
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Offer Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in Sino Stride Technology (Holdings) Limited, you should at once hand this Offer Document and the accompanying Acceptance Form to the purchaser(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This Offer Document should be read in conjunction with the accompanying Acceptance Form, the contents of which form part of the terms of the Cash Offer contained herein.

Neither The Stock Exchange of Hong Kong Limited, the Hong Kong Securities Clearing Company Limited nor The Securities and Futures Commission of Hong Kong takes any responsibility for the contents of this Offer Document and the accompanying Acceptance Form, makes any 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 Offer Document and the accompanying Acceptance Form.

This document does not constitute an invitation or offer to acquire, purchase or subscribe for securities of Sino Stride Technology (Holdings) Limited.



SINOSTRIDE

SINO STRIDE TECHNOLOGY (HOLDINGS) LIMITED

中程科技集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8177)

SHARE REPURCHASES BY CONDITIONAL CASH OFFER AS A RESULT OF THE PROPOSED VOLUNTARY WITHDRAWAL OF LISTING OF THE SHARES OF THE COMPANY ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Financial Adviser to Sino Stride Technology (Holdings) Limited



寶來證券(香港)有限公司

Polaris Securities (Hong Kong) Limited

A Member of Polaris Financial Group

Joint Independent Financial Advisers

to

the Independent Board Committee and the Independent Shareholders



招商證券(香港)有限公司
CHINA MERCHANTS SECURITIES (HK) CO., LTD.



VXL FINANCIAL SERVICES LIMITED
卓越企業融資有限公司

A letter from the independent board committee of Sino Stride Technology (Holdings) Limited containing its recommendation in respect of the Proposed Withdrawal and the Cash Offer and to the Independent Shareholders is set out on pages 20 to 21 of this Offer Document and a letter from the joint independent financial advisers, China Merchants and VXLFS, containing their advice to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 38 of this Offer Document.

The procedures for acceptance and related information of the Cash Offer are set out in the accompanying Acceptance Form. Acceptances of the Cash Offer should be received by no later than 4:00 p.m. on the Unconditional Date.

A notice convening the Re-convened EGM to be held at Rooms 501-504, 5/F., Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong on Thursday, 2 November 2006 at 11:00 a.m. or any adjournment thereof is set out on pages 113 to 114 of this Offer Document.

Whether or not you are able to attend the Re-convened EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time of the Re-convened EGM or any adjournment thereof to the office of the Company's branch share registrar in Hong Kong, Abacus Share Registrars Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the Re-convened EGM or any adjournment thereof should you so wish.

This Offer Document will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of Sino Stride Technology (Holdings) Limited at www.sinostride.com.

* For identification purpose only

18 October 2006

CHARACTERISTICS OF GEM

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

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

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

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EXPECTED TIMETABLE

The expected timetable of the Proposed Withdrawal and the Cash Offer is as follows:

Events	2006
Despatch date of this Offer Document	Wednesday, 18 October
Latest time for lodging forms of proxy in respect of Re-convened EGM	11:00 a.m. on Tuesday, 31 October
Closure of register of member of the Company	Tuesday, 31 October
Re-convened EGM	11:00 a.m on Thursday, 2 November
Date of announcement of the results of the Re-convened EGM on the websites of GEM and the Company (<i>www.sinostride.com</i>)	Friday, 3 November
Unconditional Date (<i>Note 1</i>)	4:00 p.m. on Monday, 6 November
Proposed Withdrawal becoming effective	4:00 p.m. on Monday, 6 November
Latest date for posting of remittances for the amounts due under the Cash Offer received on or before 4:00 p.m. on the Unconditional Date (<i>Note 2</i>)	Thursday, 16 November
Latest date for acceptance assuming the Cash Offer is to become or is declared unconditional on the Unconditional Date (<i>Note 3</i>)	4:00 p.m. on Monday, 20 November

Notes:

1. The Company will issue an announcement on the Company's and the GEM's website by 7:00 p.m. on the Unconditional Date stating the results of the Cash Offer and whether the Cash Offer has been revised or extended, have expired or have become or been declared unconditional.
2. Remittances in respect of the cash consideration under the Cash Offer will be posted to the accepting Independent Shareholders by ordinary post at their own risk as soon as possible but in any event within 10 days of the later of the date of receipt by the Registrar, of duly completed acceptance, or the date on the Cash Offer becomes or is declared unconditional. Upon the Proposed Withdrawal taking effect from 4:00 p.m. on Monday, 6 November 2006, the Cash Offer will become unconditional in all respects, therefore, the final day rule under Rule 15.5 of the Takeovers Code will not be applicable.
3. Assuming the Cash Offer becomes unconditional on the Unconditional Date, it should remain open for acceptance for not less than 14 days in accordance with the Takeovers Code. Hence, the latest time to receive acceptances under the Cash Offer will be 4:00 p.m. on Monday, 20 November 2006 unless the Company revises or extends the Cash Offer in accordance with the Takeovers Code.

EXPECTED TIMETABLE

The above expected timetable may subject to change and further announcement will be made by the Company as and when necessary.

All time and date references contained in this Offer Document refer to Hong Kong time and date which is calculated in accordance with the Takeovers Code.

DEFINITIONS

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

“Acceptance Form”	the conditional acceptance and transfer form enabling the Independent Shareholders to indicate whether they intend to accept the Cash Offer
“acting in concert”	has the meaning ascribed to it in the Codes on Takeovers and Mergers and Share Repurchases
“Announcement dated 24 August 2006”	the announcement of the Company dated 24 August 2006 in relation to the Proposed Withdrawal and waiver in respect of the public float under Rule 11.23 of the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day(s) (other than Saturday and Sunday) on which banks in Hong Kong generally are open for business
“Cash Offer”	the conditional cash offer at HK\$0.17 per Share being offered by the Company to the Independent Shareholders
“China Merchants”	China Merchants Securities (HK) Co., Ltd., one of the Joint IFAs to the Independent Board Committee and the Independent Shareholders, a corporation licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities under the SFO
“Code of Share Repurchases Clarification Announcement”	the announcement of the Company dated 19 September 2006 clarifying the applicability of the Code of Share Repurchases
“Companies Law”	The Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Director(s)”	the directors of the Company
“Effective Date”	on 4:00 p.m., Monday, 6 November 2006, the day on which the Proposed Withdrawal is to become effective
“EGM”	the extraordinary general meeting of the Company originally scheduled on 19 September 2006, notice of which was set out in the September 2006 Circular

DEFINITIONS

“Executive”	the executive director of the corporate finance division of the SFC or any of his delegate(s)
“GEM”	The Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“HK\$” or “cents”	Hong Kong dollars or cents, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company appointed to advise the Independent Shareholders in respect of the Proposed Withdrawal and the Cash Offer, which comprises one non-executive Director (being Mr. Wong Wai Kwan) and all the three independent non-executive Directors (namely, Mr. Cai Xiao Fu, Mr. Shi Jian Jun and Mr. Li Xiaoqiang Richard)
“Independent Shareholders”	the Shareholders excluding Made Connection and ST Electronics and their respective associates
“Joint Announcement”	the joint announcement made by SCT and the Company dated 3 April 2006 in relation to the closing of the Share Exchange Offer
“Joint IFAs”	being China Merchants and VXLFS
“Last Trading Day”	3 April 2006, being the last trading day of the Shares on the GEM immediately before suspension of the Shares prior to the Joint Announcement
“Latest Practicable Date”	16 October 2006, being the latest practicable date prior to the printing of this Offer Document for the purpose of ascertaining certain information for inclusion in this Offer Document
“Made Connection”	Made Connection Limited, a wholly owned subsidiary of SCT, being the controlling Shareholder of the Company (as defined in the GEM Listing Rules)
“Main Board Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

DEFINITIONS

“March 2006 Circular”	the response document of the Company dated 3 March 2006 relating to the Share Exchange Offer
“Offer Document”	this document issued by the Company to the Shareholders in accordance with the Code of Share Repurchases containing, <i>inter alia</i> , terms and conditions of the Proposed Withdrawal, the details of the Cash Offer and the Acceptance Form
“Offer Period”	commencing from the date of the announcement of the previous Cash Offer on Thursday, 24 August 2006 to Monday, 20 November 2006, unless extended
“Proposed Withdrawal”	the proposed voluntary withdrawal of listing of the Shares on GEM which is conditional in accordance to Rule 9.20 of the GEM Listing Rules, details of which were set out in September 2006 Circular
“Public Documents”	collectively (i) the March 2006 Circular; (ii) the Joint Announcement; (iii) the Announcement dated 24 August 2006; (iv) the September 2006 Circular; and (v) the Code of Share Repurchases Clarification Announcement; and (vi) the announcement of the Company dated 3 October 2006 in relation to the Share Repurchases by conditional Cash Offer as a result of the Proposed Withdrawal
“Re-convened EGM”	the re-convened EGM to be held for the purpose of approving the Proposed Withdrawal and the Cash Offer by the Independent Shareholders, the notice of which is set out on pages 113 to 114 of this Offer Document
“Registrar”	Abacus Share Registrars Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Hong Kong, being the Company’s branch share registrar in Hong Kong
“SCT”	Shougang Concord Technology Holdings Limited, a limited liability company incorporated in Hong Kong and the shares of which are listed on the main board of the Stock Exchange
“SCT Group”	SCT and its subsidiaries
“September 2006 Circular”	the circular of the Company dated 4 September 2006 in relation to the Proposed Withdrawal and notice of the EGM
“SFC”	the Securities and Futures Commission

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Exchange Offer”	the voluntary share exchange offer of two new shares of SCT for every three Shares, details of which were set out in the March 2006 Circular
“Shareholder(s)”	the registered holder(s) of the Shares
“SST” or the “Company”	Sino Stride Technology (Holdings) Limited (中程科技集團有限公司*), a company incorporated in the Cayman Islands with limited liability with the Shares listed on GEM
“SST Group”	SST and its subsidiaries
“ST Electronics”	Singapore Technologies Electronics Limited, a substantial shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers of Hong Kong
“Unconditional Date”	the date on which the Cash Offer is to become or be declared unconditional and the Proposed Withdrawal becoming effective from 4:00 p.m. on Monday, 6 November 2006
“VXLFS”	VXL Financial Services Limited, one of the Joint IFAs to the Independent Board Committee and the Independent Shareholders, a corporation licensed to conduct type 6 (advising on corporate finance) of the regulated activities under the SFO
“%”	per cent.

* For identification purpose only

LETTER FROM THE BOARD



SINO STRIDE

SINO STRIDE TECHNOLOGY (HOLDINGS) LIMITED

中程科技集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8177)

Executive Directors:

WONG Wai Tin (*Chairman*)

CHAU Chit

SHEN Yue

Non-executive Directors:

WONG Wai Kwan

NG Chong Khim

TAY Hun Kiat

Independent non-executive Directors:

CAI Xiao Fu

SHI Jian Jun

LI Xiaoqiang Richard

Registered office:

Century Yard

Cricket Square

Hutchins Drive

P.O. Box 2681 GT

George Town

Grand Cayman

British West Indies

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

Room 501-504

5/F., Harcourt House

39 Gloucester Road

Wanchai

Hong Kong

18 October 2006

To the Shareholders,

Dear Sir or Madam

**SHARE REPURCHASES BY CONDITIONAL CASH OFFER
AS A RESULT OF THE PROPOSED VOLUNTARY WITHDRAWAL
OF LISTING OF THE SHARES OF THE COMPANY
ON THE GROWTH ENTERPRISE MARKET
OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

INTRODUCTION

Reference is made to the Public Documents.

Pursuant to the Joint Announcement, as a result of the Share Exchange Offer made by Made Connection, pursuant to the Takeovers Code, the Company has since been unable to maintain the 25% minimum public float requirement under Rule 11.23 of the GEM Listing

* For identification purpose only

LETTER FROM THE BOARD

Rules and the trading of the Shares on GEM has been suspended since 4 April 2006 and shall remain suspended until the listing of the Shares on the GEM has been voluntarily withdrawn.

Details of the Proposed Withdrawal together with a notice convening the EGM had been set out in the September 2006 Circular. The Independent Shareholders had been invited to consider and vote on the Proposed Withdrawal at the EGM. The EGM scheduled on 19 September 2006 was adjourned pending clarification in respect of applicability of the Code of Share Repurchases.

APPLICABILITY OF THE CODE OF SHARE REPURCHASES

On 19 September 2006, the Company announced that the SFC raised concerns with respect to the applicability of the Code of Share Repurchases to the Cash Offer. After consultation with the SFC, the SFC has confirmed that the Code of Share Repurchases is applicable to the Cash Offer which shall be classified as share repurchases by general offer under the Code of Share Repurchases. The Company issued an announcement on 3 October 2006 to make the share repurchases by conditional cash offer under the Code of Share Repurchases voiding the previous Cash Offer announced on 24 August 2006. The purpose of this Offer Document is to provide you with information in accordance with the Code of Share Repurchases together with the notice of the Re-convened EGM and the accompanying Acceptance Form.

THE PROPOSED WITHDRAWAL

Background

As aforesaid, pursuant to the Joint Announcement as a result of the Share Exchange Offer made by Made Connection pursuant to the Takeovers Code, the Company has since been unable to maintain the 25% minimum public float requirement under Rule 11.23 of the GEM Listing Rules and the trading of the Shares on GEM has been suspended since 4 April 2006.

As at the Latest Practicable Date, the shareholding structure of the Company was as follows:

Name of Shareholder	Percentage of Shareholding
Made Connection	71.32%
ST Electronics	28.01%
Public Shareholders	0.67%

LETTER FROM THE BOARD

Reasons for the Proposed Withdrawal

In light of the circumstances, the Company is proposing to voluntarily withdraw the listing of the Shares on GEM.

The Directors are of the view that the Proposed Withdrawal will enable the Company to enjoy the following benefits:

- (a) The SCT Group currently comprises SCT (whose shares are listed on the main board of the Stock Exchange) and among other subsidiaries, the Company (whose Shares are listed on GEM). As such, the SCT Group has to comply with both the Main Board Listing Rules and the GEM Listing Rules. However, if the Company becomes a private company, the compliance requirements will be simplified as the GEM Listing Rules will no longer be applicable to the Company. The Main Board Listing Rules will apply to the SCT Group of which the Company will remain as a member (by virtue of the Company being a subsidiary of SCT) after the Proposed Withdrawal becomes effective; and
- (b) Due to the simplification of the compliance requirements, administrative and legal costs would be substantially reduced, in particular, the SCT Group will not have to deal with two different divisions within the Stock Exchange in matters relating to the Company.

Conditions of the Proposed Withdrawal

The Proposed Withdrawal is subject to:

- (a) the approval from the Stock Exchange;
- (b) the approval of the Shareholders at a duly convened Re-convened EGM at which the controlling Shareholder, being Made Connection and its associates (if any), which holds approximately 71.32% of the issued share capital and ST Electronics, and its associates (if any), which holds approximately 28.01% of the issued share capital, shall abstain from voting in favor; and
 - (i) the approval must be given by at least 75% of the votes attaching to Shares held by the Independent Shareholders voting either in person or by proxy at the Re-convened EGM; and
 - (ii) the number of votes cast against the resolution is not more than 10% of the votes attaching to Shares held by the Independent Shareholders permitted to vote either in person or by proxy at the Re-convened EGM.

LETTER FROM THE BOARD

CASH OFFER

The Cash Offer is conditional upon the Proposed Withdrawal becoming effective and approval of the Cash Offer by Independent Shareholders separately by poll under Rule 3.3 of the Code of Share Repurchases.

Under Rule 3.3 of the Code of Share Repurchases, the Cash Offer must be approved by (a) at least 75% of the votes attaching to the Shares owned by the Independent Shareholders that are cast either in person or by proxy at the Re-convened EGM; and (b) the number of votes cast against the resolution being not more than 10% of the votes attaching to the Shares owned by the Independent Shareholders. In addition, Rule 2.2 requires that the Cash Offer must also be subject to:

- (a) approval by at least 75% of the votes attaching to the Shares held by Independent Shareholders that are cast either in person or by proxy at the Re-convened EGM;
- (b) the number of votes cast against the resolution being not more than 10% of the votes attaching to the Shares held by the Independent Shareholders; and
- (c) the Company being entitled to exercise, and exercising, its rights of compulsory acquisition.

The Company has applied for a waiver of condition (c) above with the Executive.

Made Connection, being the controlling Shareholder (as defined in the GEM Listing Rules), which controls and is entitled to exercise control over the voting rights in respect of approximately 71.32% of the issued share capital, shall abstain from voting at the Re-convened EGM. Furthermore, ST Electronics, being the holder of approximately 28.01% of the issued share capital, is presumed to be a party acting in concert with Made Connection pursuant to the Takeovers Code and as such, shall also abstain from voting at the Re-convened EGM.

The Cash Offer price for each Share will be HK\$0.17. Shares acquired under the Cash Offer will be acquired free from all liens, charges and encumbrances and together with all rights attaching thereto, including the right to receive all dividends and distributions recommended, declared, paid or made on or after the posting of this Offer Document.

LETTER FROM THE BOARD

Assuming the Cash Offer is successful, meaning that all the Independent Shareholders accept the Cash Offer in full, their Shares will be cancelled in accordance with section 37 of the Companies Law of the Cayman Islands (which provides that shares repurchased by the Company must be treated as cancelled on purchase and the amount of the Company's issued share capital shall be diminished by the nominal value of the shares accordingly but not to be taken as reducing the amount of the Company's authorised share capital resulting in the following changes to the percentage voting rights of the substantial shareholders). There will not be any change on the percentage voting rights of the persons referred to in paragraph 5 of Schedule III to the Codes on Takeovers and Mergers and Share Repurchases, save and except for the substantial Shareholders whose percentage voting rights will be as follows upon completion of the Cash Offer:

Shareholders	Percentage of Shareholding
Made Connection	71.80%
ST Electronics	<u>28.20%</u>
Total	<u><u>100.00%</u></u>

Pursuant to Rule 9.20(4) of the GEM Listing Rules, the Company has proposed to offer to its Independent Shareholders, subject to the Proposed Withdrawal becoming effective, HK\$0.17 per Share, equivalent to 2/3 of HK\$0.26, being the closing price of the shares of SCT as of 22 August 2006 (the latest closing price of the shares of SCT available before the Company finalized the terms of the Proposed Withdrawal). The Company considers the Cash Offer is fair and reasonable as the amount of the Cash Offer was determined by reference to the value as at 22 August 2006 attributable to each Share held by those Shareholders who accepted the Share Exchange Offer and will hold onto those shares of SCT received thereafter.

Further details of the Cash Offer

Further details of the Cash Offer are set out in Appendix I to this Offer Document and in Acceptance Form.

LETTER FROM THE BOARD

PREVIOUS ACCEPTANCE

As stated in the Code of Share Repurchases Clarification Announcement, four batches of acceptance in an aggregate of 550,000 Shares under the previous Cash Offer announced on 24 August 2006 had been received. The Acceptance Form which have been previously delivered to the Registrar shall be void as at the date of this Offer Document and the Independent Shareholders shall re-deliver the completed Acceptance Form together with relevant valid document(s) of title in respect of the Shares enclosed in this Offer Document should they wish to accept the Cash Offer.

Comparison with the Cash Offer Price

The Cash Offer price of HK\$0.17 per Share represents:

- (i) a discount of approximately 41.38% over the average closing price of approximately HK\$0.29 per Share based on the daily closing price as quoted on the GEM over the 30 trading days prior to and including 3 April 2006;
- (ii) a discount of approximately 43.33% over the closing price of HK\$0.30 per Share as quoted on the GEM on 3 April 2006;
- (iii) an implied price to earnings multiple of 19.54 times, based on the basic earnings per Share of HK0.87 cents for the year ended 31 December 2005 based on weighted average number of 1,086,300,000 Shares in issue during the year; and
- (iv) a premium of approximately 21.43% to the unaudited consolidated net tangible asset value of approximately HK\$0.14 per Share as at 30 June 2006 based on 1,086,300,000 Shares in issue.

