THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **SJTU Sunway Software Industry Limited** (the **"Company"**), you should at once hand this document, together with the enclosed form of acceptance and transfer to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

S&D HOLDINGS GROUP LIMITED

(Incorporated in the British Virgin Islands with limited liability)

SJTU SUNWAY SOFTWARE INDUSTRY LIMITED

交大銘泰軟件實業有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8148)

Mandatory conditional Offers by

Grand Vinco Capital Limited

on behalf of S&D Holdings Group Limited
for all the issued shares of HK$0.01 each in
SJTU Sunway Software Industry Limited
(other than those Shares already owned
by S&D Holdings Group Limited
and parties acting in concert with it)
and to cancel all outstanding Options

Joint financial advisers to S&D Holdings Group Limited

Grand Vinco Capital Limited

Nuada Limited

Independent financial adviser to the independent board committee of
SJTU Sunway Software Industry Limited

VEDA | CAPITAL
智略資本

A letter from the Board of Directors of the Company is set out on pages 6 to 15 of this document.

A letter from Grand Vinco Capital Limited containing, among other things, the details of the terms and conditions of the Offers (as defined herein) is set out on pages 16 to 24 of this document.

A letter from the Independent Board Committee (as defined herein) to the Independent Shareholders (as defined herein) and the Optionholders (as defined herein) containing its recommendations in respect of the Offers is set out on page 25 of this document.

A letter from Veda Capital Limited containing its advice to the Independent Board Committee in respect of the Offers is set out on pages 26 to 38 of this document.

The procedures for acceptance and settlement of the Offers are set out on pages 39 to 41 in Appendix I to this document and in the Form of Acceptance (as defined herein). Acceptances of the Offers should be received by Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on Thursday, 25 January 2007 or such later time and/or date as S&D Holdings Group Limited may determine and announce in accordance with the Takeovers Code (as defined herein).

Acceptances of the Option Offer A and/or Option Offer B should be received by SJTU Sunway Software Industry Limited at Units 2003 and 2005, 20/F Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong by no later than 4:00 p.m. on Thursday, 25 January 2007 or such later time and/or date as S&D Holdings Group Limited may determine and announce in accordance with the Takeovers Code.

The Composite Offer Document will be available for inspection on the website of the Stock Exchange at http://www.hkex.com.hk as long as the Offers remain open.

4 January 2007

* *for identification purpose only*

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 in order to obtain up-to-date information on GEM-listed issuers.

CONTENTS

	2007
	(Note 1)
Offers commence	Thursday, 4 January
Latest time for acceptance of the Offers on the first closing date *(Note 2)*	4:00 p.m. on Thursday, 25 January
First closing date of the Offers *(Note 2)*	Thursday, 25 January
Announcement of the results of the Offers and the level of acceptances as at the first closing date uploaded to the Stock Exchange's website	not later than 7:00 p.m. on Thursday, 25 January
Announcement of the results of the Offers as at the first closing date appears on Stock Exchange's website	Friday, 26 January
Posting of remittance to the Shareholders in respect of valid acceptances of the Offers lodged on or before the first closing date (if the Offers become unconditional on the first closing date) *(Note 3)*	Friday, 2 February
Latest time for acceptance of the Offers (if the Offers become unconditional on the first closing date) *(Note 4)*	4:00 p.m. on Thursday, 8 February
Close of the Offers (if the Offers become unconditional on the first closing date) *(Note 4)*	Thursday, 8 February
Latest date by which the Offers can be declared unconditional *(Note 5)*	Monday, 5 March

Notes:

1. All times and dates refer to Hong Kong local times and dates.

2. In accordance with the Takeovers Code, the Offers must initially be open for acceptance for at least 21 days following the date on which the Composite Offer Document was posted. The latest time for acceptance of the Offers on the first closing date is 4:00 p.m. on Thursday, 25 January 2007. In the event that the Offers do not become unconditional in all respects on or before the first closing date of Thursday, 25 January 2007, the Offers will lapse (unless revised or extended by the Offeror in accordance with the Takeovers Code).

3. Subject to the Share Offer becoming unconditional, the amounts due to each of the Shareholders or the Optionholders (as the case may be) who accepts the Offers shall be paid for by the Offeror as soon as possible but in any event within 10 days of the later of the date on which the Share Offer becomes, or is declared unconditional and the date of receipt of a duly completed acceptance in accordance with the Takeovers Code.

4. The Offeror reserves its right to revise or extend the Offers until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). The Offeror will issue a press announcement in relation to any revision or extension of the Offers, which will state the next closing date or, if the Offers have become or are at that time unconditional as to acceptances, that the Offers will remain open until further notice. In any event, where the Offers become or are declared unconditional, the Offers will remain open for acceptance for not less than 14 days thereafter in accordance with the Takeovers Code.

5. Under Rule 15.5 of the Takeovers Code, except with the consent of the Executive, an offer (whether revised or not) may not become or be declared unconditional as to acceptance after 7:00 p.m. on the 60th day after the day the initial offer document was posted. Accordingly, unless the Offers have previously become or been declared unconditional as to acceptances, the Offers will lapse at 7:00 p.m. on Monday, 5 March 2007 unless the Offers are extended by the Offeror with the consent of the Executive.

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

"Announcement"	the announcement dated 1 December 2006 jointly made by the Offeror, the Company and FinTronics containing, among others, details of the Offers
"associates"	has the meaning ascribed thereto under the GEM Listing Rules
"Board"	board of Directors
"Business Day(s)"	a day (other than a Saturday or Sunday and days on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"Company"	SJTU Sunway Software Industry Limited (Stock Code: 8148), incorporated in Cayman Islands with limited liabilities and the issued Shares of which is listed on GEM
"Completion"	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of this S&P Agreement
"Completion Date"	12 December 2006, being the day on which Completion took place
"Composite Offer Document"	this document jointly issued by the Offeror and the Company to the Shareholders in accordance with the Takeovers Code containing, among others, terms and conditions of the Offers, the Form of Acceptance, the advice of Veda Capital to the Independent Board Committee in respect of the Offers, and the advice of the Independent Board Committee to the Independent Shareholders in relation to the Offers
"Consideration"	HK$8.75 million, being the consideration for the acquisition of the Sale Shares
"Directors"	directors of the Company
"Dollars" or the sign "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director

"Form(s) of Acceptance"	the accompanying form(s) of acceptance and transfer in respect of the Offers
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Grand Vinco"	Grand Vinco Capital Limited, a licensed corporation for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and one of the joint financial advisers to the Offeror in respect of the Offers
"Group"	the Company and its subsidiaries
"Group A Options"	an aggregate of 6,000,000 options granted under the Share Option Scheme having an exercisable period from 10 October 2005 to 9 October 2015 at an exercise price of HK$0.14 per Share which remained outstanding as at the Latest Practicable Date
"Group B Options"	an aggregate of 2,000,000 options granted under the Share Option Scheme having an exercisable period from 17 January 2005 to 16 January 2015 at an exercise price of HK$0.45 per Share which remained outstanding as at the Latest Practicable Date
"Guarantor'' or "FinTronics"	FinTronics Holdings Company Limited, (Stock Code: 0706), a company whose issued shares are listed on the Main Board of the Stock Exchange
"Guarantor's Group"	the Guarantor and its subsidiaries, associates, affiliated companies, including the Vendor but excluding members of the Group
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Indebtedness"	all the loans, advances, obligations, indebtedness and moneys owed by any member of the Group to any member of the Guarantor's Group amounted to approximately HK$22 million as at the date of the S&P Agreement

"Independent Board Committee"	a committee of the Board, comprising Mr. Wang Tian Ye, Mr. Wang Bin and Mr. Xu Shi Hong, all being the independent non-executive Directors, constituted to advise the Independent Shareholders in relation to the Offers
"Independent Shareholders"	those Shareholders other than the Vendor, the Offeror and parties acting in concert with it
"Last Trading Day"	Thursday, 23 November 2006, being the last trading day prior to the release of the Announcement
"Latest Practicable Date"	2 January 2007, being the latest practicable date prior to the printing of this Composite Offer Document for the purpose of ascertaining certain information contained herein
"Long Stop Date"	21 February 2007, being the date falling 90 days after the date of S&P Agreement or such other date as the parties thereto may agree
"Mainland China" or "PRC"	the People's Republic of China, which for the purpose of this S&P Agreement, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Nuada"	Nuada Limited, a licensed corporation for Type 6 (advising on corporate finance) regulated activities under the SFO, and one of the joint financial advisers to the Offeror in respect of the Offers
"Offers"	the Share Offer, the Option Offer A and the Option Offer B
"Offer Price"	the offer price of HK$0.136 per Offer Share pursuant to the Share Offer
"Offer Share(s)"	issued Share(s) other than those already owned by the Offeror and its concert parties
"Optionholders"	holders of the Group A Options and/or the Group B Options
"Options"	collectively, the Group A Options and the Group B Options
"Option Offer A"	to cancel the Group A Options at the offer price of HK$1.00 per grantee
"Option Offer B"	to cancel the Group B Options at the offer price of HK$1.00 per grantee

