans are repayable in less than 12 months.

16. Trade and notes payable

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

	(Unaudited) At 30 June 2006 RMB'000	(Audited) At 31 December 2005 RMB'000
Outstanding balance with ages:		
Within 90 days	26,177	49,350
Between 91 to 180 days	14,196	24,623
Between 181 to 360 days	16,848	2,863
Over 360 days	7,103	17,542
	<u>64,324</u>	<u>94,378</u>

17. Commitments

At 30 June 2006, the Group had the following commitments:

	(Unaudited) At 30 June 2006 RMB'000	(Audited) At 31 December 2005 RMB'000
Future minimum lease rentals payable under non-cancelable operating lease expiring:		
Within one year	2,117	2,422
In the second to fifth years, inclusive	387	1,347
	<u>2,504</u>	<u>3,769</u>
Capital commitments:		
Development cost:		
Approved but not contracted for	650	650
Contracted but not provided for	920	920
	<u>1,570</u>	<u>1,570</u>
Total	<u>4,074</u>	<u>5,339</u>
Investment in an associate	<u>—</u>	<u>1,875</u>

18. Contingent Liabilities

At 30 June 2006, contingent liabilities not provided for in the financial statements were as follows:

	(Unaudited) At 30 June 2006 <i>RMB'000</i>	(Audited) At 31 December 2005 <i>RMB'000</i>
Guarantees given to banks in connection With facilities granted to third party company	<u>10,000</u>	<u>10,000</u>
	<u>10,000</u>	<u>10,000</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overview

For the Relevant Period, the Group recorded a turnover of approximately RMB90 million, representing a decrease of approximately 18% over the six months ended 30 June 2005. The turnover was primarily derived from the provision of system integration solutions of RMB77 million and computer network system integration solutions of approximately RMB13 million. During the Relevant Period, the Group recorded an overall gross profit of approximately RMB19 million, representing a profit margin of approximately of 21%.

Selling and distribution costs, and administrative costs for the six months ended 30 June 2006 decreased by RMB3.4 million and RMB2.1 million, respectively.

Other operating costs of RMB0.5 million represents professional costs in respect of the Share Exchange Offer by a wholly-owned subsidiary of Shougang Concord Technology Holdings Limited incurred during the Relevant Period.

The Group's net profit from ordinary activities attributable to equity holders of the parent amounted to approximately RMB2,510,000, representing a decrease of approximately 40% over the six months ended 30 June 2005.

Capital Structure

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

Liquidity, financial resources and debt ratio

The Group generally finances its operations with internally generated financial resources, short-term bank loans and part of the proceeds from the placing of the Company's shares on 29 July 2002. As at 30 June 2006, the Group had outstanding bank borrowings of RMB95 million of which RMB14 million are secured by pledged cash deposit by the Group and pledged properties by a related company. The outstanding bank borrowing of RMB71 million are secured and guaranteed by the Company, Sino Stride Technology or Megain, the subsidiaries of the Company. The rest of the outstanding bank borrowing of RMB10 million was cross guaranteed by an independent third party. The Group pledged cash deposit of RMB18 million to financial institutions to secure bank borrowings, the issuance of letters of credits and notes payable as at 30 June 2006.

The directors of the Company advised that normally there is no apparent seasonality of borrowing requirements for the Group and the maturity profile of the Group's borrowings as at 30 June 2006 are wholly repayable within one year.

As at 30 June 2006, the Group's cash and cash equivalents amounted to approximately RMB15 million.

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

Gearing ratio

The Group expresses its gearing ratio as a percentage of bank borrowings over total assets. As at 30 June 2006, the Group's gearing ratio was 23%.

Significant investments

Save as those disclosed in the paragraph "OPERATIONS REVIEW", the Group did not hold any significant investment as at 30 June 2006.

Material acquisitions and disposals of subsidiaries and affiliated companies

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

Exchange rate risk

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

Contingent liabilities

Please refer to note 18 "Contingent Liabilities" of the Notes to the Condensed Consolidated Results for details.

Segmental information

Please refer to note 3 "Segment Information" of the Notes to the Condensed Consolidated Results for details.

Charge on assets

Fixed deposits of RMB18 million have been pledged to financial institutions to secure bank borrowings, the issuance of letter of credits and notes payable.

Employees

As at 30 June 2006, the Group had 343 employees. The Board believes that the quality of its employees is one of the most important factors in sustaining the Group's growth and enhancing its profitability. Employees are remunerated according to their performance and working experience. In addition to basic salaries and retirement scheme, staff benefits include performance bonus. No specific training scheme is adopted by the Group.

Future plans for material investments or capital assets

The Group intends to pursue strategic acquisitions of and/or investments in system integration business and relevant system software development business to strengthen or complement the Group's existing business. Up to the date of this results announcement, no such acquisitions and/or investments targets other than those mentioned in the paragraph "OPERATIONS REVIEW" have been located by the Group. Accordingly, the Group did not have intended plans for material investments or capital assets as at 30 June 2006.