Note: For illustrative purpose of this Offer Document, conversion of Renminbi into Hong Kong dollars in respect of (a) the basic earnings per Share of RMB0.9 cents per Share for the year ended 31 December 2005; and (b) the unaudited consolidated net tangible asset value per Share of approximately RMB0.15 as at 30 June 2006 is based on the approximate exchange rate of RMB1.04 to HK\$1.00.

Historic share price information on the Shares is set out in the paragraph headed "Market Price of Shares" in Appendix III of this Offer Document.

Total consideration

As at the date of this Offer Document, the issued share capital of the Company is 1,086,300,000 and there is no outstanding warrant or share option or derivatives or securities convertible into Shares. At a price of HK\$0.17 per Share, the entire issued share capital of the Company is valued at HK\$184,671,000 under the Cash Offer.

LETTER FROM THE BOARD

Financial arrangement

The issued share capital of the Company is owned as to approximately 71.32% by Made Connection (being 774,699,000 Shares), as to approximately 28.01% by ST Electronics (being 304,260,000 Shares) and the balance as to approximately 0.67% by public shareholders as at the date of this Offer Document. Each of SCT, being the 100% holding company of Made Connection, and ST Electronics had entered into irrevocable undertaking not to accept the Cash Offer in full.

As at the Latest Practicable Date, save for the Shares held by Made Connection and ST Electronics, there were 7,341,000 Shares in issue. At the cash offer price of HK\$0.17 per Share, and assuming that all of the remaining Independent Shareholders accept the Cash Offer in full, the total consideration will be approximately HK\$1,247,970.00. The Company will satisfy the total consideration out of the Company's share capital and share premium and be funded by its own cash deposit in bank.

Polaris Securities (Hong Kong) Limited is satisfied that there are sufficient financial resources available to the Company to complete the purchase of the Shares which give rise to the offer obligation (amounting to HK\$1,247,970 calculated at 7,341,000 Shares held by Independent Shareholders at HK\$0.17 per Share).

INDEPENDENT BOARD COMMITTEE

In accordance with Rules 2.1 and 2.8 of the Takeovers Code, members of the Independent Board Committee should consist of all three non-executive Directors (namely, Mr. Wong Wai Kwan, Mr. Ng Chong Khim and Mr. Tay Hun Kiat), and all three independent non-executive Directors (namely, Mr. Cai Xiao Fu, Mr. Shi Jian Jun and Mr. Li Xiaoqiang Richard). By reason that, Mr. Ng and Mr. Tay are salaried employees of Singapore Technologies Engineering Limited, a company listed on the stock exchange of Singapore which holds approximately 28.01% of the issued share capital indirectly, via ST Electronics, a party presumed to be acting in concert with Made Connection pursuant to the Takeovers Code, they are not eligible to be members of the Independent Board Committee.

JOINT INDEPENDENT FINANCIAL ADVISERS

China Merchants and VXLFS have been appointed by the Board as the Joint IFAs to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Proposed Withdrawal and the Cash Offer are fair and reasonable and whether the Proposed Withdrawal and the Cash Offer are in the interest of the Company and its Shareholders as a whole and to advise the Independent Shareholders how to vote. A copy of their letter is set out on pages 22 to 38 of this Offer Document.

LETTER FROM THE BOARD

INFORMATION OF THE SST GROUP

SST Group is principally engaged in the development and provision of system integration solutions in the People's Republic of China. The principal system integration solutions provided by the SST Group are intelligent building system integration solutions and computer network system software.

The following sets out the financial information of the SST Group for the two financial years ended 31 December 2005 and the six months ended 30 June 2006 and the same period in 2005:

	(Audited) Year ended 31 December <i>(Note 1)</i>		(Unaudited) Six months ended 30 June <i>(Note 2)</i>	
	2004 <i>RMB'000</i>	2005 <i>RMB'000</i>	2005 <i>RMB'000</i>	2006 <i>RMB'000</i>
Turnover	293,134	265,846	109,414	89,709
Net profit before taxation	29,144	10,291	3,989	1,710
Net profit attributable to				
Shareholders	22,943	9,314	4,170	2,510
Earnings per share <i>(RMB cents)</i>	2.1	0.9	0.38	0.23
Net assets value	166,880	166,269	162,314	168,953

Notes:

1. Based on the latest published audited consolidated financial statements of the SST Group.
2. Based on the latest published unaudited consolidated financial statements of the SST Group.

The reduction in the net profit of the SST Group for the year ended 31 December 2005 was mainly attributable to:

- (a) the reduction in gross profit margin from approximately 23.3% for the year ended 31 December 2004 to approximately 20.4% for the year ended 31 December 2005 mainly due to fierce competition amongst competitors in the market and thus leading to price cutting of projects;
- (b) net profit attributable to Shareholders decreased by 59% over the year ended 31 December 2004 mainly due to (a) the decrease in turnover and gross profit margin for the year ended 31 December 2005; and (ii) the increase in distribution expense for the year ended 31 December 2005 resulting from the increase in market coverage of the Group's products in the PRC decreased the net profit attributable to the Shareholders for the year; and
- (c) the net profit attributable to Shareholders further hampered by an impairment of intangible assets for the year.

LETTER FROM THE BOARD

The reduction in the net profit of the SST Group for the six months ended 30 June 2006 was mainly attributable to:

- (a) turnover decrease by 18% mainly due to the decrease in turnover attributed by computer network system integration solution, which is a management's decision to do so after considering the lower profit margin contributed by computer network system integration solution;
- (b) the increase in bank interest for the six months ended 30 June 2006; and
- (c) increase in professional costs regarding the Share Exchange Offer by Made Connection during March 2006.

FINANCIAL IMPACT OF THE PROPOSED WITHDRAWAL AND THE CASH OFFER

Cash position and net asset value

The Company will pay the Cash Offer by cash from its internal resources. As at 30 June 2006, the SST Group had cash and cash equivalents amounting to approximately RMB14.75 million (equivalent to approximately HK\$14.18 million) and the consolidated net asset value of the SST Group was approximately RMB168.95 million (equivalent to approximately HK\$162.45 million). The Proposed Withdrawal will decrease each of the cash and cash equivalents and the consolidated net asset value of the SST Group by approximately HK\$1,247,970 (being the cash payment to the Independent Shareholders in respect of their holdings of 7,341,000 Shares at the Cash Offer price of HK\$0.17 per Share). This cash outlay represented only approximately 0.77% of the consolidated net asset value of the SST Group as at 30 June 2006. The Directors believe that the Proposed Withdrawal and the Cash Offer will not have a material adverse impact on the SST Group's cash position and consolidated net asset value.

Gearing

As at 30 June 2006, the gearing ratio of the SST Group (expressed as bank loans of approximately RMB 94.62 million (equivalent to approximately HK\$90.98 million) to Shareholders' equity of approximately RMB162.57 million) stood at approximately 58.20%. The Shares (being 7,341,000 Shares) received under the Cash Offer will be cancelled. In this regard, the Shareholders' equity immediately upon the close of the Cash Offer will be decreased by approximately HK\$1.25 million (being the total consideration payable to the Independent Shareholders accepting the Cash Offer in full). The Company had received respective irrevocable undertakings from SCT and ST Electronics and their respective associates (if any) that they will not accept the Cash Offer in respect of their entire holdings in the Company. The Directors are of the view that the Proposed Withdrawal and the Cash Offer will not have a material adverse impact of the SST Group's gearing ratio.

LETTER FROM THE BOARD

Earnings per Share

Earnings per Share for the six months ended 30 June 2006 was approximately RMB 0.2311 cent, computed based on (i) net profit attributable to Shareholders for the period of approximately RMB2,510,000 and (ii) a total 1,086,300,000 Shares in issue. As the Shares (being 7,341,000 Shares of the subject of Cash Offer) to be received under the Cash Offer will be cancelled, the number of Shares in issue will decrease by 7,341,000 to 1,078,959,000 and the earnings per Share will increase by approximately 0.65% to RMB0.2326 per Share. The Directors are of the view that the Proposed Withdrawal and the Cash Offer will not have a material impact of the SST Group's earnings per Share.

Dividends

For the three years ended 31 December 2005, the Company paid dividends to Shareholders in the amounts of HK1.2 cents per Share, HK1.2 cents per Share and HK0.8 cent per Share, respectively. No interim dividend was declared for the six months ended 30 June 2006.

As stated in the interim report of the Company dated 11 August 2006, the SST Group had cash and/or cash equivalents and deposits pledged with financial institutions reduced from approximately RMB43.33 million (equivalent to approximately HK\$41.66 million) as at 31 December 2005 to approximately RMB32.72 million (equivalent to approximately HK\$31.46 million). Although the Company has in the past maintained a consistent dividend payment, it is uncertain whether such dividend will continue in the future. Save as disclosed herein, the Company has not paid any dividend to any Shareholders during the 2 year period immediately preceding the date of announcement of the previous Cash Offer (being 24 August 2006).

INTENTION OF THE COMPANY

In accordance with Rule 15.3 of the Takeovers Code, where the Cash Offer becomes or is declared unconditional (whether as to acceptance or in all respects), it should remain open for acceptance for not less than 14 days thereafter. The Company will make an announcement as and when the Cash Offer becomes or is declared unconditional as to acceptances and unconditional in all respects.

The Cayman Islands Companies Law does not have any provision which is equivalent to s.168B of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (the "Companies Ordinance"), whereby the repurchasing company has the right to buy out the shares held by the remaining minority shareholders. Accordingly, the Company does not have the right to do so. It is the intention of the Company that if the Acceptance Form is not received from an Independent Shareholder, the Independent Shareholder is deemed to have rejected the Cash Offer and such Independent Shareholder will remain as a shareholder of the Company after the Proposed Withdrawal becomes effective.

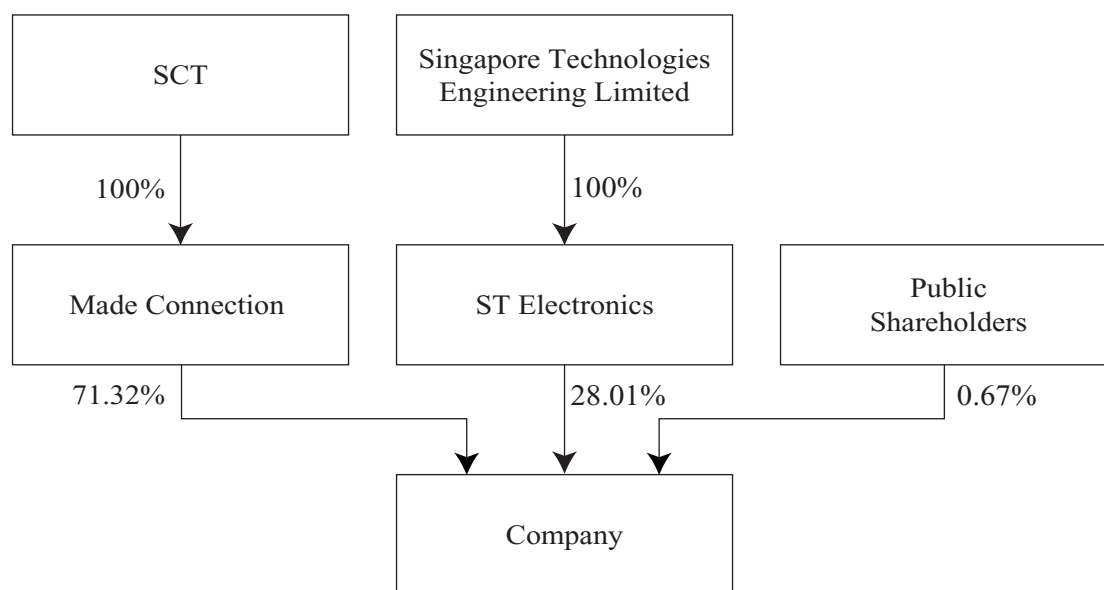
Upon the Proposed Withdrawal becoming effective, the Board intends to withdraw the listing of the Shares on the GEM. The listing of the Shares on the GEM will not be withdrawn if the Proposed Withdrawal is not approved or lapses. However, as the Company

LETTER FROM THE BOARD

has since been unable to maintain the 25% minimum public float requirement under Rule 11.23 of the GEM Listing Rule, trading of the Shares on the GEM will not be able to resume. The Company was advised by Made Connection that it currently does not have any plan to divest its investment in the Company. Moreover, the Board has pursued possibility of placing new Shares to independent investors so as to comply with aforesaid GEM Listing Rule but no suitable and interested investors in the Company can be identified.

Moreover, as SCT and ST Electronics had made irrevocable undertakings not accepting the Cash Offer in full, the Company will not be able to exercise its right of compulsory acquisition.

The following is the shareholding structure of the Company as at the date hereof:



RE-CONVENED EGM

A notice convening the Re-convened EGM is set out on pages 113 to 114 of this Offer Document. Resolution in respect of the Proposed Withdrawal and the Cash Offer will be proposed at the Re-convened EGM.

A form of proxy for the Re-convened EGM is enclosed with this Offer Document. If you are not able to attend the Re-convened EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Registrar as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the Re-convened EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the Re-convened EGM or any adjournment thereof if you so wish.

LETTER FROM THE BOARD

PROCEDURES IN DEMANDING A POLL

In accordance with Article 66 of the articles of association of the Company, a resolution put to the vote of an extraordinary general meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of the meeting; or
- (b) by at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (d) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right; or
- (e) if required by the rules of the Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

However, Independent Shareholders are reminded that as required by the GEM Listing Rules, the Proposed Withdrawal and the Cash Offer shall be taken on a poll at the Re-convened EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the accompanying Acceptance Form and the additional information set out in Appendix I which forms part of this Offer Document. In considering what action to be taken in connection with the Proposed Withdrawal and the Cash Offer, Independent Shareholders should consider their own tax positions and, if they are in doubt, they should consult their own professional advisers.

RECOMMENDATION

The Directors are of the view that the terms of the Proposed Withdrawal and the Cash Offer are fair and reasonable and is in the interest of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

Your attention is also drawn to the letters from the Independent Board Committee and the Joint IFAs, which set out their recommendations and opinions in relation to the Proposed Withdrawal and the Cash Offer and the principal factors considered by them in arriving at their recommendations on pages 22 to 38 of this Offer Document.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



SINO STRIDE

SINO STRIDE TECHNOLOGY (HOLDINGS) LIMITED

中程科技集團有限公司*

(incorporated in Cayman Islands with limited liability)

(Stock Code: 8177)

Executive Directors:

WONG Wai Tin (*Chairman*)

CHAU Chit

SHEN Yue

Non-executive Directors:

WONG Wai Kwan

NG Chong Khim

TAY Hun Kiat

Independent non-executive Directors:

CAI Xiao Fu

SHI Jian Jun

LI Xiaoqiang Richard

Registered office:

Century Yard

Cricket Square

Hutchins Drive

P.O. Box 2681 GT

George Town

Grand Cayman

British West Indies

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

Room 501-504

5/F., Harcourt House

39 Gloucester Road

Wanchai

Hong Kong

18 October 2006

To the Independent Shareholders,

Dear Sir or Madam

**SHARE REPURCHASES BY CONDITIONAL CASH OFFER
AS A RESULT OF THE PROPOSED VOLUNTARY WITHDRAWAL
OF LISTING OF THE SHARES OF THE COMPANY
ON THE GROWTH ENTERPRISE MARKET
OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

We refer to the Offer Document issued by the Company to the Shareholders dated 18 October 2006 which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meaning as they are defined in the Offer Document.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the Proposed Withdrawal and the Cash Offer and to make recommendations to the Independent Shareholders in connection with the Proposed Withdrawal and the Cash Offer.

We wish to draw your attention to the letter from the Board and the letter from China Merchants and VXLFS as set out in the Offer Document.

Having considered the background together with the principal factors and reasons deliberated by, and the advice of, China Merchants and VXLFS as set out in its letter, we concur with the view of China Merchants and VXLFS that the terms of the Proposed Withdrawal (and the Cash Offer) are fair and reasonable so far as the Independent Shareholders are concerned and the Proposed Withdrawal is in the interest of the Company and the Shareholders as whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the Proposed Withdrawal and the Cash Offer.

Yours faithfully,
For and on behalf of
Independent Board Committee

WONG Wai Kwan

CAI Xiao Fu

SHI Jian Jun

LI Xiaoqiang Richard

LETTER FROM CHINA MERCHANTS AND VXLFS

The following is the text of the letter of advice from China Merchants and VXLFS to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this document.



48th Floor, One Exchange Square
Hong Kong



Unit 3214, 32nd Floor, Cosco Tower
Grand Millennium Plaza (High Block)
183 Queen's Road Central
Hong Kong

18 October 2006

Sino Stride Technology (Holdings) Limited

Rooms 501 to 504
5th Floor, Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

*To the Independent Board Committee and
the Independent Shareholders of
Sino Stride Technology (Holdings) Limited*

Dear Sirs,

SHARE REPURCHASES BY CONDITIONAL CASH OFFER AS A RESULT OF THE PROPOSED VOLUNTARY WITHDRAWAL OF LISTING OF THE SHARES OF SINO STRIDE TECHNOLOGY (HOLDINGS) LIMITED ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Proposed Withdrawal and the Cash Offer by way of share repurchases by general offer under the Code on Share Repurchases. Details of the Proposed Withdrawal and the Cash Offer are set out in the letter from the Board (the "Letter from the Board") contained in the document dated 18 October 2006 (the "Offer Document") issued by the Company to the Shareholders, of which this letter forms part. This letter contains our advice to the Independent Board Committee and the Independent Shareholders as to whether or not the terms of the Proposed Withdrawal and the Cash Offer (including the Offer Price, as defined hereinafter) are fair and reasonable so far as the Independent Shareholders are concerned and the Proposed Withdrawal and the Cash Offer are in the interests of the Company and the Shareholders as a whole. Capitalised terms used in this letter shall have the same meanings as defined in the Offer Document unless otherwise defined herein.

LETTER FROM CHINA MERCHANTS AND VXLFS

In formulating our advice and recommendation, we have relied on the accuracy of the information and facts supplied, and the opinions expressed, by the Company, its Directors and its management to us. We have also assumed that all statements of belief and intention made by the Directors in the Offer Document were made after due enquiry. We have assumed that all information, representations and opinion made or referred to in the Offer Document were true, accurate and complete at the time they were made and continue to be true at the date of the Re-convened EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, its Directors and its management and have been advised by the Directors that no material facts have been omitted from the information provided and referred to in the Offer Document.

We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Offer Document and to provide a reasonable basis for our recommendation. We have not, however, conducted any form of in-depth investigation into the business affairs, financial position or future prospects of the SST Group or SCT nor carried out any independent verification of the information supplied, representations made or opinions expressed by the Company, its Directors and its management.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Proposed Withdrawal and the Cash Offer, we have considered the following principal factors and reasons:

I. Background to and the reasons for the Proposed Withdrawal and the Cash Offer

Background of the Proposed Withdrawal and the Cash Offer

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

As at the Latest Practicable Date, the Company was owned as to approximately 71.32%, 28.01% and 0.67% by Made Connection, ST Electronics and the public respectively. Made Connection is a wholly-owned subsidiary of SCT, whose issued shares are listed on the main board of the Stock Exchange.

LETTER FROM CHINA MERCHANTS AND VXLFS

Pursuant to the Joint Announcement, as a result of the Share Exchange Offer made by Made Connection, the Company has since been unable to maintain the 25% minimum public float requirement under Rule 11.23 of the GEM Listing Rules and the Shares have been suspended from trading since 4 April 2006.

Details of the Proposed Withdrawal together with a notice convening the EGM had been set out in the September 2006 Circular. The Independent Shareholders had been invited to consider and vote on the Proposed Withdrawal at the EGM. The EGM scheduled on 19 September 2006 was adjourned pending clarification in respect of applicability of the Code on Share Repurchases to the Cash Offer.