"Purchaser" or "Offeror"	S&D Holdings Group Limited
"Registrar"	Tengis Limited, 26th Floor, Tebury Centre, 28 Queen's Road East, Wanchai, Hong Kong, being the branch Share registrar of the Company in Hong Kong
"SFC"	the Securities and Futures Commission
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"S&P Agreement"	the agreement dated 23 November 2006 and entered into between the Purchaser, the Vendor and the Guarantor for the sale and purchase of the Sale Shares
"Sale Shares"	the 64,355,828 Shares beneficially owned by the Vendor immediately prior to the Completion, which represented approximately 32.18% of the entire issued share capital of the Company as at the date of the S&P Agreement
"Share(s)"	shares of HK$0.01 each in the share capital of the Company
"Share Offer"	a mandatory conditional cash offer to be made by the Grand Vinco on behalf of the Purchaser (subject to Completion) to the Shareholders (other than the Purchaser and parties with whom the Purchaser are acting in concert (as defined in the Code)) for their Shares in compliance with the Takeovers Code
"Share Option Scheme"	the share option scheme adopted by the Company on 25 November 2003 and became effective upon the listing of the Shares on GEM on 9 January 2004
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"Veda Capital"	Veda Capital Limited, a licensed corporation for Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser appointed by the Company to advise the Independent Board Committee of the Company
"Vendor"	Futart Industry Company Limited, a wholly owned subsidiary of the Guarantor

"Waivers"	the deeds of waiver dated 23 November 2006 in relation to the Indebtedness executed by the relevant members of the Group and the Guarantor's Group pursuant to which all the Indebtedness owed by any member of the Group to any member of the Guarantor's Group have been waived absolutely by the member of the Guarantor's Group, and such deeds of waiver were executed prior to the entering into of the S&P Agreement by the parties thereto
"Warranties"	the representations, warranties and indemnities given by the Vendor under the S&P Agreement
"%"	per cent.

SJTU SUNWAY SOFTWARE INDUSTRY LIMITED
交大銘泰軟件實業有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8148)

Executive Directors:
Mr. Sze Wai, Macro
Mr. Chen Si Gen
Mr. Shang Guan Bu Yan
Mr. Tan Shu Jiang

Independent non-executive Directors:
Mr. Wang Tian Ye
Mr. Wang Bin
Mr. Xu Shi Hong

Registered office:
Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
KY1-1111
Cayman Islands
British West Indies

Head office and principal place of business in Hong Kong:
Units 2003 and 2005
20/F Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

4 January 2007

To the Independent Shareholders

Dear Sir or Madam,

Mandatory conditional Offers by Grand Vinco Capital Limited on behalf of S&D Holdings Group Limited for all the issued shares of HK$0.01 each in SJTU Sunway Software Industry Limited (other than those Shares already owned by S&D Holdings Group Limited and parties acting in concert with it) and to cancel all outstanding Options

INTRODUCTION

On 1 December 2006, the Company announced that S&D Holdings Group Limited, being the Offeror, had entered into the S&P Agreement with the Vendor, pursuant to which the Offeror conditionally agreed to purchase and the Vendor conditionally agreed to sell an aggregate of 64,355,828 Shares at a total consideration of HK$8,750,000 (equivalent to approximately HK$0.1360 per Share) on 23 November 2006. The Sale Shares represent approximately 32.18% of the entire issued share capital of the Company as at the Latest Practicable Date. The Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares subject to and upon the terms and conditions of the S&P Agreement. The S&P Agreement is conditional upon fulfillment of the conditions specified therein and as described in the paragraph headed "Conditions of the S&P Agreement" in this Composite Offer Document. Grand Vinco and Nuada have been appointed as the joint financial advisers to the Offeror in relation to the Offers.

* for identification purpose only

FinTronics, being the holding company of the Vendor with 100% share control, has agreed to act as the Guarantor in the S&P Agreement. In consideration of the Purchaser agreeing to enter into this S&P Agreement, the Guarantor has agreed to guarantee in favour of the Purchaser the due and the punctual performance of the obligations of the Vendor under the S&P Agreement subject to and upon the terms and conditions of the S&P Agreement.

Completion took place on 12 December 2006.

Immediately prior to Completion, the Offeror and parties acting in concert with it did not hold any Shares in the Company. Immediately following the Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it owned in aggregate 64,355,828 Shares, representing approximately 32.18% of the entire issued share capital of the Company. Accordingly, the Offeror and parties acting in concert with it are required under Rule 26.1 and Rule 13 of the Takeovers Code to make mandatory conditional cash offers for all the issued Shares and all the outstanding Options not already owned by the Offeror and parties acting in concert with it respectively.

The terms of the Offers are set out under the section headed "Mandatory Conditional General Offers" below.

The Independent Board Committee comprising three independent non-executive Directors, Wang Tian Ye, Xu Shi Hong and Wang Bin has been established to consider the terms of the Offers taking into account the advice from the Independent Financial Advisers, and to advise the Independent Shareholders and the Optionholders in respect of the Offers. Veda Capital have been appointed as independent financial adviser to advise the Independent Board Committee regarding the terms of the Offers and such appointment has been approved by the Independent Board Committee.

The purpose of this document is to provide you with, among other things, (i) the information relating to the Group, the Offeror and the Offers; (ii) the letter from the Independent Board Committee containing its recommendation and advice to the Independent Shareholders and the Optionholders in respect of the Offers; and (iii) the letter from Veda Capital containing its advice to the Independent Board Committee in respect of the Offers.

S&P AGREEMENT

Date:	23 November 2006
Vendor:	Futart Industry Company Limited, as to 64,355,828 Sale Shares
Purchaser:	S&D Holdings Group Limited
	The Purchaser and the ultimate beneficial owners are not acting in concert with (as defined in the Takeovers Code) any Shareholders.
	The Purchaser and the ultimate beneficial owners of the Purchaser are third parties independent of the Company and connected persons of the Company.

Sale Shares: An aggregate of 64,355,828 Sale Shares, representing approximately 32.18% of the entire issued share capital of the Company as at the date of this document. The 64,355,828 Sale Shares are the entire shareholdings in the Company held by the Vendor.

Consideration: HK$8,750,000, representing a price of approximately HK$0.1360 per Sale Share.

The consideration for S&P Agreement has been satisfied by Purchaser in the following manner:

(1) HK$100,000 has been paid by the Purchaser to the Vendor as non-refundable deposit and part payment of the Consideration on the date of the S&P Agreement;

(2) the balance of the Consideration of HK$8,650,000 was paid by the Purchaser to the Vendor at Completion.

Upon Completion, a total sum of HK$700,000 relating to two consent orders have fully been paid.

Conditions: Completion is conditional upon:

(1) the Shares remaining listed and traded on GEM at all times from the date of the S&P Agreement up to (and including) the Completion Date, excluding any temporary suspension not exceeding seven consecutive trading days for the purposes of clearing any announcements, circulars or documents in relation to the transactions contemplated under the S&P Agreement;

(2) there being no indication from the Stock Exchange or the SFC prior to the Completion Date that listing of the Shares will be suspended, revoked or withdrawn at any time after Completion, whether in connection with any of the transactions contemplated by the S&P Agreement or otherwise;

(3) all necessary consents and approvals required to be obtained on the part of the Vendor and the Guarantor in respect of the S&P Agreement and the transactions contemplated thereby having been obtained;

(4) the Warranties remaining true and accurate in all respects up to and including the time of Completion;

(5) the publication of the joint announcement in relation to the S&P Agreement and the transactions contemplated thereby by or on behalf of the Company and the Purchaser and/or the Guarantor which has been cleared by the Stock Exchange and the SFC;

(6) delivery of a written undertaking under seal from each of the grantees of the Group A Options undertaking to the Purchaser that they shall not exercise any of their Group A Options as from the date of the said written undertaking up to and including the close of the Offers and will accept the Option Offer A;

(7) delivery of a written undertaking under seal from each of the grantees of the Group B Options undertaking to the Purchaser that they shall not exercise any of their Group B Options as from the date of the said written undertaking up to and including the close of the Offers and will accept the Option Offer B;

(8) relevant members of the Group and the Guarantor's Group entering into the Waivers pursuant to which the Indebtedness has been waived absolutely by the members of the Guarantor's Group.

The Purchaser may at any time by notice in writing to the Vendor waive any of the conditions (3), (4), (6), and (7) and such waiver may be made subject to such terms and conditions as are determined by the Purchaser.

The Offeror and the Vendor are of the view that since conditions (1), (2) and (3) are continuing events, the parties may regard such conditions have been satisfied provided that there are no breach of such conditions when other conditions have also been satisfied, and then proceed to Completion on the understanding that on the Completion Date, such conditions will remain satisfied.

The Indebtedness was waived by the Guarantor's Group and the execution of the Waivers have been approved by the directors of the relevant members of the Guarantor's Group. No consideration has been or will be received by the Guarantor's Group for the execution of the Waivers.

Completion: Completion took place on 12 December 2006.