OPERATIONS REVIEW

For the period ended 30 June 2006, the Group has made a number of achievements in the area of business development. In March 2006, Sino Stride Technology Co. Ltd. (“Sino Stride Technology”), one of the subsidiaries of the Company, was awarded as 2006浙江省軟件業十強企業 (2006 Zhejiang Province Top Ten Software Enterprise) by Zhejiang Province Information Technology Bureau. In addition, Sino Stride Technology was awarded “2005年度完成工程額前50名企業” from中國建築業協會智能建築專業委員會. On 6 June 2006, Sino Stride Technology was designated as one of the “2005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 2005) 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.

During the six months ended 30 June 2006, the Group successfully bid several large intelligent building system and value added service solution projects such as 北京電視中心工程, 親親家園C區塊智能化系統工程, 合肥市總工會綜合辦公樓智能化工程設備採購及安裝, 浙江省警衛局指揮中心大樓, 蘇州市中級人民法院建築智能化工程 and 浙江電力生產調度大樓智能化系統工程施工合同.

As for the provision of intelligent traffic system (“ITS”), the project of 瑞安市公安局監控系統 (Rui On District Police Monitoring & Control System), which were bid by the Group during the year 2005, were completed during the six months ended 30 June 2006.

As stated in 2004 annual report, Sino Stride Technology entered into a joint venture agreement (the “JV Agreement”) dated 21 December 2004 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, 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). During the six months ended 30 June 2006, the Group further contributed RMB1,875,000 in cash in the JV in according to the JV Agreement. The JV is principally engaged in the provision of automotives services.

As far as the prospect of new business/projects of the Group is concerned, the large intelligent building system and value added service solutions projects successfully bid by the Group during the six months ended 30 June 2006 have been performed in accordance with the respective contract terms and expected progresses.

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

SHARE EXCHANGE OFFER BY A WHOLLY-OWNED SUBSIDIARY OF SHOUGANG CONCORD TECHNOLOGY HOLDINGS LIMITED

On 16 December 2005, Shougang Concord Technology Holdings Limited (“SCT”), a company incorporated in Hong Kong whose securities are listed on the Main Board of the Stock Exchange, approached the Board of the Company stating its intention to make a voluntary conditional share exchange offer (the “Share Exchange Offer”) to acquire all the issued shares of the Company.

On 3 April 2006, being the Final Closing Date of the Share Exchange Offer, valid acceptances have been received in respect of 774,699,000 ordinary shares, representing approximately 71.3% of issued share capital, of the Company, under the Share Exchange Offer. Accordingly, Made Connection Limited (the “Offeror”), a subsidiary of SCT, becomes the substantial shareholder of the Company.

On the basis, and after accounting for the shareholding interests of ST Electronics of approximately 28% of the issued share capital of the Company which has not accepted the Share Exchange Offer, the public float of the Company is estimated to be approximately 0.7%. Pursuant to the Hong Kong Codes on Takeovers and Mergers, the Company has since failed to maintain the 25% minimum public float requirement under Rule 11.23 of the GEM Listing Rules and the shares of the Company has been suspended from trading on GEM since 4 April 2006. Temporary waiver has been granted by the Stock Exchange from strict compliance with Rule 11.23 of the GEM Listing Rules on the 25% minimum public float requirement from 26 July 2006 to 25 August 2006.

The Company will use its best endeavours to maintain its public float if listing on the Stock Exchange is to be maintained or consider to voluntarily withdraw the listing of the Company shares on the Stock Exchange in accordance with Chapter 9 of the GEM Listing Rules and all applicable laws and regulations. Trading of the Company’s share will remain suspended until the 25% minimum public float requirement has been restored or until the listing of the shares of the Company on the Stock Exchange has been voluntarily withdrawn (as the case may be).

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.

The successful completion of the Share Exchange Offer made by SCT in April 2006 has made it the Group’s majority shareholder. With the extensive commercial network support from the Offeror and SCT, it will enhance the Group’s business expansion and earnings enhancement in future.

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

As at 30 June 2006, the beneficial interests of the Directors in the share capital of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) (the "SFO"), which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions in which they are taken or deemed to have taken under such provisions of the SFO), or which will be required pursuant to Section 352 of the SFO to be entered in the register referred therein or required pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange are as follows:

Name of director	Name of associated corporation	Relationship with the Company	Shares	Number of shares held	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Mr. Chau Chit	Shougang Concord Technology Holdings Limited (Note 1)	Company's intermediate holding company	Ordinary shares	301,160,000	Through a controlled corporation (Note 2)	17.6
Mr. Wong Wai Tin	Shougang Concord Technology Holdings Limited	Company's intermediate holding company	Ordinary shares	301,160,000	Through a controlled corporation (Note 2)	17.6
Mr. Wong Wai Tin	Shougang Concord Technology Holdings Limited	Company's intermediate holding company	Ordinary shares	1,666,666	Directly beneficially owned	0.1

Notes:

- (1) Shougang Concord Technology Holdings Limited ("SCT"), a company incorporated in Hong Kong whose securities are listed on the Main Board of the Stock Exchange.
- (2) Mega Start Limited ("Mega Start") is held by Mr. Chau Chit, a Director, and Ms. Ting Hiu Wan, the spouse of Mr. Chau Chit, and Mr. Wong Wai Tin, a Director, in the proportion of 50%, 30% and 20%, respectively.