Applicability of the Code on Share Repurchases

On 19 September 2006, the Company announced that the SFC raised concerns with respect to the applicability of the Code on Share Repurchases to the Cash Offer. After consultation with the SFC, the SFC has confirmed that the Code on Share Repurchases is applicable to the Cash Offer which shall be classified as share repurchases by general offer under the Code on Share Repurchases. The Company issued an announcement on 3 October 2006 to make the share repurchases by the Cash Offer under the Code on Share Repurchases voiding the previous cash offer announced on 24 August 2006. As such, the Offer Document is issued to provide the Shareholders with information in accordance with the Code on Share Repurchases.

Reasons for the Proposed Withdrawal

As stated in the Letter from the Board, in light of the failure to maintain the 25% minimum public float requirement by the Company and the Shares have been suspended from trading since 4 April 2006, the Company has proposed to voluntarily withdraw the listing of the Shares on GEM.

As stated in the Letter from the Board, the Directors are of the view that the Proposed Withdrawal will enable the Company to enjoy the following benefits:

- (i) the SCT Group currently comprises SCT (whose shares are listed on the main board of the Stock Exchange) and among other subsidiaries, the Company (whose Shares are listed on GEM). As such, the SCT Group has to comply with both the Main Board Listing Rules and the GEM Listing Rules. However, if the Company becomes a private company, the compliance requirements will be simplified as the GEM Listing Rules will no longer be applicable to the Company. The Main Board Listing Rules will apply to the SCT Group of which the Company will remain as a member (by virtue of the Company being a subsidiary of SCT) after the Proposed Withdrawal becomes effective; and
- (ii) due to the simplification of the compliance requirements, administrative and legal costs would be substantially reduced, in particular, the SCT Group will not have to deal with two different divisions within the Stock Exchange in matters relating to the Company.

LETTER FROM CHINA MERCHANTS AND VXLFS

The Cash Offer

Pursuant to Rule 9.20(4) of the GEM Listing Rules, the Company shall offer to the Independent Shareholders either a cash alternative or other reasonable alternative pursuant to the Proposed Withdrawal.

The Company has proposed to offer, subject to the Proposed Withdrawal becoming effective, HK\$0.17 per Share (the “Offer Price”) as a Cash Offer to the Independent Shareholders. The Offer Price was 2/3 of HK\$0.26, being the closing price of the shares of SCT (the “SCT Shares”) on 22 August 2006 (being the latest closing price of the SCT Shares available before the Company finalised the terms of the Proposed Withdrawal) (the “Price Determination Date”). The Directors consider the Cash Offer to be fair and reasonable as the amount of the Cash Offer was determined by reference to the value as at the Price Determination Date attributable to each Share held by those then Shareholders who accepted the Share Exchange Offer and held onto those SCT Shares received thereafter.

Made Connection, being the controlling Shareholder (as defined in the GEM Listing Rules), which controls and is entitled to exercise control over the voting right in respect of approximately 71.32% of the issued Shares, shall abstain from voting at the Re-convened EGM. Furthermore, ST Electronics, being the holder of approximately 28.01% of the issued Shares, is presumed to be a party acting in concert with Made Connection pursuant to the Takeovers Code and as such, shall also abstain from voting at the Re-convened EGM. Moreover, each of SCT, being the 100% holding company of Made Connection, and ST Electronics had entered into irrevocable undertaking not to accept the Cash Offer in full.

LETTER FROM CHINA MERCHANTS AND VXLFS

II. Historical financial performance, the business outlook and financial impacts of the Proposed Withdrawal and the Cash Offer on the Group

Historical financial performance

The table below sets out the SST Group's financial information for each of the three financial years ended 31 December 2005 and the six-month periods ended 30 June 2005 and 30 June 2006 respectively, which are extracted from the published consolidated accounts of the SST Group.

	(Audited)			(Unaudited)	
	Year ended 31 December			Six months ended	
	2003	2004	2005	2005	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	<u>227,023</u>	<u>293,134</u>	<u>265,846</u>	<u>109,414</u>	<u>89,709</u>
Gross profit	<u>59,956</u>	<u>68,227</u>	<u>54,302</u>	<u>25,243</u>	<u>19,042</u>
<i>Gross profit margin</i>	26.41%	23.28%	20.43%	23.07%	21.23%
Net profit attributable to the Shareholders	<u>31,808</u>	<u>22,943</u>	<u>9,314</u>	<u>4,170</u>	<u>2,510</u>
<i>Net profit margin</i>	14.01%	7.83%	3.50%	3.81%	2.80%
Dividend	<u>13,834</u>	<u>13,790</u>	<u>9,212</u>	–	–

Financial performance for the financial year ended 31 December 2004

According to the annual report of the Company for the year ended 31 December 2004, the SST Group recorded a turnover of approximately RMB293 million for the year ended 31 December 2004, 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 undertaken in cities including Shuzou, Shenzhen, Wuxi and Wenzhou in the PRC.

During the year ended 31 December 2004, the SST Group recorded a gross profit of approximately RMB68 million, representing a profit margin of approximately 23% as compared to the gross profit margin of approximately 26% for the year ended 31 December 2003. The decrease in gross profit margin of the SST Group for the year ended 31 December 2004 was mainly attributable to (i)

LETTER FROM CHINA MERCHANTS AND VXLFS

the sub-contracting and cooperation arrangement of smaller-sized projects with sub-contractors and partners, which has a lower profit margin; (ii) increased competition in the industry of system integration solution business; and (iii) increase in sales of hardware and software which has a lower gross profit margin.

The SST Group's net profit attributable to the Shareholders for the year ended 31 December 2004 amounted to approximately RMB23 million, representing a decrease of approximately 28% over the year ended 31 December 2003. As advised by the Directors, (i) the decrease in gross profit margin for the year ended 31 December 2004 mentioned above; and (ii) the increase in bank interest and operating expenses for the year, such as depreciation, lease payments and staff costs, decreased the net profit attributable to the Shareholders for the year. The net profit attributable to the Shareholders was further hampered by non-recurring expenses, such as (i) relocation expense for office removal of the Company and its subsidiary during the year; and (ii) additional professional costs incurred during the year for the Company's plan to list its Shares on the main board of the Stock Exchange by way of introduction.

Financial performance for the financial year ended 31 December 2005

According to the annual report of the Company for the year ended 31 December 2005, the SST Group recorded a turnover of approximately RMB266 million for the year ended 31 December 2005, representing a decrease of approximately 9% over the year ended 31 December 2004. The turnover of the SST Group for the year ended 31 December 2005 was primarily derived from the provision of system integration solution of approximately RMB218 million, computer network system integration solution of approximately RMB47 million and system software of approximately RMB1 million, respectively. The decrease in the turnover of the SST Group for the year ended 31 December 2005 was mainly due to the decrease in turnover attributed by computer network system integration solution, which was decided by the management after considering the lower profit margin contributed by computer network system integration solution.

During the year ended 31 December 2005, the SST Group recorded a gross profit of approximately RMB54 million, representing a profit margin of approximately 20% as compared to the gross profit margin of approximately 23% for the year ended 31 December 2004. The decrease in gross profit margin of the SST Group for the year ended 31 December 2005 was mainly attributable to fierce competition amongst competitors in the market and thus leading to price cutting of projects.

The SST Group's net profit attributable to the Shareholders for the year ended 31 December 2005 amounted to approximately RMB9 million, representing a decrease of approximately 59% over the year ended 31 December 2004. As advised by the Directors and stated in the Letter from the Board, (i) the decrease in turnover and gross profit margin for the year ended 31 December 2005 mentioned above; and (ii) the increase in distribution expense for the year ended 31 December 2005 resulting from the increase in market coverage of the Group's

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products in the PRC decreased the net profit attributable to the Shareholders for the year. The net profit attributable to the Shareholders was further hampered by an impairment of intangible assets for the year.

Financial performance for the six months ended 30 June 2006

According to the interim report of the Company for the six months ended 30 June 2006, the SST Group recorded a turnover of approximately RMB90 million for the six months ended 30 June 2006, representing a decrease of approximately 18% over the six months ended 30 June 2005. The turnover of the SST Group was primarily derived from the provision of system integration solutions of approximately RMB77 million and computer network system integration solutions of approximately RMB13 million. During the six months ended 30 June 2006, the SST Group recorded an overall gross profit of approximately RMB19 million, representing a profit margin of approximately of 21%.

The SST Group's net profit attributable to the Shareholders amounted to approximately RMB3 million for the six months ended 30 June 2006, representing a decrease of approximately 40% over the six months ended 30 June 2005. As advised by the Directors and stated in the Letter from the Board, the decrease in the net profit attributable to the Shareholders was resulted from (i) the decrease in turnover and gross profit margin for the six months ended 30 June 2006 as mentioned above; (ii) the increase in bank interest for the six months ended 30 June 2006; and (iii) the increase in professional costs regarding the Share Exchange Offer during March 2006.

Dividends paid to the Shareholders

For the three years ended 31 December 2005, the Company declared dividends to the Shareholders in the amounts of HK1.2 cents per Share, HK1.2 cents per Share and HK0.8 cent per Share respectively. No interim dividend was declared for the six months ended 30 June 2006.

As disclosed in the interim report of the Company for the six months ended 30 June 2006, the SST Group's cash and cash equivalents and deposit pledged with financial institutions reduced from approximately RMB43.33 million as at 31 December 2005 to approximately RMB32.72 million as at 30 June 2006. Although the Company has in the past maintained a consistent dividend payment, it is uncertain whether such dividend payout will continue in the future.

Business outlook

According to an article named "Review of China's electronics and IT industry in the first half of 2006" released by Xinhua News Agency on 16 August 2006, China's software sector saw its revenue growing by 27.6% in the first half of 2006. The software service sector led the growth, with its revenue growing by 45.5% to hit RMB27.3 billion. The software production sector generated RMB32.7 billion, up 23.2% and accounting for 59% of the software sector's total revenue. The system integration

LETTER FROM CHINA MERCHANTS AND VXLFS

sector generated RMB37.1 billion, up 27.3%. According to the same article, in spite of the good performance in the first six months of 2006, China's electronics and IT industry is still hampered by, among others, (i) reduction in prices and increase in costs, narrowing the industry's profit margin; and (ii) increasing competition.

We note that the significant competition in the China's software market creates a challenging environment in which execution of the SST Group's business strategy will be important to determine its profitability and growth. Competition in the China's software market may retain in the foreseeable future and, as a result, may affect the performance of the SST Group.

Financial impacts of the Proposed Withdrawal and the Cash Offer on the Group

Cash position and net asset value

As mentioned in the Letter from the Board, the Company will pay the Cash Offer by cash from its internal funds. As disclosed in the interim report of the Company for the six months ended 30 June 2006, the SST Group's cash and cash equivalents was approximately RMB14.75 million (equivalent to approximately HK\$14.18 million) and the consolidated net asset value of the SST Group was approximately RMB168.95 million (equivalent to approximately HK\$162.45 million) as at 30 June 2006. The Cash Offer will decrease each of the cash and cash equivalents and the consolidated net asset value of the SST Group by approximately HK\$1.25 million (being the total consideration for all the Independent Shareholders accepting the Cash Offer in full), representing only approximately 8.82% of the cash and cash equivalents and approximately 0.77% of the consolidated net asset value of the SST Group as at 30 June 2006. As such, we consider that the Proposal Withdrawal and the Cash Offer will not have a material adverse impact on the SST Group's cash position and consolidated net asset value.

Gearing

Based on the interim report of the Company for the six months ended 30 June 2006, the gearing ratio of the SST Group (expressed as bank loans of approximately RMB94.62 million to Shareholders' equity of approximately RMB162.57 million) was approximately 58.20%. The Directors advised that as the Shares received under the Cash Offer will be cancelled, the Shareholders' equity immediately following the close of the Cash Offer will be decreased by approximately HK\$1.25 million (being the total consideration for all the Independent Shareholders accepting the Cash Offer in full) if the Cash Offer is accepted in full. Immediately following the close of the Cash Offer and if the Cash Offer is accepted in full, the gearing ratio of the SST Group (expressed as bank loans of approximately RMB94.62 million to Shareholders' equity of approximately RMB161.27 million) will be slightly increased to approximately 58.67%. As such, we consider that the Proposed Withdrawal and the Cash Offer will not have a material adverse impact on the SST Group's gearing ratio.

LETTER FROM CHINA MERCHANTS AND VXLFS

Conclusion

Although there would be no trading platform for the Shares after the Proposed Withdrawal, we consider that the Proposed Withdrawal and the Cash Offer are in the interests of the Company and the Shareholders as a whole after taking into account the following factors:

- (i) the compliance requirements would be simplified and the administrative and legal costs would be substantially reduced;
- (ii) the Main Board Listing Rules will apply to the SCT Group of which the Company will remain as a member (by virtue of the Company being a subsidiary of SCT) after the Proposed Withdrawal becomes effective;
- (iii) there is limited advantage for the Company retaining its listing status on GEM for the purpose of raising new funds as the Company has not conducted any fund raising since its listing. We consider that the public listing of the Shares on GEM has not been effective from a fund-raising point of view; and
- (iv) the Proposed Withdrawal and the Cash Offer will not have a material adverse financial impact on the SST Group.

We also consider that the Proposed Withdrawal and the Cash Offer are in the interests of the Independent Shareholders as it gives an opportunity for them to liquidate their investments in the Company for other alternative investments after taking into account the following factors:

- (i) the financial performance of the SST Group has been gradually declining for the three years ended 31 December 2005 and the six months ended 30 June 2006 with (a) decreasing gross profit margins which were approximately 26.41%, 23.28%, 20.43% and 21.23% respectively; and (b) decreasing net profit margins (excluding the minority interests) which were approximately 14.01%, 7.83%, 3.50% and 2.80% respectively;
- (ii) it can be reasonably expected that the financial performance of the SST Group in the near future will still be affected by the increased competition in the software market in the PRC; and
- (iii) it is uncertain whether the past dividend payout of the Company will continue in the future.

LETTER FROM CHINA MERCHANTS AND VXLFS

III. Analysis of the Offer Price

Basis of the Offer Price

As mentioned in the Letter from the Board, the Offer Price was determined with reference to the value as at the Price Determination Date attributable to each Share held by those then Shareholders who accepted the Share Exchange Offer and held onto those SCT Shares received thereafter. The Share Exchange Offer was made by Made Connection in March 2006 to acquire all the issued Shares for every three Shares in exchange for two SCT Shares. The Directors advised that the above basis of the determination of the Offer Price is made after considering (i) the closing price of the Shares as at the Price Determination Date cannot reflect the market value of the Company as the Shares have been suspended from trading since the close of the Share Exchange Offer, i.e. 4 April 2006; (ii) the decision of the Proposed Withdrawal was made after considering the failure to maintain the 25% minimum public float requirement, which was resulted from the Share Exchange Offer, and the difficulties faced in restoring the 25% minimum public float requirement; and (iii) the Share Exchange Offer is the most recent and relevant case of the Company as the Share Exchange Offer is an offer to the then Shareholders to acquire their Shares and the Cash Offer is an offer to the Shareholders to cancel their Shares. We consider that the basis of the determination of the Offer Price is made by the Directors after reasonable consideration and also concur with the Directors' view that the basis of the determination of the Offer Price is fair and reasonable.

As (i) the Shares have been suspended from trading for about 6 months; and (ii) the closing price of the Shares as at the Price Determination Date cannot reflect the market value of the Company due to the trading suspension mentioned above, we consider that the closing prices of the Shares are not an appropriate basis for assessing the Offer Price. Given that the Offer Price was determined with reference to the value as at the Price Determination Date attributable to each Share held by those then Shareholders who accepted the Share Exchange Offer and held onto those SCT Shares received thereafter, for comparison purpose, the Offer Price is compared with $\frac{2}{3}$ of the closing prices of the SCT Shares as converted based on the above formula (the "Effective Closing Prices") for the period from 4 April 2006 to the Price Determination Date (the "Review Period") in the following analysis.

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Comparison to the Effective Closing Prices

The following table shows the comparison between the Offer Price and the Effective Closing Prices during the Review Period and as at the Latest Practicable Date:

Reference date/period	Closing price/ average closing price of SCT Shares <i>HK\$</i>	Effective Closing Price/average Effective Closing Price <i>HK\$</i>	Discount of the Offer Price to Effective Closing Price/ average Effective Closing Price
16 October 2006, the Latest Practicable Date	0.255	0.17	–
22 August 2006, the Price Determination Date	0.26	0.17	–
From 24 July 2006 (30 days from and including 22 August 2006) to 22 August 2006	0.28	0.19	(10.53%)
From 25 May 2006 (90 days from and including 22 August 2006) to 22 August 2006	0.29	0.19	(10.53%)
From 4 April 2006 to 22 August 2006	0.31	0.21	(19.05%)

Source: calculated from information extracted from website of the Stock Exchange

As shown in the above table, the Offer Price is equal to the Effective Closing Prices as at the Latest Practicable Date and the Price Determination Date and is below the averages of the Effective Closing Price on 30 days and 90 days prior to the Price Determination Date.

Price-to-Earnings ratio (“PER”) and Price-to-Book ratio (“PBR”)

We have reviewed valuation benchmarks for all comparable listed companies in Hong Kong, which are principally engaged in system integration and with a market capitalisation of less than HK\$500 million (the “Comparable Companies”). The Comparable Companies are companies identified by us, to our best effort, in our research searching through the information available from Bloomberg. We have set the criteria in selecting the Comparable Companies with a market capitalisation of less than HK\$500 million as the market capitalisation of the Company was approximately HK\$325.89 million as at the Latest Practicable Date (based on 1,086,300,000 Shares in issue as at the Latest Practicable Date and the closing price of the Shares of HK\$0.3 per Share as at the Latest Practicable Date).

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Set out below is our analysis of PER and PBR, the two most commonly used valuation benchmarks, for each of the Comparable Companies based on the respective closing price of their shares as at the Latest Practicable Date and that of the Company based on the Offer Price:

Company	Closing price as at the Latest Practicable Date, i.e. 16 October 2006 HK\$	Market capitalisation as at the Latest Practicable Date, i.e. 16 October 2006 HK\$'million	PER (Note 1) Times	PBR (Note 2) Times
Computer & Technologies Holdings Limited (46)	0.71	191.35	24.32	0.63
Founder Holdings Limited (418)	0.345	387.71	8.02	1.05
Fintronics Holdings Company Limited (706)	0.209	220.97	N/A (Note 3)	0.57
The Quaypoint Corporation Limited (2330)	0.33	115.50	N/A (Note 3)	0.68
Zhongtian International Limited (2379)	0.335	134.00	14.36	0.87
Universal Technologies Holdings Limited (8091)	0.14	108.81	N/A (Note 3)	9.25
Deteam Company Limited (8112)	0.50	146.88	N/A (Note 3)	74.78
Thiz Technology Group Limited (8119)	0.068	20.82	N/A (Note 3)	N/A (Note 4)
Chengdu Top Sci-Tech Company Limited (8135)	0.28	189.28	N/A (Note 3)	0.62
Highest	0.71	387.71	24.32	74.78
Average	0.32	168.37	15.57	11.06
Lowest	0.068	20.82	8.02	0.57
Company	0.30	325.89	17 (Note 5)	1.13 (Note 6)

Source: Bloomberg

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Notes:

1. Based on the closing prices of the Comparable Companies as at the Latest Practicable Date and their earnings according to their latest annual reports.
2. Based on the closing prices of the Comparable Companies as at the Latest Practicable Date and their net asset values according to their latest annual reports.
3. These companies recorded losses according to their latest annual reports.
4. This company recorded a negative net asset value according to its latest annual report.
5. Based on the Offer Price of HK\$0.17 and the earnings per Share of RMB0.01 (equivalent to HK\$0.01) for the year ended 31 December 2005 as extracted from Bloomberg.
6. Based on the Offer Price of HK\$0.17 and the unaudited consolidated net asset value per Share of approximately RMB0.16 (equivalent to approximately HK\$0.15) as at 30 June 2006 (based on the unaudited consolidated net asset value of the Company of approximately RMB168.95 million and 1,086,300,000 Shares in issue as at 30 June 2006).