(I) Basis of consideration

The consideration per Sale Share of approximately HK$0.1360 represents:

(a) a premium of approximately 0.7% over the closing price of HK$0.1350 per Share as quoted by the Stock Exchange on the Last Trading Day;

(b) a premium of approximately 0.7% over the average of the closing prices of HK$0.1350 per Share for the 5 trading days up to and including the Last Trading Day;

(c) a premium of approximately 1.5% over the average of the closing prices of HK$0.1340 per Share for the 10 trading days up to and including the Last Trading Day;

(d) a premium of approximately 1.7% over the average of the closing prices of approximately HK$0.1337 per Share for the 30 consecutive trading days up to and including the Last Trading Day;

(e) a premium of approximately 204.3% over the unaudited consolidated net assets value per Share of approximately HK$0.04469 per Share as at 30 June 2006 based on the unaudited consolidated accounts of the Group; and

(f) a discount of approximately 9.3% to the closing price of HK$0.15 per Shares as quoted on the Stock Exchange on the Latest Practicable Date.

CONDITIONAL MANDATORY GENERAL OFFERS

Immediately following the Completion on 12 December 2006, the Offeror and parties acting in concert with it were interested in 64,355,828 Shares, representing approximately 32.18% of the entire issued share capital of the Company. Accordingly, the Offeror is required to make a conditional mandatory cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and its concert parties) pursuant to Rule 26.1 of the Takeovers Code and to make a comparable offer for all the outstanding Options pursuant to Rule 13 of the Takeovers Code.

Principal terms of the Offers

Grand Vinco is making the Offers on behalf of the Offeror to the Shareholders in compliance with the Takeovers Code on the following basis:

for each Offer Share .... HK$0.1360 in cash

for cancellation of Group A Options .... HK$1 per grantee in cash

for cancellation of Group B Options .... HK$1 per grantee in cash

As at the Latest Practicable Date, there are (i) 200,000,000 Shares in issue; (ii) 6,000,000 Group A Options entitling the Optionholders to subscribe for a total of 6,000,000 new Shares; and (iii) 2,000,000 Group B Options entitling the Optionholders to subscribe for a total of 2,000,000 new Shares.

Pursuant to the terms of the S&P Agreement, the Vendor shall procure each of the grantees of the Group A Options to provide an undertaking to Offeror confirming that he/she shall not exercise any of his/her Group A Options as from the date of the said undertaking up to and including the close of the Offers and will accept the Option Offer A. However, the Vendor was unable to procure the provision of the undertaking of a grantee of the Group A Options entitling him to subscribe a total of 1,000,000 new Shares. Such condition was waived by the Offeror before Completion.

Pursuant to the terms of the S&P Agreement, the Vendor shall procure each of the grantees of the Group B Options to provide an undertaking to Offeror confirming that he/she shall not exercise any of his/her Group B Options as from the date of the said undertaking up to and including the close of the Offers and will accept the Option Offer B. However, the Vendor was unable to procure the provision of the undertaking of sole grantee of the Group B Options entitling him to subscribe a total of 2,000,000 new Shares. Such condition was waived by the Offeror before Completion.

As at the Latest Practicable Date, there are 8,000,000 Options entitling Optionholders to subscribe for a total of 8,000,000 new Shares, out of which 6,000,000 Group A Options are exercisable at an exercise price of HK$0.14 per Share at any time up to 9 October 2015 and 2,000,000 Group B Options are exercisable at an exercise price of HK$0.45 per Share at any time up to 17 January 2015. Based on the closing price of HK$0.1350 per Share as quoted on the Stock Exchange on the Last Trading Day, all Options are out of the money.

Save for the Options, there are no outstanding warrants or options or derivatives or securities convertible into Shares. Taking into account the aggregate of 64,355,828 Shares to be acquired by the Offeror and its concert parties, 135,644,172 Shares will be subject to the Offers. The Offeror did not have interest in any outstanding warrants or options or derivatives or securities convertible into Shares as at the Latest Practicable Date.

As at the Latest Practicable Date, save for the undertakings, i) there are no arrangements in relation to shares of the Offeror or the Company and which might be material to the Offers; and ii) there are no agreements or arrangements to which the Offeror is a party which relate to circumstances in which it may or may not invoke or seek a pre-condition or a condition to the Offers. As at the Latest Practicable Date, save for the undertakings in relation to the outstanding Options as described above, none of the Offeror and parties acting in concert with it has received any irrevocable commitment to accept the Offers.

Comparison of value

The price of HK$0.1360 for each Offer Share is the same as the price agreed to be paid by the Offeror for each Sale Share under the S&P Agreement and represents:

(a) a premium of approximately 0.7% over the closing price of HK$0.1350 per Share as quoted by the Stock Exchange on the Last Trading Day;

(b) a premium of approximately 0.7% over the average of the closing prices of HK$0.1350 per Share for the 5 trading days up to and including the Last Trading Day;

(c) a premium of approximately 1.5% over the average of the closing prices of HK$0.1340 per Share for the 10 trading days up to and including the Last Trading Day;

(d) a premium of approximately 1.7% over the average of the closing prices of approximately HK$0.1337 per Share for the 30 consecutive trading days up to and including the Last Trading Day;

(e) a premium of approximately 204.3% over the unaudited consolidated net assets value per Share of approximately HK$0.04469 per Share as at 30 June 2006 based on the unaudited consolidated accounts of the Group; and

(f) a discount of approximately 9.3% to the closing price of HK$0.15 per Shares as quoted on the Stock Exchange on the Latest Practicable Date.

The price of HK$1 per grantee for cancellation of Group A Options and for cancellation of Group B Options, whereas the exercise prices of the Group A Options and Group B Options are above the Offer Price under the Offers.

Total consideration for the Offers

As at the Latest Practicable Date, there are 200,000,000 Shares in issue. Based on the Offer Price of HK$0.1360 per Offer Share, the entire issued share capital of the Company is valued at HK$27.2 million and the 64,355,828 Sale Shares are valued approximately at HK$8,750,000. The 135,644,172 Shares subject to the Offers as at the Latest Practicable Date, based on the Offer Price of HK$0.1360 per Offer Share, are valued at approximately HK$18,447,607.39.

Based on the offer price of HK$1 per grantee for Group A Options, the total consideration payable under the Option Offer A for cancellation of the Group A Options amounts to HK$8. Based on the offer price of HK$1 per grantee for Group B Options, the total consideration payable under the Option Offer B for cancellation of the Group B Options amounts to HK$1. As at the Latest Practicable Date, Optionholders who owned 5,000,000 Group A Options had provided undertakings to the Offeror that they will accept the Group A Options Offer. Therefore, 1,000,000 Group A Options and 2,000,000 Group B Options could still be exercised during the Offer period and may be subject to the Offers. The value of Shares (based on HK$0.1360 per Offer Price) if these options be exercised, will be HK$408,000.

Grand Vinco and Nuada are satisfied that there are sufficient financial resources available to the Offeror to meet the Consideration for the Sale Shares and the full acceptance of the Offers.

Condition of the Offers

The Offers are conditional upon the Offeror having received acceptances of the Share Offer which, together with the Shares already owned or agreed to be acquired by the Offeror and its concert parties before or during the offer period, will result in the Offeror and its concert parties holding more than 50% of the voting rights of the Company.

The Offeror reserves its right to extend the period of the Offers if the above acceptance condition is not fulfilled by the first closing date of the Offers which is expected to be on Thursday, 25 January 2007.

INFORMATION ON THE GROUP

The Company is incorporated in the Cayman Islands with limited liability and its issued Shares are listed on GEM. The Group is information localization services provider principally engaged in the software development in Hong Kong and Mainland China.

Based on the 2005 annual report of the Company, the net loss attributable to equity holders of the Company for the year ended 31 December 2004 and 2005 were as follows:

	For the year ended 31 December 2005	**For the year ended 31 December 2004**
Net loss (before taxation and extraordinary items)	HK$39,453,233	HK$25,983,352
Net loss (after taxation and extraordinary items)	HK$39,458,955	HK$25,983,725

The unaudited consolidated net asset value of the Group as at 30 June 2006 was approximately HK$8,938,000. Based on unaudited consolidated financial statement of the Group for the nine months ended 30 September 2006, the net loss attributable to equity holders of the Company for the same period was approximately HK$4.5 million.

The following table sets out the shareholding structure of the Company immediately before and after the Completion but before the closing of the Offers:

	Immediately before the Completion		**After the Completions and before the closing of the Offers**	
	Number of Shares	*% (approx.)*	*Number of Shares*	*% (approx.)*
Futart Industry Company Limited	64,355,828	32.18%	0	0%
The Offeror and its concert parties	0	0%	64,355,828	32.18%
Public	135,644,172	67.82%	135,644,172	67.82%
Total	200,000,000	100.00%	200,000,000	100.00%

As stated in the "Letter from Grand Vinco", it is the intention of the Offeror that the existing principal activities of the Group will remain unchanged and the Offeror has currently no intention to make any material changes to the employees or management of the Group or to dispose of any material assets or business of the Group other than in its ordinary course of business and has currently no intention to inject any material assets or business into the Group as at the Latest Practicable Date. Therefore, the Directors are of the view that the Company's operations will not be significantly affected.