Save as disclosed above, as at 30 June 2006, none of the Directors or chief executive of the Company has any interests or short positions in the share, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred therein, or pursuant to the Rule 5.46 of the GEM Listing Rules relating to Securities transactions by Directors, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES

At no time during the period ended 30 June 2006 were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or minor children, or were such rights exercised by them; or was the Company, its holding company, or any of its subsidiary and fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of acquiring of shares in the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2006, so far as the Directors are aware, the following persons or companies had interests or short position in shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or substantial shareholders as recorded in the register of substantial shareholder required to be kept by the Company under Section 336 of the SFO:

Substantial shareholders	<i>Notes</i>	Capacity and nature of interest	Number of ordinary shares held	Percentage of the company's issued share capital as at 30 June 2006
Made Connection Limited	(a)	Directly beneficially owned	774,699,000	71.3%
Shougang Concord Technology Holdings Limited	(a)	Through a controlled corporation	774,699,000	71.3%
Singapore Technologies Electronics Limited ("ST Electronics")	(b)	Directly beneficially owned	304,260,000	28.0%
Singapore Technologies Engineering Ltd. ("ST Engineering")	(b)	Through a controlled corporation	304,260,000	28.0%
Temasek Holdings (Private) Ltd. ("Temasek Holdings")	(b)	Through a controlled corporation	304,260,000	28.0%

Notes:

- (a) Made Connection Limited (“Made Connection”), is a wholly-owned subsidiary of Shougang Concord Technology Holdings Limited (“SCT”), a company incorporated in Hong Kong whose securities are listed on the Main Board of the Stock Exchange.
- (b) ST Electronics is a wholly-owned subsidiary of ST Engineering whose shares are listed on the Singapore Exchange Securities Trading Limited. Temasek Holdings holds controlling interest in ST Engineering. Pursuant to Part XV of the SFO, ST Engineering and Temasek Holdings are taken to be interested in the shares held by ST Electronics.

Save as disclosed above, as at 30 June 2006, no person, other than the directors and chief executive of the Company, whose interests are set out in the section “Directors’ and Substantial Shareholders’ Interests in Shares and Underlying Shares” above, had registered an interest or long positions in the shares or underlying shares of the Company that would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO and required to be recorded pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

Pursuant to written resolutions of the shareholders dated 16 July 2002, a share option scheme (the “Share Option Scheme”) was approved and adopted. On 27 August 2004, the Company granted certain directors and employees under the Share Option Scheme a total of 12,000,000 share options to subscribe for shares of HK\$0.01 each in the capital of the Company which were exercisable at any time from 27 August 2004 to 26 August 2014 at an exercise price of HK\$0.34 per share. On 27 September 2004, 2,210,000 share options were exercised by certain employees. As at 30 June 2006, the Company has no options outstanding as all the outstanding share options were cancelled by the Company on 11 November 2005 with consent from the share option holders and pursuant to a board resolution.

DIRECTORS’ INTEREST IN COMPETING BUSINESS

ST Electronics (Shanghai) Co., Ltd., a wholly foreign-owned enterprise established by ST Electronics in Shanghai, the Mainland of the PRC, is also engaged in the business of intelligent building systems and home automation systems in the Mainland of the PRC. Mr. Ng Chong Khim and Mr. Tay Hun Kiat, two of the senior management staff of ST Electronics, were appointed as non-executive directors of the Company on 15 March 2002 and 10 June 2006, respectively. Through the share option scheme in ST Engineering (which owns 100% of ST Electronics), Mr. Ng Chong Khim and Mr. Tay Hun Kiat may from time to time own shares or share option in ST Engineering.

Save as disclosed above, none of the Directors or the substantial shareholders or the management shareholders of the Company or their respective associates had an interest in a business that competed with or might compete with the business of the Group as at 30 June 2006.

AUDIT COMMITTEE

The Company established an audit committee on 16 July 2002 with written terms of reference in compliance with Rules 5.28, 5.29 and 5.30 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report and accounts, half-year reports and quarterly reports and to provide advice and comments thereon the board of Directors. The audit committee is also responsible for reviewing the financial reporting process and internal control system of the Group. The Group's unaudited consolidated results for the Relevant Period have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards, the GEM and legal requirements, and that adequate disclosures had been made.

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

CORPORATE GOVERNANCE

For the six months ended 30 June 2006, the Company has complied with the requirements of the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period ended 30 June 2006.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the period ended 30 June 2006, the Company adopted a code of conduct regarding of dealing set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiries with all Directors and the Company was not aware of any non-compliance with the required standard of dealing and its code of conduct regarding securities transactions by directors.

By order of the Board
Sino Stride Technology (Holdings) Limited
Wong Wai Tin
Chairman

Hangzhou, the PRC
11 August 2006