As shown in the above table, PER represented by the Offer Price is above the average PER of the Comparable Companies and falls within the range of the PER of the Comparable Companies. Although PBR represented by the Offer Price is below the average PBR of the Comparable Companies, it nevertheless falls within the range of the PBR of the Comparable Companies.

Comparison to recent privatisation precedents in Hong Kong

In assessing whether the level of the Offer Price is fair and reasonable, we have also reviewed all privatisation proposals announced from 1 January 2006 to the Latest Practicable Date for companies listed on the Stock Exchange and identified a total of 5 privatisations (the "Precedent Proposals"), the intention of which is for an eventual withdrawal of the listing of the relevant company. We have used the starting date of 1 January 2006 after considering those transactions effected before 1 January 2006 may not reflect the prevailing market conditions and expectations and are therefore considered to be irrelevant in our assessment. Summarised in the table below are the key statistics of the Precedent Proposals.

Company	Date of announcement 2006	Principal activities	Offer price HK\$	Premium/(discount) over closing price/average closing price over the following period before the date of the privatisation announcement			Premium/(discount) of offer price to net asset value per share
				Last trading day	30 days	90 days	
Asia Aluminum Holdings Limited (930)	16 March	Design, manufacture and sale of customised aluminum extrusion products and processing and sale of aluminum panels	1.30	56.6%	78.7%	80.8%	41.7%

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Company	Date of announcement 2006	Principal activities	Offer price HK\$	Premium/(discount) over closing price/average closing price over the following period before the date of the privatisation announcement			Premium/(discount) of offer price to net asset value per share
				Last trading day	30 days	90 days	
China Resources Cement Holdings Limited (712)	31 March	Manufacture of cement	2.45	35.4%	65.5%	N/A (Notes 1 & 2)	(2.8%)
SNP Leefung Holdings Limited (623)	28 June	Printing of books, magazines, pop-up books and packaging products	1.68	60.0%	66.3%	43.6%	12.8% (Note 3)
Egana Jewellery & Pearls Limited (926)	10 July	Design, manufacture, distribution and trading of jewellery worldwide and licensing	1.80	13.9%	23.3%	21.6%	14.6%
Wong's Kong King International (Holdings) Limited (532)	4 August	Distribution of chemicals, materials and equipment used in the manufacture of printed circuit boards and electronic products and manufacture of electrical and electronic products for OEM customers	1.38	21.1%	36.6%	48.44% (Notes 1 & 4)	15.0%
Highest				60.0%	78.7%	80.8%	41.7%
Average				37.4%	54.1%	48.6%	16.3%
Lowest				13.9%	23.3%	21.6%	(2.8%)
Company	24 August	Development and provision of system integration solutions in the PRC and Hong Kong	0.17	0 (Note 5)	(10.53%) (Note 5)	(10.53%) (Note 5)	13.3% (Note 6)

Source: the respective announcement of the aforementioned privatised companies

Notes:

- Such information is not disclosed in the respective announcements of these companies.
- The then closing prices of the shares of this company are not available on the website of the Stock Exchange.
- Based on the consolidated net tangible asset value per share of this company.
- Calculated from the then closing prices of the shares of this company extracted from the website of the Stock Exchange.
- Based on the Effective Closing Prices as at the Price Determination Date or the average Effective Closing Prices of 30 or 90 days before the Price Determination Date.

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6. Based on the unaudited consolidated net asset value per Share of approximately RMB0.16 (equivalent to approximately HK\$0.15) as at 30 June 2006 (based on the unaudited consolidated net asset value of the Company of approximately RMB168.95 million and 1,086,300,000 Shares in issue as at 30 June 2006).

As illustrated in the table above, we note that the levels of ratio over various Effective Closing Prices as implied by the Offer Price are outside the ranges and lower than the averages of the levels of ratio over various closing prices of the shares of the Precedent Proposals as implied by the offer price of the Precedent Proposals.

We note from the announcements of the Precedent Proposals that, immediately after the completion of the Precedent Proposals, the offerors of the Precedent Proposals would increase their respective shareholdings in the relevant subject company with a range of approximately 25% to 65% and each of the subject companies would become a wholly-owned subsidiary of the respective offerors of the Precedent Proposals. Thus the offer prices paid by the offerors of the Precedent Proposal should carry a premium for the purchase of a substantial number of the shares of the subject companies. As the shareholding held by the Independent Shareholders represents only approximately 0.67% of the issued share capital of the Company, we consider that the Precedent Proposals might not be appropriate comparisons.

The Offer Price represents a premium of approximately 13.3% to the unaudited net asset value per Share as at 30 June 2006 which is within the range of premiums to the audited net asset value per share as represented by the offer prices under the Precedent Proposals.

Conclusion

We consider that the Offer Price is a reasonable cash alternative offered to the Independent Shareholders and the terms of the Proposed Withdrawal and the Cash Offer are fair and reasonable so far as the Independent Shareholders are concerned after taking into account the following factors:

- (i) the basis of the determination of the Offer Price, in our view, is made by the Directors after reasonable consideration and fair and reasonable;
- (ii) in assessing whether the level of the Offer Price is fair and reasonable, we have used the Effective Closing Price instead of the closing prices of the Shares as (i) the closing prices of the Shares, in our opinion, are not an appropriate basis; and (ii) the basis of the determination of the Offer Price is reference to the value as at the Price Determination Date attributable to each Share held by those then Shareholders who accepted the Share Exchange Offer and held onto those SCT Shares received thereafter. We consider that using the Effective Closing Price in assessing the Offer Price is a reasonable alternative;
- (iii) PER represented by the Offer Price is above the average of that of the Comparable Companies and falls within the range of that of the Comparable Companies;

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- (iv) although PBR represented by the Offer Price is below the average of that of the Comparable Companies, it still falls within the ranges of that of the Comparable Companies;
- (v) although the levels of ratio over various Effective Closing Prices as implied by the Offer Price are outside the ranges and lower than the averages of the levels of ratio over various closing prices of the shares of the Precedent Proposals as implied by the offer price of the Precedent Proposals, we still consider that the Offer Price is a reasonable cash alternative offered to the Independent Shareholders and the terms of the Proposed Withdrawal and the Cash Offer are fair and reasonable so far as the Independent Shareholders are concerned as the Precedent Proposals might not be an appropriate comparison; and
- (vi) the Offer Price represents a premium of approximately 13.3% to the unaudited net asset value per Share as at 30 June 2006.

IV. Liquidity of the Shares

The average daily trading volume of the Shares for the period from 1 October 2005 (one year from the date of this letter) to 3 April 2006, the Last Trading Date, is illustrated in the following table:

Month	Average daily turnover <i>(in number of Shares)</i>	Percentage of average daily turnover to the total issued Shares <i>(Note 1)</i>
2005		
October	1,522,500	0.1402%
November	33,636	0.0031%
December	70,000	0.0064%
2006		
January	11,053	0.0010%
February	1,000	0.000092%
March	3,478	0.00032%
April <i>(Note 2)</i>	0	0

Source: calculated from information extracted from website of the Stock Exchange

Notes:

1. Based on 1,086,300,000 Shares in issue.
2. The Shares have been trading up to 3 April 2006.

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As shown in the above table, the average daily trading volume of the Shares during the above period was relatively low, with the lowest average daily trading volume of nil for the month of April 2006 and the highest average daily trading volume representing only approximately 0.1402% of the total issued Shares for the month of October 2005.

Given the lack of liquidity in the trading of the Shares during the period from 1 October 2005 to 3 April 2006, those Independent Shareholders who intend to dispose their holdings in the market within a short timeframe may not be able to do so without exerting a downward pressure on the Share price. We consider that the Proposed Withdrawal is in the interests of the Company and the Independent Shareholders as a whole as it represents an opportunity for them to dispose of their holdings in the Company if they so wish and the Offer Price is a reasonable cash alternative offered to the Independent Shareholders.

CONCLUSION AND RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that (i) the terms of the Proposed Withdrawal and the Cash Offer (including the Offer Price) are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the Offer Price is a reasonable cash alternative offered to the Independent Shareholders; and (iii) the Proposed Withdrawal and the Cash Offer are in the interests of the Company and the Shareholders as a whole. We therefore recommend that the Independent Board Committee advises the Independent Shareholders to vote in favour of the respective resolutions relating to the Proposed Withdrawal and the Cash Offer at the Re-convened EGM and accept the Cash Offer. We also recommend the Independent Shareholders to vote in favour of the respective resolutions relating to the Proposed Withdrawal and the Cash Offer at the Re-convened EGM.

Yours faithfully,
For and on behalf of
China Merchants Securities (HK) Co., Ltd.
Eric Yeung
Director

Yours faithfully,
For and on behalf of
VXL Financial Services Limited
Gary Mui
Director

For the purpose of this letter, conversion of RMB into HK dollars is calculated, for the purpose of illustration only, at the exchange rate of HK\$1.00 to RMB1.04.

1. FURTHER PROCEDURES FOR ACCEPTANCE

- (a) If the certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Shares is/are in the name of a nominee company or some name other than your own, and you wish to accept the Cash Offer in respect of your Shares, you must either:
- (i) lodge your share certificate(s) and/or transfer receipts and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Cash Offer on your behalf and requesting it to deliver the Acceptance Form duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the Acceptance Form duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (iii) if your Shares have been lodged with your broker/custodian bank through CCASS, instruct your broker/custodian bank to authorise HKSCC Nominees Limited to accept the Cash Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your broker/custodian bank for the timing on the processing of your instruction, and submit your instruction to your broker/custodian bank as required by them; or
 - (iv) if your Shares have been lodged with your Investor Participant Account with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.
- (b) If the certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Cash Offer in respect of your Shares, the Acceptance Form should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your

share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

- (c) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your certificate(s), and you wish to accept the Cash Offer in respect of your Shares, you should nevertheless complete the Acceptance Form and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an authority to the Company and/or their respective agent(s) to collect from the Company for the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the Acceptance Form.
- (d) Acceptance of the Cash Offer will be treated as valid only if accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) has/have been received by the Registrars.
- (e) No acknowledgment of receipt of any forms of acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (f) The address of the Registrar is Abacus Share Registrars Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong.

2. ACCEPTANCE PERIOD AND REVISIONS

- (a) The Cash Offer is made on Wednesday, 18 October 2006, namely the date of posting of this Offer Document, and is capable of acceptance on and from this date.
- (b) The Company does not intend to revise the terms of the Cash Offer. If in the course of the Cash Offer, the Company revises its terms, all the Independent Shareholders, whether or not they have already accepted the Cash Offer, will be entitled to the revised terms. A revised offer must be kept open for at least 14 days following the date on which the revised offer document is posted.

3. ANNOUNCEMENTS

- (a) By 7:00 p.m. (or such later time and/or date as the Executive agrees) on the Unconditional Date, the Company must inform the Executive and the Stock Exchange of its intention in relation to the revision, extension or expiry of the Cash Offer. The Company must publish an announcement on the GEM website through the Stock Exchange by 7:00 p.m. on the Unconditional Date stating the results of the Cash Offer and whether the Cash Offer has been revised or

extended, have expired or have become or been declared unconditional. Such announcement must be published in accordance with the requirements set out in item (c) below.

The announcement must state (i) the total number of Shares for which acceptances of the Cash Offer have been received; (ii) the total number of Shares held, controlled or directed by the Company or parties acting in concert with it before the Offer Period; and (iii) the number of Shares acquired or agreed to be acquired during the Offer Period by the Company or parties acting in concert with it. The announcement must also specify the percentages of the issued share capital of the Company and voting rights of the Company represented by these numbers of Shares.

- (b) In computing the number of Shares represented by acceptances, for announcement purposes, acceptances which are not in all respects in order or are subject to verification may only be included where they could be counted towards fulfilling the further procedures for acceptance under paragraphs 1 & 2 of this Appendix.
- (c) As required under the Takeovers Code and the GEM Listing Rules, any announcement in relation to the Cash Offer, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, must be published on the GEM website.

4. RIGHT OF WITHDRAWAL

Acceptance of the Cash Offer tendered by the Independent Shareholders shall be irrevocable unless the Executive requires that a right of withdrawal is granted in the event that no announcement on the result of the Cash Offer is made in accordance with the Takeovers Code.

5. SETTLEMENT MECHANISM

Provided that the relevant Acceptance Form together with the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are in complete and good order in all respects and received by the Registrar before the expiry of the Offer Period, the Registrar shall, on behalf of the Company, as soon as possible but in any event within 10 days of the date of receipt of a complete and valid acceptance or of the Unconditional Date, whichever is the later, make the necessary payment (less the relevant portion of the applicable stamp duty payable by the accepting Independent Shareholder) to the Independent Shareholders who have accepted the Cash Offer. Cheques will be made payable to such Independent Shareholders (or in the case of joint Shareholders, to the first named Shareholder as appear on the register of members of the Company). The Registrar shall send the cheques to such Independent Shareholders at their own risks by ordinary post to the address as stated on the register of members of the Company as at Tuesday, 31 October 2006, being the date of the closure of the register of members of the Company.

Acceptance Forms together with the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) that are in complete and good order in all respects which are received by the Registrar before 4:00 p.m. on the day the Proposed Withdrawal has become effective shall be processed as soon as practicable and payment to those Independent Shareholders shall be made within 10 days following the date the Proposed Withdrawal has become effective and the Cash Offer has become or declared unconditional.

6. GENERAL

- (a) All communications, notices, Acceptance Form, certificates of Shares, transfer receipts, other documents of title and remittances to be delivered by or sent to or from the Shareholders will be delivered by or sent to or from them, or their designated agents, at their own risk, and none of the Company or any of their respective agents accepts any liability for any loss in postage or any other liabilities that may arise as a result.
- (b) The provisions set out in the accompanying Acceptance Form forms part of the terms of the Cash Offer.
- (c) The accidental omission to despatch this Offer Document and/or Acceptance Form or any of them to any person to whom the Cash Offer are made will not invalidate the Cash Offer in any way.
- (d) The Cash Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Acceptance Form will constitute an authority to the Company or such person or persons as the Company may direct to complete and execute any document on behalf of the person accepting the Cash Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Company or such person or persons as it may direct the Shares in respect of which such person has accepted the Cash Offer.
- (f) Acceptance of the Cash Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Company that the Shares acquired under the Cash Offer are sold by any such person or persons free from all third party rights, liens, claims, charges, equities and encumbrances and together with all rights attaching thereto including the rights to receive all future dividends or other distributions declared, paid or made on the Shares on or after the posting of this Offer Document.
- (g) Stamp duty

The portion of stamp duty to be borne by the transferee of the Shares incurred as a result of the Proposed Withdrawal will be borne by the Company. The amount of stamp duty payable by the Company is approximately 0.1% of the higher of (i) the aggregate consideration paid by the Company for the Shares held by the

Independent Shareholders; and (ii) the assessed value of the Shares held by the Independent Shareholders as determined by the Stamp Office of the Hong Kong Inland Revenue Department. Assuming full acceptance of the Cash Offer and based on the price of HK\$0.17 per Share, the stamp duty payable by the Company would be approximately HK\$1,300.00 and be funded by the Company's cash deposit in bank.

The transferor's portion of the stamp duty at the same rate will be deducted from the amount payable to such Independent Shareholders who have accepted the Cash Offer and will be paid by the Company.

- (h) References to the Cash Offer in this Offer Document and in the Acceptance Form shall include any revision and/or extension thereof.
- (i) The making of the Cash Offer to persons with a registered address in jurisdictions outside Hong Kong may be affected by the laws of the relevant jurisdictions. Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such person who wishes to accept the Cash Offer to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction.

APPENDIX II FINANCIAL INFORMATION ON THE SST GROUP

A. AUDITED FINANCIAL INFORMATION

The auditor of the Company is Ernst & Young for each of the financial year ended 2003, 2004 and 2005.

The following is a summary of the audited financial results of the SST Group for each of the three years ended 31 December 2005 as extracted from the audited accounts of the SST Group for the relevant years, together with the accompanying notes to the audited accounts of the SCT Group for the year ended 31 December 2005 as extracted from the annual report of the Company for the year ended 31 December 2005.

Consolidated Income Statement

		For the year ended 31 December		
		2005	2004	2003
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	4	265,846	293,134	227,023
Cost of sales	5	<u>(211,544)</u>	<u>(224,907)</u>	<u>(167,067)</u>
Gross Profit		54,302	68,227	59,956
Other operating income	4	3,960	880	1,549
Selling and Distribution costs		(14,508)	(11,007)	(8,872)
Administrative expenses		(23,251)	(22,716)	(12,415)
Other operating costs		<u>(5,324)</u>	<u>(2,464)</u>	<u>(354)</u>
Profit from operating activities	5	15,179	32,920	39,864
Finance costs	6	(4,697)	(3,860)	(2,693)
Share of profits/(losses) of associates		<u>(191)</u>	<u>84</u>	<u>(83)</u>
Profit before tax		10,291	29,144	37,088
Income tax expense	9	<u>(1,003)</u>	<u>(5,366)</u>	<u>(4,824)</u>
Profit for the year		<u>9,288</u>	<u>23,778</u>	<u>32,264</u>
Attributable to:				
Shareholders of the Company		9,314	22,943	31,808
Minority interests		<u>(26)</u>	<u>835</u>	<u>456</u>
		<u>9,288</u>	<u>23,778</u>	<u>32,264</u>
Dividends	10	<u>9,212</u>	<u>13,790</u>	<u>13,834</u>
Earnings per share				
– Basic (RMB cents)	11	<u>0.9 cents</u>	<u>2.1 cents</u>	<u>2.9 cents</u>
– Diluted (RMB cents)	11	<u>0.9 cents</u>	<u>2.1 cents</u>	<u>2.9 cents</u>

APPENDIX II FINANCIAL INFORMATION ON THE SST GROUP

Consolidated Balance Sheet

		As at 31 December		
		2005	2004	2003
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets				
Property, plant and equipment	<i>12</i>	9,977	10,796	8,471
Intangible assets	<i>13</i>	4,051	8,435	7,019
Goodwill:				
Goodwill	<i>14</i>	70	163	257
Negative goodwill	<i>14</i>	–	–	(586)
Investment in associates	<i>16</i>	2,471	2,662	2,577
Long term investments	<i>17</i>	<u>4,375</u>	<u>2,500</u>	<u>2,500</u>
Total non-current assets		<u>20,944</u>	<u>24,556</u>	<u>20,238</u>
Current assets				
Cash and cash equivalents	<i>18</i>	24,598	58,178	74,792
Deposits pledged with financial institutions	<i>19</i>	18,733	11,675	18,151
Trade receivables	<i>20</i>	61,799	84,548	55,556
Payments, deposits and other receivables		50,128	51,069	49,301
Unbilled amounts due from customers for contract works	<i>21</i>	170,987	146,041	108,203
Amount due from a related party	<i>22</i>	5,012	–	–
Inventories	<i>23</i>	<u>50,913</u>	<u>18,459</u>	<u>16,350</u>
Total current assets		<u>382,170</u>	<u>369,970</u>	<u>322,353</u>
Current liabilities				
Bank loans	<i>24</i>	87,672	67,873	82,853
Trade and notes payables	<i>25</i>	94,378	101,240	69,412
Accrued liabilities and other payables		45,333	51,391	26,148
Amount due to a related party	<i>22</i>	3,345	–	–
Tax payable		<u>6,021</u>	<u>7,047</u>	<u>8,131</u>
Total current liabilities		<u>236,749</u>	<u>227,551</u>	<u>186,544</u>
Net current assets		<u>145,421</u>	<u>142,419</u>	<u>135,809</u>
Total assets less current liabilities		<u>166,365</u>	<u>166,975</u>	<u>156,047</u>

APPENDIX II FINANCIAL INFORMATION ON THE SST GROUP

		As at 31 December		
		2005	2004	2003
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liability				
Deferred income	26	<u>96</u>	<u>95</u>	<u>155</u>
Net assets		<u><u>166,269</u></u>	<u><u>166,880</u></u>	<u><u>155,892</u></u>
Total equity				
Issued capital	27	11,514	11,514	11,491
Reserves		<u>148,550</u>	<u>148,970</u>	<u>138,684</u>
		160,064	160,484	150,175
Minority interests		<u>6,205</u>	<u>6,396</u>	<u>5,717</u>
Total equity		<u><u>166,269</u></u>	<u><u>166,880</u></u>	<u><u>155,892</u></u>