INFORMATION ON THE OFFEROR

Your attention is drawn to the sections headed "Information on the Offeror" and "Intentions of the Offeror regarding the Company" in the letter from Grand Vinco as set out on pages 16 to 24 of this document.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has also stated that, if the Company remains a listed company, any future injections of assets into or disposals of assets of the Company will be subject to the provisions of the Listing Rules. Pursuant to the Listing Rules, the Stock Exchange has discretion to require the Company to issue a circular to its shareholders where any acquisition or disposal by the Company is proposed, irrespective of the size of such acquisition or disposal and in particular where such acquisition or disposal represents a departure from the principal activities of the Company. The Stock Exchange also has the power pursuant to the Listing Rules, to aggregate a series of acquisitions or disposals by the Company and any such acquisitions or disposals may, in any event, result in the Company being treated as a new applicant for listing and subject to the requirements for new applicants as set out in the Listing Rules.

The Offeror has no intention to privatise the Company. The Offeror intends to maintain the listing of the Shares on GEM. The Company, the Directors and the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that not less than 25% of the Shares will be held by the public at all times.

The Stock Exchange has indicated that if, upon closing of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public or if the Stock Exchange believes that:

(i) a false market exists or may exist in the Shares; or

(ii) there are insufficient Shares in public hands to maintain an orderly market;

it will consider exercising its discretion to suspend trading in the Shares.

GENERAL

Your attention is drawn to the statutory and general information set out in Appendix III to this document.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 25 of this document. Your attention is also drawn to the letter of advice from Veda Capital which contains, among other things, their advice to the Independent Board Committee in respect of the terms of the Offers and the principal factors and reasons considered by it in arriving at such advice. The text of the letter from Veda Capital is set out from pages 26 to 38 of this document.

By Order of the Board of
SJTU Sunway Software Industry Limited
Sze Wai, Marco
Chairman

VINCO 域高

Grand Vinco Capital Limited
Unit 4909-4910, 49/F, The Center
99 Queen's Road Central, Hong Kong

4 January 2007

To the Independent Shareholders and the Optionholders

Dear Sir or Madam,

Mandatory conditional Offers by Grand Vinco Capital Limited on behalf of S&D Holdings Group Limited for all the issued shares of HK$0.01 each in SJTU Sunway Software Industry Limited (other than those Shares already owned by S&D Holdings Group Limited and parties acting in concert with it) and to cancel all outstanding Options

INTRODUCTION

On 1 December 2006, the Company announced that S&D Holdings Group Limited, being the Offeror, had entered into the S&P Agreement with, among others, the Vendor, pursuant to which the Offeror conditionally agreed to purchase and the Vendor conditionally agreed to sell an aggregate of 64,355,828 Shares at a total consideration of HK$8,750,000 (equivalent to approximately HK$0.1360 per Share) on 23 November 2006.

Completion took place on 12 December 2006.

Immediately prior to Completion, the Offeror and parties acting in concert with it did not hold any Shares in the Company. Immediately following the Completion, the Offeror and parties acting in concert with it owned in aggregate 64,355,828 Shares, representing approximately 32.18 % of the entire issued share capital of the Company. Accordingly, the Offeror and parties acting in concert with it are required under Rule 26.1 and Rule 13 of the Takeovers Code to make mandatory conditional cash offers for all the issued Shares and all the outstanding Options not already owned by the Offeror and parties acting in concert with it respectively.

The Sale Shares represented an approximately 32.18% of the entire issued share capital of the Company as at the Latest Practicable Date.

This letter sets out details of the terms of the Offers, information on the Offeror and the intentions of the Offeror regarding the Group. Further details of the terms of the Offers are set out under the section headed "Acceptance and settlement" below, in Appendix I to this document and in the accompanying Form(s) of Acceptance.

THE OFFERS

Principal terms of the Offers

Grand Vinco is making the Offers on behalf of the Offeror to the Shareholders and the Optionholders in compliance with the Takeovers Code on the following basis:

for each Offer Share .... HK$0.1360 in cash

for cancellation of Group A Options ....HK$1 per grantee in cash

for cancellation of Group B Options ....HK$1 per grantee in cash

As at the Latest Practicable Date, there are (i) 200,000,000 Shares in issue; (ii) 6,000,000 Group A Options entitling the Optionholders to subscribe for a total of 6,000,000 new Shares; and (iii) 2,000,000 Group B Options entitling the Optionholders to subscribe for a total of 2,000,000 new Shares.

Pursuant to the terms of the S&P Agreement, the Vendor shall procure each of the grantees of the Group A Options to provide an undertaking to the Offeror confirming that he/she shall not exercise any of his/her Group A Options as from the date of the said undertaking up to and including the close of the Offers and will accept the Option Offer A. However, the Vendor was unable to procure the provision of the undertaking of a grantee of the Group A Options entitling him to subscribe a total of 1,000,000 new Shares. Such condition was waived by the Offeror before Completion.

Pursuant to the terms of the S&P Agreement, the Vendor shall procure the grantee of the Group B Options to provide an undertaking to Offeror confirming that he/she shall not exercise any of his/her Group B Options as from the date of the said undertaking up to and including the close of the Offers and will accept the Option Offer B. However, the Vendor was unable to procure the provision of the undertaking of the sole grantee of the Group B Options entitling him to subscribe a total of 2,000,000 new Shares. Such condition was waived by the Offeror before Completion.

As at the Latest Practicable Date, there are 8,000,000 Options entitling Optionholders to subscribe for a total of 8,000,000 new Shares, out of which 6,000,000 Group A Options are exercisable at an exercise price of HK$0.14 per Share at any time up to 9 October 2015 and 2,000,000 Group B Options are exercisable at an exercise price of HK$0.45 per Share at any time up to 17 January 2015. Based on the closing price of HK$0.1350 per Share as quoted on the Stock Exchange on the Last Trading Day, all Options are out of the money.

Save for the Options, there are no outstanding warrants or options or derivatives or securities convertible into Shares. Taking into account the aggregate of 64,355,828 Shares owned by the Offeror and its concert parties, 135,644,172 Shares will be subject to the Offers. The Offeror did not have interest in any outstanding warrants or options or derivatives or securities convertible into Shares as at the Latest Practicable Date.

As at the Latest Practicable Date, save for the undertakings, i) there were no arrangements in relation to shares of the Offeror or the Company and which might be material to the Offers; and ii) there were no agreements or arrangements to which the Offeror is a party which relate to circumstances in which it may or may not invoke or seek a pre-condition or a condition to the Offers. As at the Latest Practicable Date, save for the undertakings, in relation to the outstanding Options as described above, none of the Offeror and parties acting in concert with it had received any irrevocable commitment to accept or reject the Offers.

Condition of the Offers

The Offers are conditional upon the Offeror having received acceptances of the Share Offer which, together with the Shares already owned or agreed to be acquired by the Offeror and its concert parties before or during the offer period, will result in the Offeror and its concert parties holding more than 50% of the voting rights of the Company.

The Offeror reserves its right to extend the period of the Offers if the above acceptance condition is not fulfilled by the first closing date of the Offers which is expected to be on Thursday, 25 January 2007.

Comparison of value

The Offer price of HK$0.1360 for each Offer Share is the same as the price agreed to be paid by the Offeror for each Sale Share under the S&P Agreement and represents:

(a) a premium of approximately 0.7% over the closing price of HK$0.1350 per Share as quoted by the Stock Exchange on the Last Trading Day;

(b) a premium of approximately 0.7% over the average of the closing prices of HK$0.1350 per Share for the 5 trading days up to and including the Last Trading Day;

(c) a premium of approximately 1.5% over the average of the closing prices of HK$0.1340 per Share for the 10 trading days up to and including the Last Trading Day;

(d) a premium of approximately 1.7% over the average of the closing prices of approximately HK$0.1337 per Share for the 30 consecutive trading days up to and including the Last Trading Day;

(e) a premium of approximately 204.3% over the unaudited consolidated net assets value per Share of approximately HK$0.04469 per Share as at 30 June 2006 based on the unaudited consolidated accounts of the Group made up to 30 June 2006; and

(f) a discount of approximately 9.3% to the closing price of HK$0.15 per Shares as quoted on the Stock Exchange on the Latest Practicable Date.

The price of HK$1 per grantee for cancellation of Group A Options and for cancellation of Group B Options, whereas the exercise prices of the Group A Options and Group B Options are above the Offer Price under the Offers.

Total consideration for the Offers

As at the Latest Practicable Date, there was 200,000,000 Shares in issue. Based on the Offer Price of HK$0.1360 per Offer Share, the entire issued share capital of the Company is valued at HK$27.2 million and the 64,355,828 Sale Shares are valued approximately at HK$8,750,000. The 135,644,172 Shares subject to the Offers as at the Latest Practicable Date, based on the Offer Price of HK$0.1360 per Offer Share, are valued at approximately HK$18,447,607.39.

Based on the offer price of HK$1 per grantee for Group A Options, the total consideration payable under the Option Offer A for cancellation of the Group A Options amounts to HK$8. Based on the offer price of HK$1 per grantee for Group B Options, the total consideration payable under the Option Offer B for cancellation of the Group B Options amounts to HK$1. As at the Latest Practicable Date, Optionholders who owned 5,000,000 Group A Options had provided undertakings to the Offeror that they will accept the Group A Options Offer. Therefore, 1,000,000 Group A Options and 2,000,000 Group B Options could still be exercised during the Offer period and may be subject to the Offers. The value of Shares if these options be exercised, will be HK$408,000.

Grand Vinco and Nuada are satisfied that there are sufficient financial resources available to the Offeror to meet the Consideration for the Sale Shares and the full acceptance of the Offers. The Offeror confirmed that the financial resources for meeting obligations under the Offers are funded by a loan from a company 99% owned by Mr. Frank Wai Wah Yee and 1% owned by Ms. Wen Chen. The directors of the Offeror also confirmed that no payment of interest on, repayment of or a security for any liquidity (contingent or otherwise) in relation to the amount of fund required for the funds required for the full acceptance of the Offers will depend to any significant extent on the business of the Company.

Effect of accepting the Offers

By accepting (i) the Offers, the accepting Shareholders will sell their Shares and all rights attached to them including the rights to receive all dividends and distributions, if any, declared, made or paid on or after their acceptance of the Share Offer to the Offeror; and (ii) the Option Offer A and the Option Offer B, the accepting Optionholders will surrender to the Company their respective Options for cancellation by the Company.

Stamp duty

Stamp duty arising in connection with acceptance of the Offers amounting to of HK$1 for every HK$1,000 (or part thereof) of the amount payable in respect of relevant acceptances by the Shareholders, or the market value of the Shares, whichever is greater, will be deducted from the amount payable to the Shareholders who accept the Share Offer. The Offeror will then pay such stamp duty deducted to the Stamp Office of the Inland Revenue Department of Hong Kong.

The amounts due to the Shareholders or the Optionholders (as the case may be) who accept the Offers should be paid by the Offeror to the Shareholders or the Optionholders (as the case may be) as soon as possible but in any event within 10 days of the later of the date on which the Offers become, or are declared, unconditional and the date of receipt of a duly completed and valid Form(s) of Acceptance in accordance with the Takeovers Code.

Settlement of the consideration

Stamp duty at a rate of HK$1 for every HK$1,000 (or part thereof) of the amount payable in respect of relevant acceptances, or, if higher, the market value of the Shares subject to such acceptance, will be deducted from the amount payable to the Shareholders who accept the Offers. The Offeror will then pay such stamp duty to the stamp office of the Inland Revenue Department of Hong Kong.

The amounts due to the Shareholders or the Optionholders (as the case may be) who accept the Offers should be paid by the Offeror to the Shareholders or the Optionholders (as the case may be) as soon as possible but in any event within 10 days of the later of the date on which the Offers become, or are declared, unconditional and the date of receipt of a duly completed acceptance in accordance with the Takeovers Code.

The settlement of the consideration to which any Shareholder or Optionholder is entitled under the Offers will be implemented in full in accordance with the terms of the Offers without regard to any lien, right of set-off counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such shareholders.

Dealing in Shares

Save for the S&P Agreement, there have been no dealings in the Shares by the Offeror and parties acting in concert with it during the six month period immediately prior to the date of the S&P Agreement and up to the Latest Practicable Date.

Compulsory acquisition

The Offeror and parties acting in concert with it do not intend to exercise any right which may be available to it to acquire compulsorily any outstanding issued Shares or Options not acquired under the Offers after they are closed.

INFORMATION ON THE GROUP

The Company is incorporated in the Cayman Islands with limited liability and its issued Shares are listed on GEM. The Group is information localization services provider principally engaged in the software development in Hong Kong and Mainland China.

Based on the annual reports of the Company, the unaudited net loss attributable to equity holders of the Company for the year ended 31 December 2004 and 2005 were as follows:

	For the year ended 31 December 2005	**For the year ended 31 December 2004**
Net loss (before taxation and extraordinary items)	HK$39,453,233	HK$25,983,352
Net loss (after taxation and extraordinary items)	HK$39,458,955	HK$25,983,725

The unaudited consolidated net asset value of the Group as at 30 June 2006 was approximately HK$8,938,000. Based on unaudited consolidated financial statement of the Group for the nine months ended 30 September 2006, the net loss attributable to equity holders of the Company for the same period was approximately HK$4.5 million.

The following table sets out the shareholding structure of the Company immediately before and after the Completion but before the closing of the Offers:

	Immediately before the Completion		**After the Completion and before the closing of the Offers**	
	Number of Shares	*% (approx.)*	*Number of Shares*	*% (approx.)*
Futart Industry Company Limited	64,355,828	32.18%	0	0%
The Offeror and its concert parties	0	0%	64,355,828	32.18%
Public	135,644,172	67.82%	135,644,172	67.82%
Total	**200,000,000**	**100.00%**	**200,000,000**	**100.00%**

INFORMATION ON THE OFFEROR

The Offeror is incorporated in the British Virgin Islands on 12 September 2006, has not commenced carrying on any business and is an investment holding company. The shareholders of the Offeror and their respective shareholding percentage are set out in the following table:

Shareholder	**Shareholding Percentage**
Wen Chen	4.17%
Tinna Chan Yee	14.16%
David Cigar Yee	14.17%
Syed Waliuddin Ahmed	14.17%
Syeda Bakhtiar	14.17%
Frank Wai Kah Yee	15.00%
Stephen Yee	24.16%
Total	**100.00%**

Ms. Tinna Chan Yee and Mr. Syeda Bakhtiar are the two directors of the Offeror. Mr. David Cigar Yee, Mr. Frank Wai Kah Yee and Mr. Stephen Yee are brothers. Ms. Tinna Chan Yee and Ms. Wen Chen are the wife of Mr. David Cigar Yee and Mr. Stephen Yee respectively. Syed Waliuddin Ahmed and Syeda Bakhtiar are husband and wife of another family.

INTENTIONS OF THE OFFEROR REGARDING THE COMPANY

The Offeror is optimistic on the economic growth in the PRC and thus is confident in the Group's future prospects. Accordingly, it considers that the entering into of the S&P Agreement presented a good opportunity of the Group.

It is the intention of the Offeror that the existing principal activities of the Group will remain unchanged and the Offeror has currently no intention to make any material changes to the employees or management of the Group or to dispose of any material assets or businesses of the Group other than in its ordinary course of business and has currently no intention to inject any material assets or businesses into the Group as at the Latest Practicable Date. However, the Offeror may nominate new director(s) to the Board and/or to replace the existing Directors as and when it considers appropriate. Any appointment of new directors to the Board will be made in full compliance with the requirements of the Takeovers Code.

As at the Latest Practicable Date, neither the Offeror, its beneficial owners nor parties acting in concert with any of them holds any shares or any options, warrants, derivatives or securities convertible into Share. Neither the Offeror, its beneficial owners nor parties acting in concert with any of them has dealt in any shares or any options, warrants, derivatives or securities convertible into Share during the period commencing on the date falling six months prior to the date of the S&P Agreement and up to the Latest Practicable Date.

Meanwhile, the Offeror will conduct a review of business operation and financial position of the Group for the purpose of formulating business plans and strategies for streamlining the existing business operation and improve the financial position of the Group and for the future business development of the Group. Subject to the result of the review and should suitable investment or business opportunities arises, the Offeror may consider diversifying the business of the Group with an objective to broaden its income source. However, no such investment or business opportunities had been identified at the Latest Practicable Date.

The Offeror does not intend to implement any material changes in the management or employees of the Group as a result of the Offers.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror has no intention to privatize the Company. The Offeror intends to maintain the listing of the Shares on GEM. The Company, the Directors and the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that not less than 25% of the Shares will be held by the public at all times.

The Stock Exchange has indicated that if, upon closing of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public or if the Stock Exchange believes that:

(i) a false market exists or may exist in the Shares; or

(ii) there are insufficient Shares in public hands to maintain an orderly market;

it will consider exercising its discretion to suspend trading in the Shares.

The Stock Exchange has also stated that, if the Company remains a listed company, any future injections of assets into or disposals of assets of the Company will be subject to the provisions of the GEM Listing Rules. Pursuant to the GEM Listing Rules, the Stock Exchange has discretion to require the Company to issue a circular to its shareholders where any acquisition or disposal by the Company is proposed, irrespective of the size of such acquisition or disposal and in particular where such acquisition or disposal represents a departure from the principal activities of Company. The Stock Exchange also has the power pursuant to the GEM Listing Rules, to aggregate a series of acquisitions or disposals by the Company and any such acquisitions or disposals may, in any event, result in the Company being treated as a new applicant for listing and subject to the requirements for new applicants as set out in the GEM Listing Rules.

FURTHER TERMS OF THE OFFERS

Further terms and conditions of the Offers, including, among other things, procedures for acceptance and settlement, the acceptance period and taxation matters are set out in Appendix I to this document and in the Forms of Acceptance.

GENERAL

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

The attention of the Overseas Shareholders is drawn to the section headed "Overseas Shareholders" in Appendix I to this document.

Stockbrokers, banks and others who deal in relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) 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 under Rule 22 of the Takeovers Code and 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 pursuant to the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquires. Therefore, those who deal in relevant securities 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.

Independent Shareholders and Optionholders are strongly advised to consider carefully the information contained in the letter from the Board, the letter from the Independent Board Committee and the letter from Veda Capital set out in this document.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this document, which form part of this document.