APPENDIX II FINANCIAL INFORMATION ON THE SST GROUP

Balance Sheet

		As at 31 December		
		2005	2004	2003
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets				
Property, plant and equipment	12	63	74	502
Interest in subsidiaries	15	<u>24,621</u>	<u>24,621</u>	<u>24,621</u>
Total non-current assets		<u>24,684</u>	<u>24,695</u>	<u>25,123</u>
Current assets				
Cash and cash equivalents		312	3,169	1,283
Amounts due from subsidiaries	15	80,932	83,392	59,892
Deposits pledged with financial institutions	18	–	–	15,986
Prepayments, deposits and other receivables		<u>320</u>	<u>224</u>	<u>5,398</u>
Total current assets		<u>81,564</u>	<u>86,785</u>	<u>82,559</u>
Current liabilities				
Accrued liabilities and other payables		<u>2,684</u>	<u>2,798</u>	<u>1,223</u>
Total current liabilities		<u>2,684</u>	<u>2,798</u>	<u>1,223</u>
Net current assets		<u>78,880</u>	<u>83,987</u>	<u>81,336</u>
Total assets less current liabilities		<u><u>103,564</u></u>	<u><u>108,682</u></u>	<u><u>106,459</u></u>
Total equity				
Issued capital	27	11,514	11,514	11,491
Reserves	29	<u>92,050</u>	<u>97,168</u>	<u>94,968</u>
Total equity		<u><u>103,564</u></u>	<u><u>108,682</u></u>	<u><u>106,459</u></u>

APPENDIX II FINANCIAL INFORMATION ON THE SST GROUP

Consolidated Statement of Changes in Equity

	Notes	For the year ended 31 December		
		2005*	2004*	2003*
		RMB'000	RMB'000	RMB'000
CAPITAL				
Issued and fully paid capital	27			
<i>Ordinary share of HK\$0.01 each</i>				
At beginning of year		11,514	11,491	11,491
Issuance of shares pursuant to share options exercised	28	—	23	—
At end of year		<u>11,514</u>	<u>11,514</u>	<u>11,491</u>
RESERVES				
Share premium				
At beginning of year		70,573	69,800	69,800
Issuance of share pursuant to share options exercised	28	—	773	—
Dividend		(9,212)	—	—
At end of year		<u>61,361</u>	<u>70,573</u>	<u>69,800</u>
Contribution surplus	29(a)			
At beginning and end of year		<u>13,499</u>	<u>13,499</u>	<u>13,499</u>
Statutory surplus reserve	29(b)			
At beginning of year		3,322	2,549	1,835
Transferred from retained profits		564	773	714
At end of year		<u>3,886</u>	<u>3,322</u>	<u>2,549</u>
Enterprise expansion fund	29(c)			
At beginning of year		2,410	1,654	977
Transferred from retained profits		555	756	677
At end of year		<u>2,965</u>	<u>2,410</u>	<u>1,654</u>

APPENDIX II FINANCIAL INFORMATION ON THE SST GROUP

	For the year ended 31 December		
	2005*	2004*	2003*
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Exchange fluctuation reserve			
At beginning of year	15	240	–
Exchange realignment	<u>(522)</u>	<u>(225)</u>	<u>240</u>
At end of year	<u>(507)</u>	<u>15</u>	<u>240</u>
Retained profits			
At beginning year	60,722	51,834	34,666
Profit for the year	9,288	23,778	32,264
Transferred to statutory surplus reserve	(564)	(773)	(714)
Transferred to enterprise expansion fund	(555)	(756)	(677)
Gain on deemed disposal	10	–	–
Acquisition of subsidiary	–	–	(230)
Disposals of subsidiaries	–	–	574
Derecognition of negative goodwill	–	586	–
Dividends	<u>(175)</u>	<u>(13,947)</u>	<u>(14,049)</u>
At end of year	<u>68,726</u>	<u>60,722</u>	<u>51,834</u>
Total reserves	<u>149,930</u>	<u>150,541</u>	<u>139,576</u>
Minority interests in the capital of subsidiaries			
At beginning of year	4,825	4,825	2,549
Disposals of subsidiaries	–	–	(899)
Capital contribution	<u>–</u>	<u>–</u>	<u>3,175</u>
At end of year	<u>4,825</u>	<u>4,825</u>	<u>4,825</u>
Total equity	<u>166,269</u>	<u>166,880</u>	<u>155,892</u>

* *Included minority interests*

APPENDIX II FINANCIAL INFORMATION ON THE SST GROUP

Consolidated Cash Flow Statement

	<i>Notes</i>	For the year ended 31 December		
		2005	2004	2003
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities				
Profit before taxation and minority interests		10,291	29,144	37,088
Adjustment for:				
Depreciation of property, plan, and equipment	5	2,598	2,323	1,904
Loss on disposal of property, plant, and equipment	5	(2,312)	650	–
Share of (profit)/loss of associates		191	(84)	83
Interest expense		4,489	3,620	2,450
Interest income	5	(267)	(308)	(415)
Impairment of intangible assets	5	5,102	–	–
Inventory write down	5	483	86	–
Gain on disposal of subsidiaries		–	–	(244)
Amortisation of goodwill		–	–	24
Provision for impairment loss of goodwill	5	103	94	–
Amortisation of negative goodwill		–	–	(352)
Amortisation of intangible assets	5	2,081	1,073	70
Provision for bad and doubtful debts	5	171	21	–
Cash inflow from operation before working capital changes		22,930	36,619	40,608
Increase in trade receivables		22,578	(29,013)	(28,681)
Increase in unbilled amounts due from customers for contract works		(24,946)	(37,838)	(19,696)
Increase in inventories		(32,937)	(2,195)	(10,062)
Increase in prepayments, deposits and other receivables		941	(1,768)	(31,637)
Decrease in amount due from the holding company		(5,012)	–	–
Increase in trade and notes payables		(6,862)	31,828	28,016
Increase/(decrease) in accrued liabilities and other payables		(6,058)	25,243	(605)
Increase in amount due to a related company		3,345	–	–
Decrease/(increase) in deposits pledged with financial institutions		(7,058)	6,476	(16,044)
Increase/(decrease) in deferred income		1	(60)	155
Cash inflows/(outflows) from operating activities		(33,078)	29,292	(37,946)
Tax refund		2,771	–	–
Tax paid		(4,800)	(6,450)	(3,438)
Net cash inflows/(outflows) from operating activities		<u>(35,107)</u>	<u>22,842</u>	<u>(41,384)</u>

APPENDIX II FINANCIAL INFORMATION ON THE SST GROUP

	<i>Notes</i>	For the year ended 31 December		
		2005	2004	2003
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash inflows/(outflows) from operating activities		(35,107)	22,842	(41,384)
Cash flows from investing activities				
Acquisition of property, plant and equipment		(2,559)	(5,303)	(2,464)
Acquisition of available-for-sale investments		(1,875)	–	–
Acquisition of associates		–	–	(2,360)
Interest income	5	267	308	415
Acquisition of a subsidiary		–	–	(365)
Disposal of subsidiaries		–	–	440
Proceeds from disposal of property, plant and equipment		3,087	–	–
Additions to intangible assets		(2,799)	(2,489)	(6,019)
Net cash used in investing activities		(3,879)	(7,484)	(10,353)
Net cash inflows/(outflows) before financing activities		(38,986)	15,358	(51,737)
Cash flows from financing activities				
Interest paid	6	(4,489)	(3,620)	(2,450)
Dividends paid		(9,212)	(13,790)	(13,834)
Dividends paid to minority interests		(175)	(157)	(952)
Additions of new bank loans		101,678	91,372	136,200
Repayment of term loans		(81,879)	(106,352)	(91,347)
Contribution by minority interests		–	–	2,500
Proceeds from issuance of share capital		–	796	–
Net cash (outflow)/inflow from financing activities		5,923	(31,751)	30,117
Net increase/(decrease) in cash and cash equivalents		(33,063)	(16,393)	(21,620)
Cash and cash equivalents at 1 January		58,178	74,792	96,176
Effect of foreign exchange rate changes, net		(517)	(221)	236
Cash and cash equivalents at 31 December	18	<u>24,598</u>	<u>58,178</u>	<u>74,792</u>
Analysis of balances of cash and cash equivalents				
Cash and bank balances		<u>24,598</u>	<u>58,178</u>	<u>74,792</u>

Notes to Financial Statements

At 31 December 2005

1. CORPORATE INFORMATION

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

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

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

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

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

These financial statements have been prepared under the historical cost convention in accordance with International Financial Reporting Standards ("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.

Impact of new and revised accounting standards

The following new and revised accounting standards are adopted for the first time for the current year's financial statements:

- IFRS 2 – Share-based Payment
- IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations
- IAS 19 (revised) – Employee Benefits
- IAS 21 (revised) – The Effects of Changes in Foreign Exchange Rates

Except for IFRS 2 which described below, the adoption of these standards has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

IFRS 2 "Share-based Payment"

In prior years, no recognition and measurement of share-based payment transactions in which employees (including directors) were granted share options over shares in the Company were required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of IFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted. The main impact of IFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options.

APPENDIX II FINANCIAL INFORMATION ON THE SST GROUP

The Group has adopted the transitional provisions of IFRS 2 under which the new measurement policies have not been applied to (i) options granted to employees on or before 7 November 2002; and (ii) options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

As the Group did not have any employee share options which were granted during the period from 7 November 2002 to 31 December 2004 but had not yet vested as at 1 January 2005, the adoption of IFRS 2 has had no impact on the retained profits as at 31 December 2003 and as at 31 December 2004.

Impact of issued but not yet effective International Financial Reporting Standards (IFRSs)

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these IFRSs are effective for annual periods beginning on or after 1 January 2006:

IAS 1 Amendment	Capital Disclosures
IAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
IAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
IAS 39 Amendment	The Fair Value Option
IAS 39 & IFRS 4 Amendment	Financial Guarantee Contracts
IFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures
IFRIC-Int 4	Determining whether an Arrangement contains a Lease
IFRIC-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

The IAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

IFRS 7 will replace IAS 32 and has modified the disclosure requirements of IAS 32 relating to financial instruments. This IFRS shall be applied for annual periods beginning on or after 1 January 2007.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

Basis of consolidation and presentation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2005. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

Subsidiaries

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

In the Company's balance sheet, interests in subsidiaries are stated at cost less any impairment losses. An assessment of interests in subsidiaries is performed when there is an indication that the asset has been impaired.

Associates

The Group's investments in its associates are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investments in the associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to the associates is included in the carrying amount of the investments and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment losses with respect to the Group's net investment in the associates. The income statement reflects the share of the results of operations of the associates.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Related parties

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group or its holding company;
- (e) the party is a close member of the family of any individual referred to in (a) or (d); or
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

Particulars of principal companies comprising the Group and associates are disclosed in notes 15 and 16 to the financial statements respectively.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as "financial assets at fair value through profit or loss", "held-to-maturity investments" or "loans and receivables". After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Unbilled amounts due from customers for contract works

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

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

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

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

APPENDIX II FINANCIAL INFORMATION ON THE SST GROUP

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

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

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

Revenue recognition

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

Sale of goods and System Hardware

Revenue is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer.

Rendering of System Services

Revenue is recognised when the relevant System Services have been rendered on the basis as explained in the accounting policy for “Unbilled amounts due from customers for contract works” above.

Interest income

Revenue is recognised on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

Dividend income

Revenue is recognised when the shareholders’ right to receive payment has been established.

Property, plant and equipment

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

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

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

APPENDIX II FINANCIAL INFORMATION ON THE SST GROUP

Land use rights and buildings, which are not practicable to segregate, are amortised in equal instalments over the useful lives of the buildings of 20 years, i.e. the shorter of the land use rights period and useful lives of buildings. Other property, plant and equipment are depreciated on the straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

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

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

Impairment of assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

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

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit and loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable.

APPENDIX II FINANCIAL INFORMATION ON THE SST GROUP

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognised when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure capitalised is amortised on the straight-line basis over the commercial lives of the underlying products of not exceeding five years commencing from the date when the products are put into commercial production.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indication of impairment arises.

Inventories

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

Trade and other receivables

Trade receivables, which generally have credit terms ranging from 30 to 180 days, are recognised and carried at original invoice amount less allowances for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

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

Receivables from related parties are recognised and carried at amortised cost.

Trade and other payables

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

Payables to related parties are recognised and carried at amortised cost.

Loans and borrowings

All loans and borrowings, which are interest-bearing and held to maturity, are initially recognised at cost, being the fair value of the consideration received, and are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Borrowing costs

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

Operating leases

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

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred tax

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

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

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

Retirement benefits

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

Accommodation benefits

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

Dividends

Final and interim dividends proposed by the directors are classified as a separate allocation of retained profits or share premium account within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors and chief executives) of the Group and Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

Equity-settled transactions

The cost of equity-settled transactions with eligible persons is measured by reference to the fair value at the date at which they are granted. The fair value is determined using Black-Scholes option pricing model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (“market conditions”), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant eligible persons become fully entitled to the award (“the vesting date”). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors of the Group at that date, based on the best available estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The Group has adopted the transitional provisions of IFRS 2 in respect of equity-settled awards.

Government grants and subsidies

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

Foreign currencies

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

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

APPENDIX II FINANCIAL INFORMATION ON THE SST GROUP

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

Cash and cash equivalents

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

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

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash on hand and unpledged deposits in banks.

Significant accounting judgements and estimations

The preparation of the financial statements in conformity with IFRS requires management to make estimates and judgements that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The following judgements have the most significant effect on the amounts recognised in the financial statements.

a. Provision for bad and doubtful debts

Provision for bad and doubtful debts is made based on assessment of the recoverability of receivables and unbilled amounts due from customers for contract works. The identification of bad and doubtful debts requires management judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables, unbilled amounts due from customers for contract works and bad and doubtful debt expenses/write-backs in the period in which such estimate has been changed.

b. Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

c. Estimation of foreseeable losses in respect of contract works

For contract works, the Group's management estimates the amount of foreseeable losses based on the management budgets prepared for the contract works. Contract revenue is determined in accordance with the terms set out in the relevant contracts. Budgeted contract costs which mainly comprise estimated cost of materials, labour and other costs of personnel directly engaged in the project and attributable overheads costs are prepared by the management on the basis of quotations from time to time provided by the major suppliers/vendors involved and the experience of the management. The directors review contract works on a regular basis. When it is probable that total contract costs will exceed total contract revenue, the foreseeable losses is recognised as an expense immediately.

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d. Percentage of completion

The percentage of completion of a contract is determined based on the survey of the work performed, which approximates to the percentage determined based on costs incurred. The directors review contract works on a regular basis to assess the status of the projects and the reasonableness of the percentage of completion of the respective contracts.

3. SEGMENT INFORMATION

a. Business segment

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

b. Geographical segments

The following table presents revenue, profit and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2005 and 2004.

Year ended 31 December 2005

	Hong Kong SAR RMB'000	The Mainland of the PRC RMB'000	Total RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue	13,022	259,277	272,299	(6,453)	265,846
Segment results	15,514	10,769	26,283	(6,765)	19,518
Unallocated corporate expenses			(4,556)	317	(4,239)
Provision for impairment loss of goodwill			(103)	–	(103)
Other income			3	–	3
Profit from operating activities			21,627	(6,448)	15,179
Finance costs			(4,697)	–	(4,697)
Share of losses of associates			(191)	–	(191)
Profit before tax			16,739	(6,448)	10,291
Income tax expense			(1,003)	–	(1,003)
Profit for the year			15,736	(6,448)	9,288
Attributable to:					
Equity holders of the parent					9,314
Minority interests					(26)
					9,288

APPENDIX II FINANCIAL INFORMATION ON THE SST GROUP

	Hong Kong SAR RMB'000	The Mainland of the PRC RMB'000	Total RMB'000	Eliminations RMB'000	Consolidated RMB'000
Other segment information					
Segment assets	14,737	367,489	382,226	(14,933)	367,293
Investments in associates			2,471	–	2,471
Unallocated corporate assets			107,733	(74,383)	33,350
Consolidated total assets			<u>492,430</u>	<u>(89,316)</u>	<u>403,114</u>
Segment liabilities	13,949	220,211	234,160	–	234,160
Unallocated corporate liabilities			2,685	–	2,685
Consolidated total liabilities			<u>236,845</u>	<u>–</u>	<u>236,845</u>
Capital expenditures:					
Tangible fixed assets	<u>21</u>	<u>2,538</u>	<u>2,559</u>	<u>–</u>	<u>2,559</u>
Intangible fixed assets	<u>–</u>	<u>2,799</u>	<u>2,799</u>	<u>–</u>	<u>2,799</u>
Other non-cash expenses:					
Depreciation of property, plant and equipment	<u>–</u>	<u>2,598</u>	<u>2,598</u>	<u>–</u>	<u>2,598</u>
Gain on disposal of property, plant and equipment	<u>–</u>	<u>(2,312)</u>	<u>(2,312)</u>	<u>–</u>	<u>(2,312)</u>
Provision for impairment loss of goodwill	<u>–</u>	<u>103</u>	<u>103</u>	<u>–</u>	<u>103</u>
Amortisation of intangible assets	<u>–</u>	<u>2,081</u>	<u>2,081</u>	<u>–</u>	<u>2,081</u>
Inventory write-down	<u>–</u>	<u>483</u>	<u>483</u>	<u>–</u>	<u>483</u>
Provision for bad and doubtful debts	<u>–</u>	<u>171</u>	<u>171</u>	<u>–</u>	<u>171</u>
Impairment of intangible assets	<u>–</u>	<u>5,102</u>	<u>5,102</u>	<u>–</u>	<u>5,102</u>

APPENDIX II FINANCIAL INFORMATION ON THE SST GROUP

Year ended 31 December 2004

	The Hong Kong SAR <i>RMB'000</i>	Mainland of the PRC <i>RMB'000</i>	Total <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Segment revenue	48,340	247,055	295,395	(2,261)	293,134
Segment results	19,663	23,045	42,708	(6,097)	36,611
Unallocated corporate expenses			(4,021)	266	(3,755)
Provision for impairment loss of goodwill			(94)	–	(94)
Other income			158	–	158
Profit from operating activities			38,751	(5,831)	32,920
Finance costs			(3,860)	–	(3,860)
Share of profits of associates			84	–	84
Profit before tax			34,975	(5,831)	29,144
Income tax expense			(5,366)	–	(5,366)
Profit for the year			29,609	(5,831)	23,778
Attributable to:					
Equity holders of the parent					22,943
Minority interests					835
					23,778

APPENDIX II FINANCIAL INFORMATION ON THE SST GROUP

	Hong Kong SAR RMB'000	The Mainland of the PRC RMB'000	Total RMB'000	Eliminations RMB'000	Consolidated RMB'000
Other segment information					
Segment assets	31,612	362,462	394,074	(39,604)	354,470
Investments in associates			2,662	–	2,662
Unallocated corporate assets			111,776	(74,382)	37,394
Consolidated total assets			<u>508,512</u>	<u>(113,986)</u>	<u>394,526</u>
Segment liabilities	2,608	222,238	224,846	–	224,846
Unallocated corporate liabilities			2,800	–	2,800
Consolidated total liabilities			<u>227,646</u>	<u>–</u>	<u>227,646</u>
Capital expenditures:					
Tangible fixed assets	<u>5,290</u>	<u>13</u>	<u>5,303</u>	<u>–</u>	<u>5,303</u>
Intangible fixed assets	<u>–</u>	<u>2,489</u>	<u>2,489</u>	<u>–</u>	<u>2,489</u>
Other non-cash expenses:					
Depreciation of property, plant and equipment	<u>2,076</u>	<u>247</u>	<u>2,323</u>	<u>–</u>	<u>2,323</u>
Loss on disposal of property, plant and equipment	<u>310</u>	<u>340</u>	<u>650</u>	<u>–</u>	<u>650</u>
Provision for impairment loss of goodwill	<u>–</u>	<u>94</u>	<u>94</u>	<u>–</u>	<u>94</u>
Amortisation of intangible assets	<u>–</u>	<u>1,073</u>	<u>1,073</u>	<u>–</u>	<u>1,073</u>
Inventory write-down	<u>–</u>	<u>86</u>	<u>86</u>	<u>–</u>	<u>86</u>
Provision for bad and doubtful debts	<u>–</u>	<u>21</u>	<u>21</u>	<u>–</u>	<u>21</u>

APPENDIX II FINANCIAL INFORMATION ON THE SST GROUP

4. REVENUE AND OTHER INCOME

Revenue represents the net invoiced 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 intercompany transactions are eliminated on consolidation.