Yours faithfully,
For and on behalf of
Grand Vinco Capital Limited

Alister Chung	**Ivan Chan**
Managing Director	*Director*

SJTU SUNWAY SOFTWARE INDUSTRY LIMITED
交大銘泰軟件實業有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8148)

4 January 2007

To the Independent Shareholders and Optionholders

Dear Sir or Madam,

Mandatory conditional Offers by Grand Vinco Capital Limited on behalf of S&D Holdings Group Limited for all the issued shares of HK$0.01 each in SJTU Sunway Software Industry Limited (other than those Shares already owned by S&D Holdings Group Limited and parties acting in concert with it) and to cancel all outstanding Options

The Independent Board Committee refers to the composite offer document dated 4 January 2007 (the "Composite Offer Document") issued jointly by the Offeror and the Company, of which this letter forms part. Terms defined in the Composite Offer Document shall have the same meanings in this letter unless the context otherwise requires.

The Independent Board Committee has been established to give a recommendation to the Independent Shareholders and the Optionholders in respect of the Offers. We, being the members of the Independent Board Committee, have declared that we are independent and do not have any conflict of interest in respect of the Offers and are therefore able to consider the terms of the Offers and make recommendations to the Independent Shareholders and the Optionholders. Veda Capital has been appointed as the independent financial adviser to advise us in this respect.

Your attention is drawn to the "Letter from the Board" and the "Letter from Grand Vinco" set out from pages 16 to 24 of the Composite Offer Document and the "Letter from Veda Capital" setting out its advice to us regarding the Offers as set out from pages 26 to 38 of the Composite Offer Document. Having considered the advice given in the letter from Veda Capital, we consider the terms of each of the Share Offer, the Option Offer A and the Option Offer B are fair and reasonable so far as the Independent Shareholders and, where appropriate, the Optionholders are concerned and concur with advice of Veda Capital and recommend the Independent Shareholders and the Optionholders to accept the Offers.

Notwithstanding our recommendations, the Independent Shareholders and the Optionholders should consider carefully the terms and conditions of the Offers.

Yours faithfully,
For and on behalf of the Independent Board Committee

Mr. Wang Tian Ye	**Mr. Wang Bin**	**Mr. Xu Shi Hong**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

* *for identification purpose only*

The following is the full text of a letter of advice from Veda Capital to the Independent Board Committee in relation to the Offers, which has been prepared for the purpose of inclusion in this document.

VEDA | CAPITAL
智略資本
Veda Capital Limited
Suite 11-12, 13/F, Nam Fung Tower
173 Des Voeux Road Central, Hong Kong

4 January 2007

To the Independent Board Committee of
SJTU Sunway Software Industry Limited

Dear Sirs,

MANDATORY CONDITIONAL GENERAL OFFERS BY GRAND VINCO CAPITAL LIMITED ON BEHALF OF S&D HOLDINGS GROUP LIMITED FOR ALL THE ISSUED SHARES OF HK$0.01 EACH IN SJTU SUNWAY SOFTWARE INDUSTRY LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED BY S&D HOLDINGS GROUP LIMITED AND PARTIES ACTING IN CONCERT WITH IT) AND TO CANCEL ALL OUTSTANDING OPTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee in relation to the Offers, details of which are set out in the "Letter from the Board" and "Letter from Grand Vinco" contained in this composite offer and response document (the "Composite Offer Document") dated 4 January 2007 to the Independent Shareholders and the Optionholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Offer Document unless the context requires otherwise.

On 23 November 2006, the Offeror has entered into the S&P Agreement with the Vendor, pursuant to which the Offeror conditionally agreed to purchase and the Vendor conditionally agreed to sell an aggregate of 64,355,828 Shares at a total consideration of HK$8,750,000 (equivalent to approximately HK$0.1360 per Share). The Sale Shares represented approximately 32.18% of the issued share capital of the Company as at the date of the Announcement. Completion took place on 12 December 2006. Upon Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it owned in aggregate 64,355,828 Shares, representing approximately 32.18% of the issued share capital of the Company as at the Latest Practicable Date.

Accordingly, Grand Vinco, on behalf of the Offeror, is making a mandatory conditional cash offer for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code and comparable offers for all the outstanding Options pursuant to Rule 13 of the Takeovers Code. Detailed terms and conditions of the Offers, including the procedures for acceptance, are set out in the Composite Offer Document, in particular in "Letter from the Board", "Letter from Grand Vinco" and Appendix I to the Composite Offer Document.

The Independent Board Committee (comprising three independent non-executive Directors namely Wang Tian Ye, Wang Bin and Xu Shi Hong) has been formed to advise the Independent Shareholders and the Optionholders on the terms of the Offers. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee in respect of the Offers and such appointment has been approved by the Independent Board Committee.

BASIS OF OUR ADVICE

In formulating our opinion and recommendations, we have relied on the accuracy of the information, opinions and representations contained or referred to in the Composite Offer Document and provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, opinions and representations contained or referred to in the Composite Offer Document were true and accurate at the time when they were made and continued to be true and accurate at the date of the Composite Offer Document. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Offeror in the Composite Offer Documents were reasonably made after due enquiries and considerations. We have no reasons to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We consider that we have reviewed sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Composite Offer Document to provide a reasonable basis for our opinions and recommendations. Having made all reasonable enquiries, the Directors have confirmed that, to the best of their knowledge, there are no other facts or representations the omission of which would make any statement in the Composite Offer Document, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Group and/or the Offeror.

In formulating our opinions, we have not considered the taxation implications on the Independent Shareholders and the Optionholders arising from acceptances or non-acceptances of the Offers as these are particular to their individual circumstances. It is emphasized that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Offers. In particular, the Independent Shareholders and the Optionholders who are overseas residents or are subject to overseas taxation or Hong Kong taxation on securities dealings should consult their own tax positions, an if in any doubt, should consult their own professional advisers.

In formulating our opinions, we have made reference to the subject companies of the Comparable Offers (as defined hereafter), which are listed on GEM for analysis purpose on a best knowledge and best endeavor basis. We have assumed the truthfulness and accuracy of the information available to us regarding the Comparable Offers. We have not, however, carried out any independent verification of the information available to us regarding the subject companies of the Comparable Offers, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the subject companies of the Comparables Offers. Our opinions are necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations, and opinions made available to us as of the Latest Practicable Date. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein which may come or be brought to our attention after the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the Offers and in giving our recommendation to the Independent Board Committee, we have taken into account the following principal factors and reasons:

Financial and business highlights of the Group

The Group is an information localization services provider principally engaged in the software development in Hong Kong and the PRC.

Financial year 2004 vs financial year 2003

For the year ended 31 December 2004, the Group recorded turnover of approximately HK$13.9 million, representing a substantial decrease of approximately 60.7% from that of the year ended 31 December 2003 of approximately HK$35.5 million. According to 2004 annual report of the Company, the significant decrease in turnover was mainly attributable to the Group's business restructuring and the suspension of further developments of its general software business. Net profit attributable to Shareholders for the year ended 31 December 2003 was approximately HK$8.1 million whereas for the year ended 31 December 2004, the Group recorded a net loss attributable to the Shareholders of approximately HK$25.5 million. The loss for the year ended 31 December 2004 was mainly attributed to (i) decrease in overall gross profit margin to approximately 31.4% from approximately 63.4% for the year ended 31 December 2003; (ii) increase in operating costs and administrative expenses by approximately 81.5%; (iii) increase in selling expenses by approximately 81.3%; (iv) increase in research and development costs by approximately 34.2%; and (v) increase in administrative expenses by approximately 101.2%.

Financial year 2005 vs financial year 2004

For the year ended 31 December 2005, the Group recorded turnover of approximately HK$3.8 million, representing a significant decrease of approximately 73.0% from the turnover of the previous year of approximately HK$13.9 million. Compared to the net loss attributable to the Shareholders for the year ended 31 December 2004 of approximately HK$25.5 million, net loss attributable to the Shareholders worsened by approximately 50.5% to approximately HK$38.4

million for the year ended 31 December 2005. However, the attention of the Independent Shareholders should be drawn to the auditors' report as contained in the 2005 annual report of the Company (which was also extracted into Appendix II to the Composite Offer Document) that evidence available to the auditors was limited as follows (for details contained in each of the following notes, please refer to 2005 annual report of the Company or Appendix II to the Composite Offer Document): (i) limitation of audit scope relating to investment funds of approximately HK$16.4 million held in custody by an independent third party due to the absence of sufficient documentary evidence to assess whether any impairment loss is required to be recognized in respect of such investment funds; (ii) limitation of audit scope relating to a deposit paid to an independent third party for acquisition of two subsidiaries due to the absence of evidence for the ability and commitment of such independent third party to complete the transactions and the absence of sufficient documentary evidence as to the Company's ownership and to assess whether any impairment loss is required to be recognized in respect of such deposit; (iii) limitation of audit scope relating to goodwill of approximately of HK$9.7 million arising from the acquisition of a subsidiary due to the absence of sufficient documentary evidence to assess whether any impairment loss is required to be recognized in respect of the goodwill; (iv) limitation of audit scope relating to absence of sufficient documentary evidence to assess whether any impairment is required to be recognized in respect of a subsidiary's goodwill arising from acquisition of equity interest in an associate of approximately HK$3.4 million; and (v) fundamental uncertainty relating to the going concern basis.

Any adjustment found to be necessary for items (i) to (iv) above would affect the net assets of the Group as at 31 December 2005 and the loss of the Group for the year then ended. Because of the significance of the fundamental uncertainty relating to the going concern basis and each of the possible effects of the limitations in evidence available to the auditors, they are unable to form an opinion as to whether the consolidated financial statement give a true and fair view of the state of affairs of the Group as at 31 December 2005 and of the loss and cash flows of the Group for the year then ended. In all other respects, in the opinion of the auditors, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance. The auditors considered that the inherent uncertainties surrounding the circumstances under which the Group might successfully continue to adopt the going concern basis are so extreme that the auditors have disclaimed their opinion.

As stated in the 2005 annual report, the Directors had given consideration to the future liquidity of the Group in light of its net current liabilities of approximately HK$8.1 million as at 31 December 2005. The Directors were taking steps to improve the liquidity position of the Group including (i) negotiation with a bank for the settlement of an overdue borrowing and interest accrued therefrom owed to the bank; and (ii) exploring income generating investments in the PRC and requesting continuing financial support from the then controlling Shareholders.

Nine months in 2006 vs nine months in 2005

As for the nine months ended 30 September 2006, turnover of the Group was approximately HK$675,000, representing a significant decrease of approximately 77.5% compared to the turnover for the nine months ended 30 September 2005 of approximately HK$3 million. Loss attributable to the Shareholders for the nine months ended 30 September 2006 was approximately HK$4.45 million, representing an improvement of approximately 72.48% from the loss attributable to the Shareholders of approximately HK$16.17 million for the same period in 2005. As stated in the 2006 third quarterly report of the Company, the management has put stringent measures to reduce the operating costs and had been looking for financing and operating plans to improve the current financial and operating status of the Group. However, such measures were not able to eliminate the accumulated losses of the Group.

The Share Offer

Pursuant to Rule 26.1 of the Takeovers Code, Grand Vinco, on behalf of the Offeror, is making the Share Offer on the following basis:

For each Share . . . . **HK$0.1360 in cash**

The price of HK$0.1360 for each Offer Share (the "Share Offer Price") is the same as the price payable by the Offeror for each Sale Share under the S&P Agreement. The Share Offer Price represents:

(a) a premium of approximately 0.7% over the closing price of HK$0.1350 per Share as quoted by the Stock Exchange on the Last Trading Day;

(b) a premium of approximately 0.7% over the average of the closing prices of HK$0.1350 per Share for the 5 trading days up to and including the Last Trading Day;

(c) a premium of approximately 1.5% over the average of the closing prices of approximately HK$0.1340 per Share for the 10 trading days up to and including the Last Trading Day;

(d) a premium of approximately 1.7% over the average of the closing prices of approximately HK$0.1337 per Share for the 30 consecutive trading days up to and including the Last Trading Day;

(e) a discount of approximately 9.3% to the closing price of HK$0.15 per Share as quoted by the Stock Exchange on the Latest Practicable Date; and

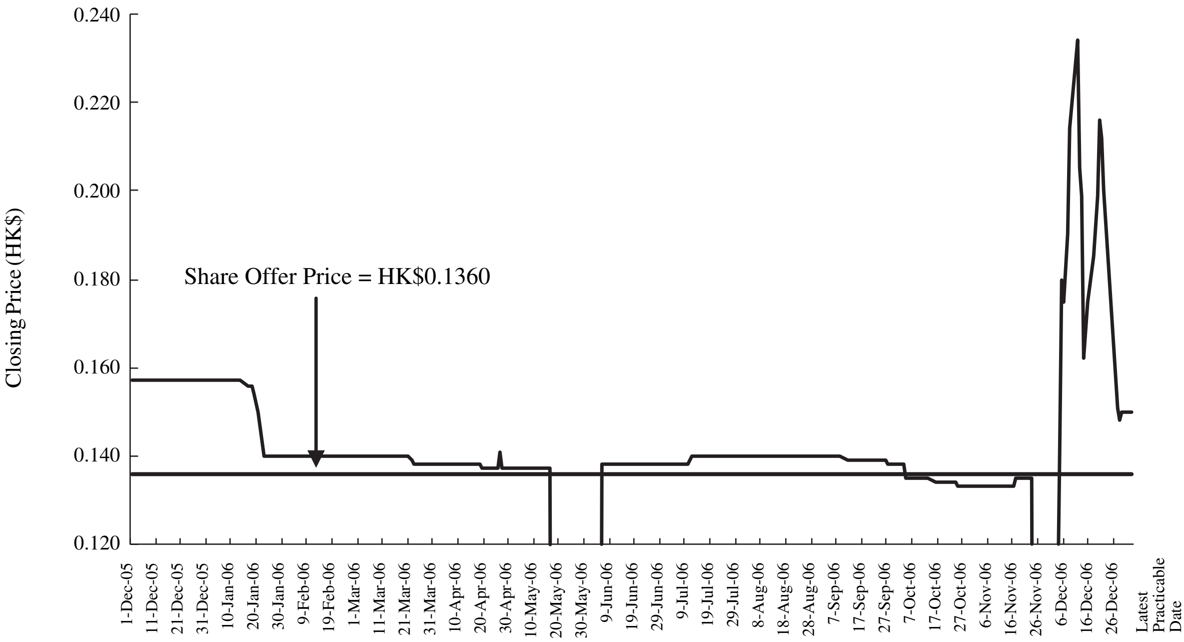
(f) a premium of approximately 204.3% over the unaudited consolidated net asset value per Share of approximately HK$0.04469 per Share based on the unaudited consolidated accounts of the Group as at 30 June 2006.

Independent Shareholders should note that the Share Offer is conditional upon the Offeror having received acceptances of the Share Offer which, together with the Shares already owned or agreed to be acquired by the Offeror or parties acting in concert with it before or during the offer period, will result in the Offeror and any person acting in concert with it holding more than 50% of the voting rights of the Company.

Further terms and conditions of the Share Offer, including the procedures for acceptance, are set out in the "Letter from Grand Vinco" and Appendix I to the Composite Offer Document.

Historical Share Price Performance

The graph below illustrates the closing price level of the Shares during the period from 1 December 2005 to 2 January 2007 (being the 12 calendar months period prior to the date of the Announcement and thereafter up to and including the Latest Practicable Date) (the "Review Period").

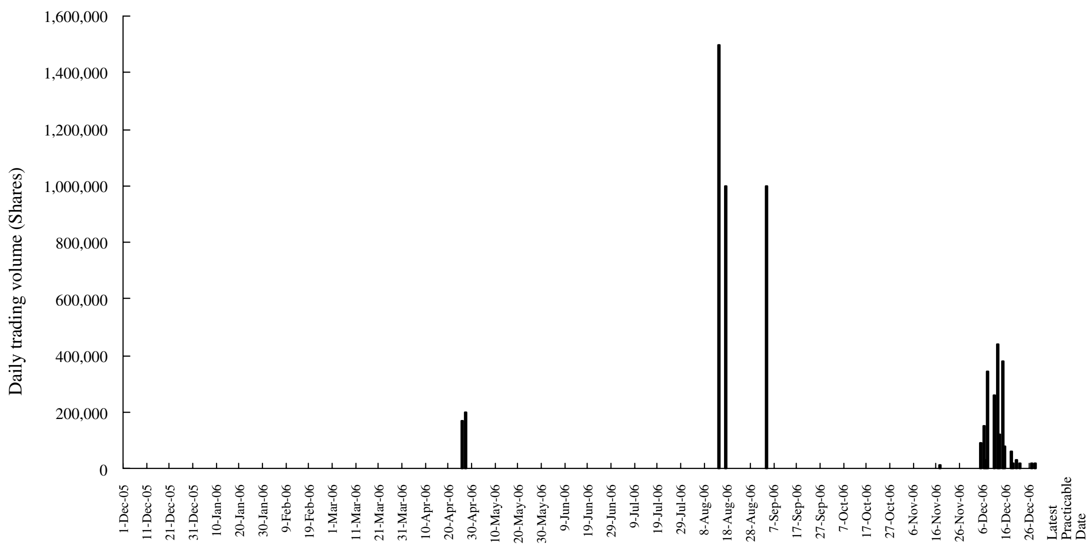


During the Review Period, the closing price of the Shares ranged from the lowest of HK$0.133 per Share (recorded between 25 October to 16 November 2006) to the highest of HK$0.234 (recorded on 11 December 2006). The Share Offer Price is below the closing prices of the Shares during the Review Period except during the period between 4 October 2006 and the Last Trading Day. We also note that the Share Offer Price represents a discount of approximately 5.6% to the daily average closing price of the Shares of approximately HK$0.144 per Share during the Review Period. The Share Offer Price also represents a discount of approximately 9.3% to the closing price of the Shares of HK$0.15 on the Latest Practicable Date.