	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	<u>265,846</u>	<u>293,134</u>
Other income:		
Interest income	267	308
Government grants and subsidies*	1,250	550
Gain on disposal of property, plant and equipment	2,312	–
Others	<u>131</u>	<u>22</u>
	<u>3,960</u>	<u>880</u>
Total	<u><u>269,806</u></u>	<u><u>294,014</u></u>

* There are no unfulfilled conditions or contingencies relating to the government grants and subsidies.

5. PROFIT FROM OPERATING ACTIVITIES

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

	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories sold	118,927	121,340
Auditors' remuneration	1,305	1,006
Depreciation of property, plant and equipment	2,598	2,323
(Gain)/loss on disposal of property, plant and equipment	(2,312)	650
Interest income	(267)	(308)
Impairment of intangible assets	5,102	–
Provision for impairment loss of goodwill	103	94
Inventory write-down	483	86
Amortisation of intangible assets	2,081	1,073
Provision for bad and doubtful debts	171	21
Minimum lease payments under operating leases for buildings	3,203	2,488
Realised foreign exchange differences	(53)	–
Research and development costs	<u>–</u>	<u>365</u>
Staff costs:		
Retirement benefits	498	466
Accommodation benefits	487	360
Other staff costs (including directors' and senior executives' emoluments as set out in notes 7 and 8)	<u>14,706</u>	<u>15,484</u>
Total staff costs	15,691	16,310
Less: Amounts classified as deferred development costs	<u>(1,309)</u>	<u>(1,672)</u>
	<u><u>14,382</u></u>	<u><u>14,638</u></u>

APPENDIX II FINANCIAL INFORMATION ON THE SST GROUP

6. FINANCE COSTS

	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank loans	4,489	3,620
Bank charges and commissions	208	240
	<u>4,697</u>	<u>3,860</u>

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Fees	265	248
Basic salaries and other benefits	855	876
Performance related bonuses	42	–
Pension scheme contributions	46	26
	<u>1,208</u>	<u>1,150</u>

Directors' remuneration by each individual:

	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Mr. Chau Chit	405	379
Mr. Wong Wai Tin	264	249
Mr. Shen Yue	274	254
Mr. Zhang Xiao Feng	–	20
Mr. Wong Wai Kwan	106	106
Mr. Cai Xiao Fu	21	21
Mr. Shi Jian Jun	32	15
Mr. Li Xiaoqiang, Richard	106	53
Mr. Wu Ming Dong	–	53
Total	<u>1,208</u>	<u>1,150</u>

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

APPENDIX II FINANCIAL INFORMATION ON THE SST GROUP

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included three (2004: three) directors during the year, details of whose remuneration are set out in note 7 above.

Details of the remuneration of the remaining two (2004: two) non-director, highest paid employees for the year are as follows:

	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Basic salaries and other benefits	727	561
Pension scheme contributions	22	13
	749	574

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

9. INCOME TAX EXPENSE

	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax charge:		
– Hong Kong SAR	98	1,296
– The Mainland of the PRC	3,676	4,014
	3,774	5,310
Overprovision in prior year:		
– Hong Kong SAR	–	56
– The Mainland of the PRC	(2,771)	–
Total	1,003	5,366

Hong Kong taxable profit has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

During the year, Sino Stride Technology Co., Ltd. (“Sino Stride Technology”), one of the subsidiaries of the Company, was designated as one of the Most Outstanding Software Enterprises of Year 2004 as defined by the National Development Bureau of the PRC and was subject to corporate income tax rate of 10.0% for the year ended 31 December 2004, being a preferential tax rate applicable to the Most Outstanding Software Enterprises. This has resulted in a tax refund of RMB2,771,000.

APPENDIX II FINANCIAL INFORMATION ON THE SST GROUP

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the country in which the Company and certain of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax excluding share of profits and losses of associates	<u>10,482</u>	<u>29,060</u>
Tax expense at the applicable tax rate of 17.5%	1,834	5,086
Effect of:		
Different tax rate for specific entities	(458)	(136)
Income not subject to tax	(16)	(842)
Expenses not deductible for tax	642	876
Deferred tax assets not recognised in respect of tax losses	1,772	326
(Over)/under provision of tax in prior year	<u>(2,771)</u>	<u>56</u>
Income tax expenses	<u>1,003</u>	<u>5,366</u>

According to the Income Tax Law of the PRC, Sino Stride Technology and Hangzhou Sino Stride Megain Optic-Electronic Technology Company Limited (“Megain”) (formerly known as Hangzhou Sino Stride Xingda Computer System Co. Ltd.) 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% (2004: 10.0%) and 15.0% (2004: 15.0%), 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 Hong Kong corporate income tax rate of the Company and a subsidiary of the Company, Ever Create Profits Limited which operates in Hong Kong, is 17.5% (2004: 17.5%) based on existing legislation.

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 year.

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10. DIVIDENDS

	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Dividend declared and paid	9,212	13,790

On 6 June 2005, the Company declared and the shareholders approved a final dividend of HK\$0.8 cents (2004: HK\$1.2 cents) per ordinary share, amounting to approximately RMB9,212,000 to be paid out of share premium at the 2004 annual general meeting.

The directors do not recommend the payment of any dividends for the financial year ended 31 December 2005.

11. EARNINGS PER SHARE

Basic

The calculation of basic earnings per share is based on the net profit for the year attributable to ordinary equity holders of the parent of RMB9,314,000 (2004: RMB22,943,000; 2003: RMB31,808,000) and the weighted average number of 1,086,300,000 (2004: 1,084,671,000; 2003: 1,084,090,000) ordinary shares in issue during the year.

Diluted

The calculation of diluted earnings per share for 2004 is based on the net profit for the year attributable to ordinary equity holders of the parent of RMB22,943,000 (2003: RMB31,808,000) and the weighted average of 1,085,356,000 (2003: 1,084,090,000) ordinary shares, after adjusting for the effects of all potential dilutive ordinary shares during the year.

The diluted earnings per share for 2005 is the same as basic earnings per share as a result of the cancellation of all outstanding share options enduring the year.

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

	Number of shares		
	2005	2004	2003
Weighted average number of ordinary shares used in the basic earnings per share calculation	1,086,300,000	1,084,671,000	1,084,090,000
Weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the year	—	685,000	—
Weighted average number of ordinary shares used in the diluted earnings per share calculation	1,086,300,000	1,085,356,000	1,084,090,000

APPENDIX II FINANCIAL INFORMATION ON THE SST GROUP

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Computer and office equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
Group					
Cost:					
As at 1 January 2005	3,762	613	6,561	7,270	18,206
Additions	–	1,376	917	266	2,559
Disposals	(1,036)	–	(491)	(257)	(1,784)
Exchange realignment	–	(1)	(13)	–	(14)
As at 31 December 2005	<u>2,726</u>	<u>1,988</u>	<u>6,974</u>	<u>7,279</u>	<u>18,967</u>
Accumulated depreciation:					
As at 1 January 2005	377	317	3,350	3,366	7,410
Charge for the year	143	327	1,080	1,048	2,598
Disposals	(359)	–	(439)	(211)	(1,009)
Exchange realignment	–	(1)	(8)	–	(9)
As at 31 December 2005	<u>161</u>	<u>643</u>	<u>3,983</u>	<u>4,203</u>	<u>8,990</u>
Net book value:					
As at 31 December 2005	<u>2,565</u>	<u>1,345</u>	<u>2,991</u>	<u>3,076</u>	<u>9,977</u>
As at 31 December 2004	<u>3,385</u>	<u>296</u>	<u>3,211</u>	<u>3,904</u>	<u>10,796</u>
Company					
Cost:					
As at 1 January 2005	–	68	66	–	134
Additions	–	–	21	–	21
Exchange realignment	–	(1)	(2)	–	(3)
As at 31 December 2005	<u>–</u>	<u>67</u>	<u>85</u>	<u>–</u>	<u>152</u>
Accumulated depreciation:					
As at 1 January 2005	–	34	26	–	60
Charge for the year	–	14	17	–	31
Exchange realignment	–	(1)	(1)	–	(2)
As at 31 December 2005	<u>–</u>	<u>47</u>	<u>42</u>	<u>–</u>	<u>89</u>
Net book value:					
As at 31 December 2005	<u>–</u>	<u>20</u>	<u>43</u>	<u>–</u>	<u>63</u>
As at 31 December 2004	<u>–</u>	<u>34</u>	<u>40</u>	<u>–</u>	<u>74</u>

A building of the Group with net book value of RMB2,475,000 (2004: RMB2,592,000) has been issued the property certificate but the land use rights has yet to be issued by the relevant authorities.

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13. INTANGIBLE ASSETS

Group

	Deferred development costs	
	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Cost:		
At beginning of year	9,508	7,019
Additions	<u>2,799</u>	<u>2,489</u>
At end of year	<u>12,307</u>	<u>9,508</u>
Accumulated amortisation:		
At beginning of year	(1,073)	–
Provided during the year	<u>(2,081)</u>	<u>(1,073)</u>
At end of year	<u>(3,154)</u>	<u>(1,073)</u>
Accumulated impairment loss:		
At beginning of year	–	–
Impairment loss provided for the year	<u>(5,102)</u>	<u>–</u>
At end of year	<u>(5,102)</u>	<u>–</u>
Net carrying amount	<u><u>4,051</u></u>	<u><u>8,435</u></u>

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14. GOODWILL AND NEGATIVE GOODWILL

	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Goodwill		
Cost:		
At beginning of year	298	298
Acquisition of additional share capital in a subsidiary	<u>10</u>	<u>–</u>
At end of year	<u>308</u>	<u>298</u>
Accumulated impairment loss:		
At beginning of year	(135)	(41)
Impairment loss provided for the year	<u>(103)</u>	<u>(94)</u>
At end of year	<u>(238)</u>	<u>(135)</u>
Net carrying amount	<u><u>70</u></u>	<u><u>163</u></u>
Negative goodwill		
Cost:		
At beginning of year	–	(1,055)
Derecognition during the year	<u>–</u>	<u>1,055</u>
At end of year	<u>–</u>	<u>–</u>
Accumulated amortisation:		
At beginning of year	–	469
Derecognition during the year	<u>–</u>	<u>(469)</u>
At end of year	<u>–</u>	<u>–</u>
Net carrying amount	<u><u>–</u></u>	<u><u>–</u></u>

15. INTERESTS IN SUBSIDIARIES

Company	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted shares, at cost	<u>24,621</u>	<u>24,621</u>
Amounts due from subsidiaries	<u>80,932</u>	<u>83,392</u>

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

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Particulars of the subsidiaries are set out as follows:

Company	Place and date of incorporation/ establishment and operations	Nominal value of issued shares/ paid-up capital	Percentage of equity interest attributable to the Group				Principal activities
			Direct		Indirect		
			%		%		
			2005	2004	2005	2004	
Sino Stride (BVI) Limited	British Virgin Islands/ Hong Kong 5 October 2001	US\$101	100	100	–	–	Investment holding
Ever Create Profits Limited	British Virgin Islands/ Hong Kong 2 July 2002	US\$1	100	100	–	–	System design and sale of system hardware
Choice Delta Assets Limited	British Virgin Islands/ Hong Kong 2 July 2002	US\$1	100	100	–	–	Investment holding
Sino Stride Technology Co., Ltd.	PRC/Mainland of the PRC 31 December 1992	RMB60 million	–	–	97.5	97.5	System value-added service solution and development
Hangzhou Sino Stride Megain Optic-Electronic Technology Company Limited (formerly known as Hangzhou Sino Stride Xingda Computer System Co., Ltd.)	PRC/Mainland of the PRC 16 May 2000	RMB5 million	–	–	94.6	92.6	System design and sale of system hardware and light emitted diode products
Beijing Sino Stride Powerlink Technology Co., Ltd.	PRC/Mainland of the PRC 4 September 2003	RMB10 million	–	–	73	73	System design and sale of system hardware
Chongqing Sino Stride Technology Co., Ltd.	PRC/Mainland of the PRC 22 September 2003	RMB5.6 million	–	–	99.6	99.6	System value-added service solution and development
Hangzhou Vico Software Engineering Co. Ltd.	PRC/Mainland of the PRC 8 August 1996	RMB1.5 million	–	–	53.6	53.6	System value-added service solution and development

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16. INVESTMENTS IN ASSOCIATES

Group	2005 <i>RMB'000</i>	2004 <i>RMB'000</i>
Carrying amount of the investments	<u>2,471</u>	<u>2,662</u>

The following illustrates the summarised financial information of the Group's associates:

Share of the associates' balance sheets:

Current assets	2,678	2,511
Non-current assets	111	267
Current liabilities	<u>(318)</u>	<u>(116)</u>
Net assets	<u>2,471</u>	<u>2,662</u>

Share of the associates' revenue and (losses)/profits:

Revenue	802	1,021
(Losses)/profits	<u>(191)</u>	<u>84</u>

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

Company	Business structure	Paid-up capital <i>RMB'000</i>	Percentage of equity interest attributable to the Group		Principal activities
			2005	2004	
Zhejiang University Sino Stride Fire Prevention Engineering Co., Ltd.	Corporate	800	36.6%	36.6%	Fire prevention system installation
Shenzhen Fasten Sino Stride Technology Limited	Corporate	5,000	39.0%	39.0%	Sale of hardware and equipment related to system integration and system design
Hangzhou Sino Stride Hospital Yida System Technology Co., Ltd.	Corporate	1,000	27.8%	27.8%	Sale of medical equipment

17. AVAILABLE-FOR-SALE INVESTMENTS

Group	2005 <i>RMB'000</i>	2004 <i>RMB'000</i>
Unlisted equity investments – at cost	<u>4,375</u>	<u>2,500</u>

Available-for-sale financial assets consist of investment in ordinary shares and therefore, have no fixed maturity date or coupon rate.

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18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	2004	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances	<u>24,598</u>	<u>58,178</u>	<u>312</u>	<u>3,169</u>

19. DEPOSITS PLEDGED WITH FINANCIAL INSTITUTIONS

	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Fixed deposits	<u>18,733</u>	<u>11,675</u>

Fixed deposits as at 31 December 2005 have been pledged to financial institutions for the issuance of letters of credit, notes payable and to secure bank loans of RMB8,672,000 as set out in note 24 to the financial statements. Fixed deposits as at 31 December 2004 have been pledged to financial institutions for the issuance of letters of credit and notes payable.

The pledged cash deposits bear interest at rates ranging from 0.72% to 3.55% (2004: 0.72% to 1.62%) per annum.

20. TRADE RECEIVABLES

Group	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	61,991	84,569
<i>Less: Provision for bad and doubtful debts</i>	<u>(192)</u>	<u>(21)</u>
	<u>61,799</u>	<u>84,548</u>

An aged analysis of the trade receivables is as follows:

Within 30 days	22,182	45,878
Between 31 and 90 days	7,548	18,492
Between 91 and 180 days	3,661	17,398
Between 181 and 360 days	7,533	1,292
Over 360 days	<u>21,067</u>	<u>1,509</u>
	<u>61,991</u>	<u>84,569</u>

21. UNBILLED AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

Group	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Contract costs incurred plus recognised profits		
less recognised losses to date	888,052	656,451
<i>Less: Progress billings</i>	<u>(717,065)</u>	<u>(510,410)</u>
	<u>170,987</u>	<u>146,041</u>

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22. AMOUNTS DUE FROM/(TO) RELATED PARTIES

The amounts due from/(to) related parties are unsecured, interest-free and have no fixed terms of repayment. These advances are non-trade in nature.

23. INVENTORIES

Group	2005 <i>RMB'000</i>	2004 <i>RMB'000</i>
At cost:		
Parts and components	3,585	141
Purchased equipment	<u>45,646</u>	<u>18,318</u>
	49,231	18,459
At net realisable value:		
Purchased equipment	<u>1,682</u>	<u>–</u>
	<u><u>50,913</u></u>	<u><u>18,459</u></u>

24. BANK LOANS

Group	<i>Notes</i>	2005 <i>RMB'000</i>	2004 <i>RMB'000</i>
Short term loans:			
Unsecured	<i>(a)</i>	79,000	67,873
Secured	<i>(b)</i>	<u>8,672</u>	<u>–</u>
		<u><u>87,672</u></u>	<u><u>67,873</u></u>

(a) The unsecured bank loans bear interest at rates ranging from 5.1% to 6.7% (2004: 4.2% to 5.8%) 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% per annum and are secured by fixed deposits and properties from a related company as set out in notes 19 and 33 to the financial statements, respectively. The secured bank loans are repayable in less than 12 months.

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25. TRADE AND NOTES PAYABLES

Group	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	69,815	87,197
Notes payables	24,563	14,043
	<u>94,378</u>	<u>101,240</u>

An aged analysis of the trade and notes payable is as follows:

Group	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	49,350	80,478
Between 91 and 180 days	24,623	7,401
Between 181 and 360 days	2,863	3,889
Over 360 days	17,542	9,472
	<u>94,378</u>	<u>101,240</u>

26. DEFERRED INCOME

The balance represents government grants granted by the Hangzhou Ministry of Finance and Hangzhou Science and Technology Bureau. The government grants were given by the Hangzhou Ministry of Finance and Hangzhou Science and Technology Bureau to the Group when the specified research and development projects of the Group were approved and certified by the Hangzhou Science and Technology Bureau on completion.

27. ISSUED SHARE CAPITAL

Group and Company	<i>Note</i>	2005	2004
		<i>RMB'000</i>	<i>RMB'000</i>
Authorised:			
2,000,000,000 (2004: 2,000,000,000) ordinary shares of HK\$0.01 each		<u>21,200</u>	<u>21,200</u>
Issued and fully paid:			
1,086,300,000 (2004: 1,086,300,000) ordinary shares of HK\$0.01 each			
At beginning of year		11,514	11,491
Issuance of shares pursuant to share options	28	<u>—</u>	<u>23</u>
At end of year		<u>11,514</u>	<u>11,514</u>

Details of the Company's share option scheme and the share options issued under the scheme are set out in note 28 to the financial statements.

28. SHARE OPTION SCHEME

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

The maximum number of shares in respect of which options may be granted under the Share Option Scheme must not exceed 10% of the share capital of the Company in issue and may not exceed in nominal value 30% of the issued share capital of the Company in issue for a period of 10 consecutive years. The Share Option Scheme will remain in force for the period of 10 years commencing from the date of grant of share options. No option may be granted to any person which, if exercised in full, would result in the total number of shares already issued and which may fall to be issued to him under all the options previously granted to him pursuant to the Share Option Scheme in any 12-months period up to the date of grant to such person exceeding 1% of the maximum aggregate number of shares for the time being issued and which may fall to be issued under the Share Option Scheme. The options are considered to vest immediately from the date of grant of share options and there are no cash settlement alternatives.

On 27 August 2004, the Company granted certain employees under the Share Option Scheme a total of 12,000,000 share options to subscribe for the Company’s shares of HK\$0.01 each, at an exercise price of HK\$0.34 per share, exercisable at any time from 27 August 2004 to 26 August 2014. The exercise price of the share options of HK\$0.34 per share was determined with reference to the average closing price of the Company’s shares as quoted on the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant. Share options do not confer rights on the holders to dividends or vote at shareholders’ meetings.

On 27 September 2004, 2,210,000 share options were exercised by certain employees, which resulted in the issue of 2,210,000 ordinary shares of the Company and additional share capital of RMB23,000 and share premium of RMB773,000. The weighted average share price at the date of exercise was HK\$0.34.

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

Name or category of participant	Number of share options						Date of grant of share options*	Exercise price of share options** HK\$	Price of Company's share at grant date of options*** HK\$
	At 1 January 2005	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	At 31 December 2005			
Directors									
Mr. Chau Chit	3,000,000	-	-	-	(3,000,000)	-	27 August 2004	0.34	0.34
Mr. Wong Wai Tin	2,000,000	-	-	-	(2,000,000)	-	27 August 2004	0.34	0.34
Mr. Shen Yue	1,000,000	-	-	-	(1,000,000)	-	27 August 2004	0.34	0.34
	<u>6,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,000,000)</u>	<u>-</u>			
Chief executives									
Mr. Wang Ning	70,000	-	-	-	(70,000)	-	27 August 2004	0.34	0.34
Mr. Xu Dong Hui	70,000	-	-	-	(70,000)	-	27 August 2004	0.34	0.34
Mr. Guo Wei	70,000	-	-	-	(70,000)	-	27 August 2004	0.34	0.34
	<u>210,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(210,000)</u>	<u>-</u>			
Other employees									
In aggregate	3,240,000	-	-	(1,390,000)	(1,850,000)	-	27 August 2004	0.34	0.34
Total	<u>9,450,000</u>	<u>-</u>	<u>-</u>	<u>(1,390,000)</u>	<u>(8,060,000)</u>	<u>-</u>			

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

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

*** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

At the balance sheet date, there were no share options that were outstanding under the Share Options Scheme as the Company had cancelled all the outstanding share options on 11 November 2005 with consent from the share option holders and pursuant to a board resolution.

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29. RESERVES

Company	Share premium <i>RMB'000</i>	Contribution surplus <i>RMB'000</i> <i>(a)</i>	Exchange fluctuation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2004	69,800	24,620	457	91	94,968
Issuance of shares pursuant to share options	773	–	–	–	773
Net profit for the year	–	–	–	15,654	15,654
Dividends	–	–	–	(13,790)	(13,790)
Exchange realignment	–	–	(437)	–	(437)
At 31 December 2004	<u>70,573</u>	<u>24,620</u>	<u>20</u>	<u>1,955</u>	<u>97,168</u>
At 1 January 2005	70,573	24,620	20	1,955	97,168
Net profit for the year	–	–	–	5,506	5,506
Dividends	(9,212)	–	–	–	(9,212)
Exchange realignment	–	–	(1,412)	–	(1,412)
At 31 December 2005	<u>61,361</u>	<u>24,620</u>	<u>(1,392)</u>	<u>7,461</u>	<u>92,050</u>

(a) Contribution surplus

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

(b) Statutory surplus reserve

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

(c) Enterprise expansion fund

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

30. FINANCIAL INSTRUMENTS**Financial risk management objectives and policies**

Financial assets of the Group mainly include cash and cash equivalents, trade receivables, notes receivables, investments, deposits, amount due from a related party and other receivables. Financial liabilities of the Group include bank and other borrowings, trade payables, notes payables, other payables and amount due to a related party.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

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

The Group does not hedge interest rate fluctuations.

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

(b) Foreign currency risk

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

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

(c) Credit risk

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

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

Significant concentrations of credit risk

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

As at 31 December 2005 and 2004, the Group's unbilled amounts due from customers for contract works amounted to approximately RMB170,987,000 and RMB146,041,000, respectively. The unbilled amounts due from customers for contract works accounted for approximately 42% and 37% of the Group's total assets as at 31 December 2005 and 2004, respectively. The Group bills its customers for services provided in accordance with payment

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terms as stipulated in the intelligent information solution contracts signed with its customers. Therefore, the Group has a significant concentration of credit risk for unbilled amounts due from customers for contract works as set out above.

(d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and other interest-bearing loans. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements.

(e) Net fair values

The aggregate net fair values of financial assets and financial liabilities are not materially different from their carrying amounts. Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision changes in assumptions could significantly affect the estimates.

31. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2005	2004	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Guarantees given to banks in connection with facilities granted to:				
Subsidiaries	–	–	38,850	11,000
Third party company	10,000	–	–	–
	<u>10,000</u>	<u>–</u>	<u>38,850</u>	<u>11,000</u>

As at 31 December 2005, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately RMB22,659,000 (2004: RMB11,000,000), and the banking facility guaranteed by the Group to a third party company was utilised to the extent of approximately RMB10,000,000 (2004: Nil).

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32. COMMITMENTS

Group	<i>Notes</i>	2005 <i>RMB'000</i>	2004 <i>RMB'000</i>
Future minimum lease rentals payable under non-cancellable operating leases expiring:			
Within one year	(a)	2,422	2,707
In the second to fifth years, inclusive		<u>1,347</u>	<u>2,749</u>
		<u>3,769</u>	<u>5,456</u>
Capital commitments:			
Development cost:			
Approved but not contracted for		650	–
Contracted but not provided for		<u>920</u>	<u>3,200</u>
Total		<u>1,570</u>	<u>3,200</u>
Investment in an associate	(b)	<u>1,875</u>	<u>3,750</u>
Company			
Future minimum lease rentals payable under non-cancellable operating leases expiring:			
Within one year	(a)	506	321
In the second to fifth years, inclusive		<u>95</u>	<u>188</u>
		<u>601</u>	<u>509</u>

(a) Operating leases for the Group and the Company represent rentals payable for the use of buildings. These leases have average lives of between two to three years with renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

(b) On 21 December 2004, Sino Stride Technology entered into a joint venture agreement (the “JV Agreement”) for the establishment of a Sino-Foreign Equity Joint Venture, known as STAR (Zhejiang) Automotive Center Co., Ltd. with Singapore Technologies Kinetics Limited, a fellow subsidiary of the Company’s substantial shareholder, Singapore Technologies Electronics Limited, and Zhejiang University Logistics and Investment Holdings Company. Sino Stride Technology contributed RMB1,875,000 in cash in 2005 in accordance with the JV Agreement, representing 12.5% of the registered capital of the joint venture. The capital commitment of RMB1,875,000 represents additional 12.5% of the registered capital of the joint venture.

The Group and the Company did not have any other significant capital expenditure and commitments as at 31 December 2005.

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33. RELATED PARTY TRANSACTIONS

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

Name of related parties	Nature of transactions	2005 RMB'000	2004 RMB'000
Group			
Sino Stride Holdings Limited ("HKSS") (note a)	Operating lease of buildings from the related company (note e)	324	553
Hangzhou Advance Technology Company Limited ("HAT") (note b)	Subcontracting to the related company (note f)	–	1,037
Hu Guang (note c)	Advance from the senior management (note g)	3,345	–
HKSS (note a)	Advance to the related company (note h)	5,012	–
HKSS (note a)	Properties pledged for banking facilities (note i)	8,672	–
Company			
HKSS (note a)	Operating lease of buildings from the related company (note e)	324	553
Ever Create Profits Limited ("ECP") (note d)	Provision of management services to the related company (note j)	317	265
ECP (note d)	Provision of sales arrangement services to the related companies (note k)	1,302	2,417
ECP (note d)	Dividend income	1,872	–
Sino Stride (BVI) Limited ("Sino BVI") (note d)	Dividend income	6,448	13,250
Chau Chit (note l)	Share options granted to a director (note l)	–	1,020
Wong Wai Tin (note l)	Share options granted to a director (note l)	–	680
Shen Yue (note l)	Share options granted to a director (note l)	–	340
Sino Stride Technology Co. Ltd. (note d)	Advance from the related company (note m)	1,879	1,618
Sino BVI (note d)	Advance to the related company (note n)	55,184	49,880
ECP (note d)	Advance to the related company (note n)	22,709	30,065
Choice Delta Assets Limited ("CDA") (note d)	Advance to the related company (note n)	4,918	5,065

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Notes:

- (a) HKSS is a company beneficially owned by Mr. Chau Chit, a director, Ms. Ting Hiu Wan, the spouse of Mr. Chau Chit, and Mr. Wong Wai Tin, a director, in the proportion of 50%, 30% and 20% respectively.
- (b) HAT is a company in which Mr. Zhang Xiao Feng, a former director of the Company, has a 48% equity interest. The transactions were entered into during the service of his directorship.
- (c) Hu Guang is the vice-president of Sino Stride Technology.
- (d) ECP, Sino Stride Technology, Sino BVI and CDA are subsidiaries of the Company.
- (e) On 19 April 2002, HKSS as landlords, entered into a lease agreement with the Company as tenant in respect of an apartment located at Flat F, 22/F, Tower One, Park Tower, 1 King's Road, Causeway Bay, Hong Kong, for use as living quarters for the Group's employees for a term of five years each commencing from 19 April 2002, at monthly rentals of HK\$26,000, as determined based on approximate prevailing market prices.
- (f) On 24 April 2004, Sino Stride Technology and HAT entered into a subcontracting agreement. Pursuant to the agreement, Sino Stride Technology subcontracted contract works amounting to RMB1,037,000 to HAT. In the opinion of the directors, this transaction was carried out based on normal commercial terms and in accordance with the terms of the underlying agreement.
- (g) The advance from Hu Guang is unsecured, interest-free and has no fixed terms of repayment as set out in note 22 to the financial statements.

Had interest been charged on the outstanding amount due to Hu Guang for the three months period in which the advance was obtained, based on the official lending rate in the PRC quoted by the People's Bank of China of approximately 5.58% per annum, the Company would have borne interest expense, net of tax, of approximately RMB38,000 for the year.

- (h) The advance to HKSS is unsecured, interest-free and has no fixed terms of repayment as set out in the note 22 to the financial statements.

Had interest been charged on the outstanding amount due from HKSS for the three months period in which the advance was granted, based on the official interest rate in Hong Kong quoted by the Hong Kong and Shanghai Banking Corporation Limited of approximately 2.50% per annum, the Company would have an interest income, net of tax, of approximately RMB26,000 for the year.

- (i) The bank loan with an outstanding amount of RMB8,672,000 is secured by the properties from HKSS as set out in note 24 to the financial statements.
- (j) These transactions have been entered into in the normal course of business and have been transacted based on the terms and conditions determined by agreement of the parties.
- (k) On 1 February 2003, the Company entered into an agreement with ECP in relation to the provision of sales arrangement services. The sales arrangement service charges, as determined by agreement of both parties, are set at 10% (2004: 5%) of the turnover of ECP.
- (l) On 27 August 2004, share options were granted to Mr. Chau Chit, Mr. Wong Wai Tin and Mr. Shen Yue in respect of their services to the Group under the Company's Share Option Scheme. The theoretical values of the shares of RMB1,020,000, RMB680,000 and RMB340,000, respectively, which is computed based on the exercise price of HK\$0.34 per share. The exercise price was determined with reference to the average closing price of the Company's shares quoted on the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. At the balance sheet date, there were no share options

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that were outstanding under the Share Options Scheme as the Company had cancelled all the outstanding share options on 11 November 2005 pursuant to a board resolution and with consent from Mr. Chau Chit, Mr. Wong Wai Tin and Mr. Shen Yue, respectively.

- (m) The advance from Sino Stride Technology is unsecured, interest-free and has no fixed terms of repayment as set out in note 15 to the financial statements.

Had interest been charged on the outstanding amounts due to the subsidiary, based on the official lending rate in the PRC quoted by the People's Bank of China of approximately 5.58% (2004: 5.76%) per annum, the Company would have borne interest expense, net of tax, of approximately RMB86,000 (2004: RMB79,000) for the year.

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

Had interest been charged on the outstanding amount due from the subsidiaries, based on the official interest rate in Hong Kong quoted by the Hong Kong and Shanghai Banking Corporation Limited of approximately 2.50% (2004: 2.25%) per annum, the Company would have an interest income, net of tax, of approximately RMB1,708,000 (2004: RMB1,578,000) for the year.

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

34. SIGNIFICANT EVENT DURING THE YEAR

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 23 December 2005, SCT issued an announcement jointly with the Company in respect of, amongst other things, a voluntary conditional share exchange offer by Made Connection Limited, a wholly-owned subsidiary of SCT, to acquire all the issued shares of the Company at two new shares of SCT for every three shares of the Company. The Share Exchange Offer of two new SCT shares for every three shares of the Company has been determined by SCT with reference to the closing price of the SCT shares as quoted on the Stock Exchange as at the last trading day, which was HK\$0.45 per share. This translates into a value of HK\$0.30 per share of the Company.

On the same day, Mega Start and Mr. Wong Wai Tin have tendered 451,740,000 shares and 2,500,000 shares, respectively, for acceptance of the Share Exchange Offer.

As at the balance sheet date, the issued share capital of the Company comprised 1,086,300,000 shares in issue. On the basis of the Share Exchange Offer of two new SCT shares for every three shares of the Company and based on the closing prices of shares of SCT and the Company on the date of proposal of HK\$0.45 per share and HK\$0.30 per share, respectively, the Share Exchange Offer values the entire issued share capital of the Company at approximately HK\$325.9 million.

The Share Exchange Offer has yet to be completed as at 31 December 2005.

35. POST BALANCE SHEET EVENT

On 20 March 2006, the Share Exchange Offer, as set up in note 34 to the financial statements, was duly approved by the SCT's shareholders in an extraordinary general meeting of SCT. On the same day, valid acceptances have been received in respect of 758,819,000 ordinary shares, representing approximately 69.85% of issued share capital, of the Company, under the Share Exchange Offer. As all the conditions of the Share Exchange Offer have been fulfilled, the Offeror announced that the Share Exchange Offer is declared unconditional on 20 March 2006. Accordingly, the Offeror will be interested in 758,819,000 issued shares capital of the Company and will become the controlling shareholder of the Company once the legal

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title of such 758,819,000 shares are properly transferred to the Offeror. As at the date of this report, the legal titles of such 758,819,000 shares accepted under the Share Exchange Offer as at 20 March 2006 have yet to be legally transferred to the Offeror.

The Company will become a subsidiary of the Offeror once the legal titles of such 758,819,000 shares are legally transferred to the Offeror. Accordingly, SCT will become 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 indicated its willingness to accept the Share Exchange Offer up to the date of this report, the public float of SST is estimated to be approximately 2.15% as and when the legal titles of such 758,819,000 shares are properly and legally transferred to the Offeror.

Pursuant to the Offer Document issued by the Offeror and SCT on 20 February 2006, the Share Exchange Offer will remain open till the final closing date on 3 April 2006.

36. COMPARATIVE AMOUNTS

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

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2006.

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B. UNAUDITED CONDENSED RESULTS
(i) For the three months and the six months ended 30 June 2006

The following is a summary of the unaudited consolidated income statement of the SST Group for the three months and the six months ended 30 June 2006, together with the comparative figures for the relevant periods and the accompanying notes to the unaudited accounts of the SST Group for the six months ended 30 June 2006 as extracted from the interim report of SST for the six months ended 30 June 2006.

Condensed Consolidated Income Statement

	<i>Notes</i>	(Unaudited)		(Unaudited)	
		Three months ended		Six months ended	
		30 June		30 June	
		2006	2005	2006	2005
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	37,716	64,697	89,709	109,414
Cost of sales		<u>(28,245)</u>	<u>(53,008)</u>	<u>(70,667)</u>	<u>(84,171)</u>
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		<u>(48)</u>	<u>–</u>	<u>(557)</u>	<u>–</u>
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		<u>(107)</u>	<u>151</u>	<u>(126)</u>	<u>(95)</u>
Profit before tax		1,172	3,247	1,710	3,989
Income tax expenses	7	<u>1,493</u>	<u>872</u>	<u>974</u>	<u>832</u>
Profit for the period		<u>2,665</u>	<u>4,119</u>	<u>2,684</u>	<u>4,821</u>
Attributable to:					
Equity holders of the parent		2,291	3,695	2,510	4,170
Minority interests		<u>374</u>	<u>424</u>	<u>174</u>	<u>651</u>
		<u>2,665</u>	<u>4,119</u>	<u>2,684</u>	<u>4,821</u>
Earnings per share					
– Basic and diluted (RMB cents)	8	<u>0.21</u>	<u>0.34</u>	<u>0.23</u>	<u>0.38</u>

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Condensed Consolidated Balance Sheet
As at 30 June 2006

		(Unaudited) 30 June 2006	(Audited) 31 December 2005
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment	<i>10</i>	9,262	9,977
Intangible assets	<i>11</i>	3,499	4,051
Goodwill		70	70
Interests in associates	<i>12</i>	2,345	2,471
Long term investments		<u>6,250</u>	<u>4,375</u>
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	<i>13</i>	17,963	18,733
Trade receivables	<i>14</i>	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		<u>68,305</u>	<u>50,913</u>
Total current assets		<u>381,756</u>	<u>382,170</u>
Current liabilities			
Bank loans	<i>15</i>	94,615	87,672
Trade and notes payable	<i>16</i>	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		<u>4,086</u>	<u>6,021</u>
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		<u>–</u>	<u>96</u>
Net assets		<u><u>168,953</u></u>	<u><u>166,269</u></u>

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	(Unaudited) 30 June 2006	(Audited) 31 December 2005
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Represented by:		
Capital and reserves		
Issued capital	11,514	11,514
Reserves	<u>151,060</u>	<u>148,550</u>
	162,574	160,064
Minority interests	<u>6,379</u>	<u>6,205</u>
	<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
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash outflow from operating activities	(12,004)	(33,977)
Net cash outflow from investing activities	<u>(2,022)</u>	<u>(1,205)</u>
Net cash outflow before financing	(14,026)	(35,182)
Net cash inflow/(outflow) from financing	<u>4,181</u>	<u>(6,209)</u>
Decrease in cash and cash equivalents	(9,845)	(41,391)
Cash and cash equivalents at the beginning of period	<u>24,598</u>	<u>58,178</u>
Cash and cash equivalents at the end of period	<u>14,753</u>	<u>16,787</u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	<u>14,753</u>	<u>16,787</u>

Condensed Consolidated Statement of Changes in Equity

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

<i>Notes</i>	Issued Capital	Share premium	Contribution surplus <i>(a)</i>	Statutory surplus reserve <i>(b)</i>	Enterprise expansion fund <i>(c)</i>	Exchange fluctuation reserve	Retained profits	Minority interests	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>11,514</u>	<u>61,361</u>	<u>13,499</u>	<u>3,779</u>	<u>2,890</u>	<u>(508)</u>	<u>70,039</u>	<u>6,379</u>	<u>168,953</u>
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	<u>11,514</u>	<u>61,361</u>	<u>13,499</u>	<u>3,230</u>	<u>2,349</u>	<u>14</u>	<u>63,475</u>	<u>6,872</u>	<u>162,314</u>

Notes:

(a) Contribution surplus

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

(b) Statutory surplus reserve

In accordance with the Company Law of the PRC and the articles of association of the PRC subsidiaries, certain PRC subsidiaries are required to allocate 5% to 10% of its profit after tax, as determined in accordance with the accounting principle generally accepted in the PRC ("PRC GAAP") applicable to the PRC subsidiaries, to the statutory surplus reserve ("SSR") until such reserve reaches 50% 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.

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(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		Consolidated	
	2006	2005	2006	2005	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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					<u>2</u>	<u>–</u>
Profit from operating activities					4,598	6,208
Finance costs					(2,762)	(2,124)
Share of losses of associates					<u>(126)</u>	<u>(95)</u>
Profit before tax					1,710	3,989
Income tax expenses					<u>974</u>	<u>832</u>
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					<u>174</u>	<u>651</u>
					<u>2,684</u>	<u>4,821</u>

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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)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2006	2005	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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><u>38,116</u></u>	<u><u>64,939</u></u>	<u><u>90,320</u></u>	<u><u>110,428</u></u>

5. Profit from operating activities

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

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2006	2005	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total staff costs	<u><u>2,329</u></u>	<u><u>4,305</u></u>	<u><u>5,336</u></u>	<u><u>9,214</u></u>

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6. Finance costs

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

7. Income tax expenses

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2006	2005	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>(1,493)</u>	<u>(872)</u>	<u>(974)</u>	<u>(832)</u>

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.

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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 <i>RMB'000</i>	(Audited) At 31 December 2005 <i>RMB'000</i>
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)
Net book value, end of period/year	9,262	9,977

11. Intangible assets

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

12. Interest in associates

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

APPENDIX II FINANCIAL INFORMATION ON THE SST GROUP

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

Company	Business structure	Place of incorporation and operations	Paid-up capital <i>RMB'000</i>	Percentage of equity interest attributable to the Group	Principal activities
Zhejiang University Sino Stride Fire Prevention Engineering Co., Ltd 浙江浙大中程消防工程有限公司	Corporate	PRC	800	36.6%	Fire prevention system installation
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 <i>RMB'000</i>	(Audited) At 31 December 2005 <i>RMB'000</i>
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 <i>RMB'000</i>	(Audited) At 31 December 2005 <i>RMB'000</i>
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	<u>18,480</u>	<u>20,875</u>
	<u>53,155</u>	<u>61,799</u>

APPENDIX II FINANCIAL INFORMATION ON THE SST GROUP

15. Bank loans

		(Unaudited)	(Audited)
		At 30 June	At 31 December
		2006	2005
		<i>RMB'000</i>	<i>RMB'000</i>
Short term loans			
Unsecured	(a)	81,000	79,000
Secured	(b)	<u>13,615</u>	<u>8,672</u>
		<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)	(Audited)
		At 30 June	At 31 December
		2006	2005
		<i>RMB'000</i>	<i>RMB'000</i>
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		<u>7,103</u>	<u>17,542</u>
		<u>64,324</u>	<u>94,378</u>

APPENDIX II FINANCIAL INFORMATION ON THE SST GROUP

17. Commitments

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

	(Unaudited) At 30 June 2006 <i>RMB'000</i>	(Audited) At 31 December 2005 <i>RMB'000</i>
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	<u>387</u>	<u>1,347</u>
	<u>2,504</u>	<u>3,769</u>
Capital commitments:		
Development cost:		
Approved but not contracted for	650	650
Contracted but not provided for	<u>920</u>	<u>920</u>
Total	<u>1,570</u>	<u>1,570</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>

APPENDIX II FINANCIAL INFORMATION ON THE SST GROUP

C. INDEBTEDNESS STATEMENTS

As at the close of business on 31 August 2006, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Offer Document, the Group had outstanding bank borrowings of approximately RMB78,549,000 which can be categorized as follows:

	<i>RMB,000</i>
Secured	
Trust receipt loans secured by the pledged bank deposits and inventories of the SST Group, and properties pledged from a related company repayable within one year	5,549
Unsecured	
Bank loans repayable within one year	<u>73,000</u>
	<u><u>78,549</u></u>

The Group had no material contingent liabilities as at 31 August 2006.

As at the close of business of 31 August 2006, save as disclosed in this section headed “indebtedness statements” and apart from inter-group liabilities and normal trade and other payables in the ordinary course of the business of the Group, the Group did not have any outstanding mortgages, charges, debentures, loan capital or other similar indebtedness, or hire-purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities.

The Directors have confirmed that there has been no material change in the Group’s indebtedness and contingent liability position since 31 August 2006.

D. MATERIAL CHANGES

As disclosed in the paragraph headed “Operations Review “ of the interim report of the Company for the period ended 30 June 2006 dated 11 August, 2006, the Group did not make any material acquisitions or disposal of subsidiaries or affiliated companies. Save as disclosed aforesaid, the Directors are not aware of any material change in the financial or trading position or outlook of the Group since 31 December 2005 (being the date to which the last published audited consolidated accounts of the Group were made up) up to and including the Latest Practicable Date.

A copy of the interim report of the Company has remained on the GEM website and the website of the Company and also forms part of the documents available for inspection as referred to in Appendix III of this Offer Document.

RESPONSIBILITY STATEMENT

This Offer Document includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company and the contents in compliance with Rule 8 of the Takeovers Code and Code of Share Repurchases with regard to the Cash Offer. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Offer Document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief,

- (i) the information contained in this Offer Document is accurate and complete in all material aspects and not misleading;
- (ii) there are no other matters the omission of which would make any statement herein misleading; and
- (iii) all opinions expressed in this Offer Document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

SHARE CAPITAL**(a) Authorised and issued share capital**

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

	<i>HK\$</i>
<i>Authorised:</i>	
2,000,000,000 shares of HK\$0.01 each	20,000,000
<i>Issued and fully paid or credited as fully paid:</i>	
1,086,300,000 shares of HK\$0.01 each	10,863,000

All of the Shares in issue rank pari passu with each other in all respects including all rights as to dividends, voting rights and interests in dividends and capital. There has been no change to the authorised and issued share capital of the Company since 31 December 2005, the date to which the latest published audited consolidated accounts of the SST Group were made up.

(b) Share options

As at the Latest Practicable Date, the Company did not have any other outstanding options, warrants or other securities convertible or exchangeable into the Shares.

- (c) the Company did not have any re-organisation of capital during the two financial years preceding the date of the announcement of the previous Cash Offer (being 24 August 2006).
- (d) The Company did not repurchase any Shares during the 12 month period immediately preceding the date of the Offer Document (being 18 October 2006).

DISCLOSURE OF INTERESTS

(a) Directors' interests and short position

As at the Latest Practicable Date, the beneficial interests of the Directors or chief executive in the share capital of the Company or any of its associated corporation (within the meaning of Part XV of 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 Rules 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 in the associated corporation ('000)	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 holding company	Ordinary shares	301,160	Through a controlled corporation (Note 2)	17.6%
Mr. Wong Wai Tin	Shougang Concord Technology Holdings Limited	Company's holding company	Ordinary shares	301,160	Through a controlled corporation (Note 2)	17.6%
Mr. Wong Wai Tin	Shougang Concord Technology Holdings Limited	Company's holding company	Ordinary shares	1,666	Directly beneficially owned	0.1%

Notes:

- (1) Shougang Concord Technology Holdings Limited, a company incorporated in Hong Kong whose securities are listed on the Main Board of the Stock Exchange.
- (2) Mega Start Limited 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 the Latest Practicable Date, 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 Rule 5.46 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

(b) Directors' interests in competing business

As at the Latest Practicable Date, ST Electronics (Shanghai) Co., Ltd., a wholly foreign-owned enterprise established by ST Electronics in Shanghai, People's Republic of China, is also engaged in the business of intelligent building systems and home automation systems in 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 Singapore Technologies Engineering Ltd. ("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 SST Group.

SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company and according to the register kept by the Company under Section 336 of the SFO, the following persons (other than the Directors or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

The substantial shareholders of Made Connection and ST Electronics are SCT and Singapore Technologies Engineering Limited respectively.

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

Substantial shareholders	Capacity and nature of interest	Number of ordinary shares/ issued capital held	Percentage of the Company's issued share capital
SCT (<i>Note a</i>)	Through a controlled corporation	774,699,000	71.32%
Made Connection (<i>Note a</i>)	Beneficial owner	774,699,000	71.32%
ST Electronics (<i>Note b</i>)	Beneficial owner	304,260,000	28.01%
Singapore Technologies Engineering Ltd. ("ST Engineering") (<i>Note b</i>)	Through a controlled corporation	304,260,000	28.01%
Temasek Holdings (Private) Ltd. ("Temasek Holdings") (<i>Note b</i>)	Through a controlled corporation	304,260,000	28.01%

Notes:

- (a) Made Connection is a wholly-owned subsidiary of SCT whose shares are listed on the main board of the Stock Exchange. Pursuant to Part XV of the SFO, SCT is deemed to be interested in the Shares held by Made Connection.
- (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 a controlling interest in ST Engineering. Pursuant to Part XV of the SFO, ST Engineering and Temasek Holdings are deemed to be interested in the Shares held by ST Electronics.

SERVICE CONTRACTS

The table below summarizes details of the service contracts of the Directors:

Name of Director	Contract Term	Contract period	Amount of fixed remuneration	Amount of variable remuneration
Mr. Chau Chit	3 years	16 July 2005 – 15 June 2006 (<i>Note 1</i>)	HK\$25,000 per month	<i>Note 2</i>
Mr. Wong Wai Tin	3 years	16 July 2005 – 15 July 2008	HK\$15,000 per month	<i>Note 2</i>
Mr. Shen Yue	3 years	23 June 2004 – 22 June 2007	RMB120,000 per annum	<i>Note 2</i>

Name of Director	Contract Term	Contract period	Amount of fixed remuneration	Amount of variable remuneration
Mr. Wong Wai Kwan	3 years	26 April 2005 – 25 April 2008	HK\$100,000 per annum	N/A
Mr. Cai Xiao Fu	3 years	26 April 2005 – 25 April 2008	HK\$20,000 per annum	N/A
Mr. Shi Jian Jun	3 years	23 June 2004 – 22 June 2007	RMB30,000 per annum	N/A
Mr. Li Xiao Qiang, Richard	3 years	15 July 2004 – 14 July 2007	HK\$100,000 per annum	N/A

Notes:

1. The service contract between the Company and Mr. Chau Chit was renewed on 13 February 2006 in for a period of three years from 16 July 2005 to 15 July 2008. Subsequent to completion of the Share Exchange Offer, SCT, the substantial shareholder of the Company, entered into a service agreement (“SCT Service Agreement”) with Mr. Chau Chit on 16 June 2006. The SCT Service Agreement supersedes and replaces the service contract between the Company and Mr. Chau Chit dated 13 February 2006 and Mr. Chau Chit is not entitled to receive any remuneration from the Company as from 16 June 2006.
2. Each of Mr. Chau Chit, Mr. Wong Wai Tin, Mr. Shen Yue is entitled to bonus of not exceeding 5% of the audited consolidated net profit, after taxation and minority interests but before extraordinary items, of SST Group for that year.

Save as disclosed above, none of the Directors has any existing or proposed service contract with any member of the Group which (i) have been entered into or amended within 6 month before the commencement of the Offer Period (including both continuous and fixed terms contracts; (ii) are continuous contracts with a notice period of 12 months or more; and (iii) are fixed terms contracts with more than 12 months to run irrespective of the notice period.

MARKET PRICE OF SHARES

- (a) (i) The closing price on the GEM of the Shares on the Latest Practicable Date was not available by reason that the GEM had been suspended since 4 April 2006.
- (ii) the closing price on the GEM of the Shares on the Last Trading Day was HK\$0.30 per Share.
- (iii) The table below sets out the closing prices of the Shares as quoted on the GEM at the end of each of the 6 calendar months immediately preceding the date of the Joint Announcement:

Date	Closing Price <i>HK\$</i>
<i>2005</i>	
30 November	0.32
30 December	0.33
<i>2006</i>	
27 January	0.29
28 February	0.28
31 March	0.30
3 April	0.30

Trading of the Shares on the GEM has been suspended since 4 April 2006 as a result of the Share Exchange Offer.

(b) Highest and Lowest Prices of the Shares

During the six-month period immediately prior to 3 April 2006 (i.e. between 4 October 2005 to 3 April 2006), the highest and lowest closing prices of the Shares on GEM were HK\$0.34 per Share on 14 December 2005 and HK\$0.23 per Share on 15 November 2005 respectively.

DEALINGS IN THE SHARES

- (a) Neither the Company, nor SCT and ST Electronics and their respective associates had dealt for value in the Shares during the period beginning six months prior to 16 December 2005, being the date on which SCT approached the Board stating its intention to make the Share Exchange Offer.
- (b) None of the Director has dealt for value in the Shares in the period beginning six months prior to the announcement of the previous Cash Offer on 24 August 2006 to the Latest Practicable Date.
- (c) None of the directors of Made Connection has dealt for value in the Shares in the period beginning six months prior to the announcement of the previous Cash Offer dated 24 August 2006 to the Latest Practicable Date.
- (d) None of the directors of ST Electronics has dealt for value in the Shares in the period beginning six months prior to the announcement of the previous Cash Offer on 24 August 2006 to the Latest Practicable Date.

DEALINGS DISCLOSURE OBLIGATIONS

The Company and its associates will observe the disclosure obligations (regardless of any value) of dealings in the securities of the Company) under Rule 22 of the Takeovers Code.

On posting this Offer Document, the Company also serves a reminder note SCT and ST Electronics reminding of their disclosure obligation regarding their dealings in any securities of the Company under Rule 22 of the Takeovers Code.

In accordance with Note 11 to Rule 22 of the Takeovers Code, stockbrokers, banks and others who deal in any securities of the Company on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any securities of the Company undertaken for a client during any 7 day period is less than HK\$1 million.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in the securities of the Company should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.

LITIGATION

As the Latest Practicable Date, neither the Company nor any of its subsidiaries are engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

MATERIAL CONTRACT

In the period beginning the two years immediately preceding the date of the announcement of the previous cash offer on 24 August 2006 and up to Latest Practicable Date, the following contract, not being contract entered into in the ordinary course of business, was entered into by the Company or its subsidiaries which was material:

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

CONSENTS

Each of China Merchants and VXLFS has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion herein of its letter and/or references to its name, in the form and context in which they appear.

QUALIFICATIONS OF THE EXPERTS

The following are the qualifications of the experts who have given opinion or advice which are contained or referred to in this Offer Document:

Name	Qualifications
China Merchants	a corporation licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities under the SFO
VXLFS	a corporation licensed to conduct type 6 (advising on corporate finance) of the regulated activities under the SFO

EXPERTS INTEREST IN ASSETS

As at the Latest Practicable Date, China Merchants and VXLFS:

- (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 2005, being the date to which the latest published audited consolidated accounts of the SST Group were made up; and
- (b) did not have any shareholding interest in any member of the SST 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 SST Group.

MISCELLANEOUS

- (a) As at the Latest Practicable Date, no agreements, arrangements or understandings (including any compensation arrangement) exist between the Company or any person acting in concert with any one of them and any of the directors of the Company, recent directors of the Company, and holders or recent holders of the Shares which is conditional on or dependent upon the outcome of the Proposed Withdrawal and the Cash Offer or is otherwise connected with the Proposed Withdrawal and the Cash Offer.
- (b) The registered office of the Company is situated at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, British West Indies.
- (c) The head office of the Company is situated at Rooms 501-504, 5/F., Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.
- (d) The Registrar is situated at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

- (e) The qualified accountant and the secretary of the Company is Mr. Chow Shu Wing, a member of the Hong Kong Institute of Certified Public Accountants.
- (f) The English text of this Offer Document will prevail over the Chinese text, in case of any inconsistency.
- (g) The table below sets out the office and addresses of the substantial Shareholders and the Directors, respectively:

Substantial Shareholders	Office address
Made Connection	Rooms 501-504, 5/F., Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong
ST Electronics	24 Ang Mo Kio Street, 65 Singapore 569061
Name of Director	Residential Address
Mr. Chau Chit	Flat D, 9/F, Wisteria Mans, Tai Koo Shing, 4 Tai Koo Wan Road, Hong Kong.
Mr. Wong Wai Tin	Flat 26B, Block 1, Nan Fung Sun Cheun, Quarry Bay, Hong Kong
Mr. Shen Yue	中國杭州杭富公路華庭雲頂8-1513
Mr. Wong Wai Kwan	Flat 3C, Block 3, Rivera Gardens, Tsuen Wan, Hong Kong
Mr. Ng Chong Khim	No. 127 Lentor Street Singapore 786831
Mr. Tay Hun Kiat	No. 7 Frankel Street, Singapore 458048
Mr. Cai Xiao Fu	中國杭州市中山北路觀巷61號1單元303室
Mr. Shi Jian Jun	中國南京市北京西路二號新村12幢303室
Mr. Li Xiaoqiang, Richard	15E, Block 3A, Parc Barcelona, Le Parc, 319 Fuzhong Road, Futian, Shenzhen, China

- (h) The address of China Merchants is at 48th Floor, One Exchange Square, Central, Hong Kong.
- (i) The address of VXLFS is at Unit 3214, COSCO Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on the Company's website at *www.sinostride.com* and at the office of the Company at Room 501-504, 5/F., Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong from 9:00 a.m. to 5:00 p.m. on any weekday (except Saturdays and public holidays) from the date of this Offer Document up to the Unconditional Date:

- (a) Memorandum and articles of association of the Company;
- (b) the annual report of the Company for the two years ended 31 December 2005;
- (c) the interim reports of the Company for the six months ended 30 June 2006 and 2005;
- (d) the letter from the Independent Board Committee dated 18 October 2006, the text of which is set out on pages 20 to 21 of this Offer Document;
- (e) the letter from China Merchants and VXLFS dated 18 October 2006, the text of which is set out on pages 22 to 38 of this Offer Document;
- (f) the written consent from each of China Merchants and VXLFS referred to in the section headed "Consent" in this Appendix;
- (g) the letter of irrevocable undertaking from ST Electronics dated 27 September 2006;
- (h) the letter of irrevocable undertaking from SCT dated 26 September 2006;
- (i) the material contract referred to in the section headed "Material Contract" in this Appendix;
- (j) the March 2006 Circular;
- (k) the September 2006 Circular;
- (l) the service contracts as referred to in the section headed "Service contracts" in this Appendix;
- (m) the certified true copy of the time deposit advice maturing on 27 November 2006 evidencing a sum of money has been transferred to a fixed deposit account the amount of which is sufficient to satisfy full acceptance of the Cash Offer; and
- (n) the notice of the Company to the accepting Shareholders dated 4 October 2006 regarding the interim arrangement in respect of their Shares which had been delivered for acceptance up to 19 September 2006.

NOTICE OF THE RE-CONVENED EGM



SINOSTRIDE

SINO STRIDE TECHNOLOGY (HOLDINGS) LIMITED

中程科技集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8177)

NOTICE OF THE RE-CONVENED EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an re-convened extraordinary general meeting (the “Re-convened EGM”) of Sino Stride Technology (Holdings) Limited (the “Company”) will be held at Rooms 501-504, 5/F., Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong on Thursday, 2 November 2006 at 11:00 a.m. or any adjournment thereof to consider and, if thought fit, pass the following resolutions with or without modifications:–

RESOLUTIONS

1. **“THAT** the voluntary withdrawal of listing of the shares of the Company on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Proposed Withdrawal”) be approved and any one director of the Company be and is hereby authorised generally to do all such acts for and on behalf of the Company as he may in his absolute discretion deem necessary, desirable or expedient to effect and implement the Proposed Withdrawal.”
2. **“THAT** the conditional cash offer at HK\$0.17 per share being offered by the Company to the Independent Shareholders conditional upon the Proposed Withdrawal becoming effective.”

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

Hong Kong, 18 October 2006

* *For identification purpose only*

Notes:

1. A Shareholder entitled to attend and vote at the Re-convened EGM is entitled to appoint one or more proxy to attend and to vote at the Re-convened EGM. A proxy need not be a Shareholder. A form of proxy for use at the Re-convened EGM is enclosed.

NOTICE OF THE RE-CONVENED EGM

2. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited, together with a power of attorney or other authority (if any) under which it is signed or a certified copy of that power or authority, at the Company's branch share registrar, Abacus Share Registrars Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the Re-convened EGM.
3. In the case of joint registered holders of any Shares, any one of them may vote at the Re-convened EGM, either personally or by proxy, in respect of such Shares as if he/she/it was solely entitled thereto; but if more than one of such joint registered holders be present at the Re-convened EGM, either personally or by proxy, that one of them so present whose name stands first on the register of members in respect of such shares shall be accepted to the exclusion of the votes of the other joint registered holders.
4. As at the Latest Practicable Date, Made Connection Limited, being the controlling shareholder (as defined in the GEM Listing Rules) holding approximately 71.32% of the existing issued share capital of the Company, shall abstain from voting at the Re-convened EGM and Singapore Technologies Electronics Limited, holding approximately 28.01% of the existing issued share capital of the Company, shall abstain from voting at the Re-convened EGM.