We also note that the closing price of the Shares had dropped substantially from the level of HK$0.157 per Share during the beginning of the Review Period to HK$0.135 per Share on the Last Trading Day. We would like to remind the Independent Shareholders that although the Share Offer Price is below the closing price of the Shares for most of the days during the Review Period and represents a discount to the daily average closing price of the Shares for the Review Period as well as the closing price of the Shares on the Latest Practicable Date, there is no guarantee that the trading price of the Shares will sustain and be higher than the Share Offer Price during and after the Offer period. The Independent Shareholders, in particular those who may wish to realize their investments in the Shares, are thus reminded to closely monitor the market price of the Shares during the Offer period.

Liquidity of the Shares

The graph and table below set out (i) daily trading volume of the Shares; and (ii) average daily number of Shares traded per month and the respective percentages of monthly trading volume compared to the issued share capital and the Shares held by the Independent Shareholders respectively during the Review Period.



	Average daily trading volume *(Shares)*	Percentage to the total number of issued Shares *(%) (Note 1)*	Percentage to the number of issued Shares held by the Independent Shareholders *% (Note 2)*
2005			
December	0	0	0
2006			
January	0	0	0
February	0	0	0
March	0	0	0
April	21,765	0.0108	0.0160
May	0	0	0
June	0	0	0
July	0	0	0
August	108,696	0.0543	0.0801
September	47,619	0.0238	0.0351
October	0	0	0
November	455	0.0002	0.0003
December	122,353	0.0612	0.0902
2007			
January (Latest Practicable Date)	20,000	0.0100	0.0147

Notes:

1. Based on 200,000,000 Shares in issued as at the Latest Practicable Date.

2. Based on 135,644,172 issued Shares held by the Independent Shareholders as at the Latest Practicable Date.

3. Trading of Shares was suspended during the periods from 17 May to 5 June 2006 and from 24 to 30 November 2006.

Source: website of the Stock Exchange (www.hkex.com.hk)

As illustrated in the table above, the trading volume of the Shares during the Review Period had been extremely thin. During the period from 1 December 2005 up to the Last Trading Day, the highest daily average trading monthly volume amounted to approximately 108,696 Shares during the month of August 2006, representing approximately 0.0543% of the total number of issued Shares and approximately 0.0801% of the number of Shares held by the Independent Shareholders respectively. For the 268 trading days (excluding the days when trading of the Shares was suspended) during the Review Period, there were 245 trading days with no trading of Shares, representing approximately 91.4% of the total number of trading days during the Review Period. We, however, note that the trading volume of the Shares revived after the release of the Announcement. The average daily trading volume of Shares in December 2006 amounted to approximately 122,353 Shares, representing approximately 0.0612% of the total number of issued Shares and approximately 0.902% of the number of Shares held by the Independent Shareholders respectively, Trading volume of the Shares on the Latest Practicable Date amounted to 20,000 Shares, representing 0.01% of the total number of issued Shares and approximately 0.0147% of the number of Shares held by the Independent Shareholders respectively. We consider the recent trading of the Shares was still extremely thin. Based on the above, we consider that the overall liquidity of the Shares was extremely low during the Review Period.

Given the low liquidity of the Shares, we consider that despite the Share Offer Price represents a discount to the prevailing market price of the Shares as detailed in the section headed "Historical Share Price Performance" above, the Independent Shareholders who may wish to realize their investment in the Company, especially those with relatively sizeable shareholdings, might not be able to do so without having an adverse impact on the market price level of the Shares. Therefore, we consider that the Share Offer provides an alternative for the Independent Shareholders who would like to realize their investment in the Shares. Nevertheless, Independent Shareholders who intend to dispose part or all of their Shares are reminded to closely monitor the market price and the liquidity of the Shares during the Offer period and consider selling their Shares in the open market, instead of accepting the Share Offer, if the net proceeds from the disposal of such Shares in the open market would exceed that receivable under the Share Offer.

Cash offer comparable analysis

In assessing the fairness and reasonableness of the Share Offer, we have compared it with all general cash offers (the "Comparable Offers") of companies listed on GEM, which has despatched the offer documents during the Review Period. Our findings on the Comparable Offers are summarized below:

Date of the offer document	Date of announcement	Company	Principal business	Share offer price *(HK$)*	Closing price as at the last trading day *(HK$)*	Net asset value per share *(HK$)*	Premium/(discount) of share offer price over/(to) closing price as at the last trading day *(%)*	Premium/(discount) of share offer price over/(to) latest published net asset value per share *(%)*
29 Nov 06	8 Nov 06	Sys Solutions Holdings Limited (Stock code: 8182)	Provision of network infrastructure solutions and services	0.060579	0.05	(0.0105)	21.16	Not applicable
23 Nov 06	10 Oct 06	MP Logistics International Holdings Limited (Stock code: 8239)	Coordinating various logistics services including sea, road and air freight forwarding, customs clearance and decoration, purchasing on behalf of customers of insurance policies, repackaging and storage	0.01	0.10	0.012	(90)	(16.7)
26 Sep 06	5 Sep 06	Panorama International Holdings Limited (Stock code: 8173)	Distribute and sub-license distribution rights of video programmes mainly in VCD and DVD formats for home entertainment in Hong Kong and other Asian countries	0.04	0.045	0.166	(11.11)	(75.96)
18 Jul 06	29 May 06	Galileo Capital Group Limited (Stock code: 8029)	Provision of business brokerage, fund raising services and business consultancy services	0.025	0.030	(0.0033)	(16.7)	Not applicable
27 Jun 06	6 Jun 06	MegaInfo Holdings Limited (Stock code: 8279)	Provision of self-developed digital image processing management solutions in PRC and Macau	0.0318	0.07	0.0146	(54.57)	117.81
25 Apr 06	7 Apr 06	Shine Software (Holdings) Limited (Stock code: 8270)	Development of computer software, resale of hardware, provision of system integration and maintenance	0.021142	0.08	0.079	(73.6)	(73.2)
29 Mar 06	8 Mar 06	FX Creations International Holdings Limited (Stock code: 8136)	Retail sales and wholesale of bags and accessories under its brandname	0.03	0.17	0.029	(82.4)	3.45
Maximum							21.16	117.81
Minimum							(90)	(75.96)
4 Jan 07	**1 Dec 06**	**The Company**	**Information localization services provider principally engaged in the software development in Hong Kong and the PRC**	**0.1360**	**0.1350**	**0.04469**	**0.7**	**204.3**

Source: website of the Stock Exchange (www.hkex.com.hk)

The table above shows that one Comparable Offer had the offer price set at a premium over its closing price as quoted on the last trading day prior to the date of the announcement of approximately 21.16%. On the other hand, six Comparable Offers had the offer prices set at a discount to their respective closing prices as quoted on the last trading day prior to the date of the relevant announcement, ranging from approximately 11.11% to approximately 90%. The Share Offer Price of HK$0.1360 represents a premium of 0.7% over the closing price of the Shares as at the Last Trading Day, which is within the range of the premium/(discount) of the seven Comparable Offers.

Two Comparable Offers had the offer price set at premium over the latest published net asset value prior to the publication of the announcement in relation to the offer of approximately 3.45% and approximately 117.81% respectively. On the other hand, three Comparable Offers had the offer prices set at a discount to their respective latest published net asset value prior to the publication of the announcement in relation to the offers, ranging from approximately 16.7% to approximately 75.96%. The subject companies of two of the Comparable Offers recorded net liabilities as at its latest published balance sheet date prior to the date of the respective announcements in relation to the offers. As a majority of the Comparable Offers, i.e. three cases out of a total of seven had offer prices set at a discount to the respective net asset value of the subject companies, we consider that the Share Offer Price, representing a premium of approximately 204.3% over the unaudited consolidated net asset value of the Company as at 30 June 2006, has been determined at a level which is more favourable than the majority of the offer prices under the Comparable Offers as far as the net asset value is taken into account.

Based on the above analysis on the Share Offer Price by comparison with those under the cash offers made for companies that are listed on GEM during the Review Period, we are of the view that the Share Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

Intention of the Offeror

As stated in "Letter from Grand Vinco", it is the intention of the Offeror that the existing principal activities of the Group will remain unchanged and the Offeror has currently no intention to make any material changes to the employees or management of the Group or to dispose of any material assets or businesses of the Group other than in its ordinary course of business and has currently no intention to inject any material assets or businesses into the Group as at the Latest Practicable Date.

Meanwhile, the Offeror is conducting a review of business operation and financial position of the Group for the purpose of formulating business plans and strategies for streamlining the existing business operation and improve the financial position of the Group and for the future business development of the Group. Subject to the result of the review and should suitable investment or business opportunities arises, the Offeror may consider diversifying the business of the Group with an objective to broaden its income source. However, no such investment or business opportunities have been identified at this stage.

The Option Offer A and the Option Offer B

As at the Latest Practicable Date, there were 8,000,000 Options entitling the Optionholders to subscribe for a total of 8,000,000 new Shares, out of which 6,000,000 Group A Options are exercisable at an exercise price of HK$0.14 per Share from 10 October 2005 to 9 October 2015 and 2,000,000 Group B Options are exercisable at an exercise price of HK$0.45 per Share from 17 January 2005 to 16 January 2015.

Pursuant to Rule 13 of the Takeover Code, Grand Vinco, on behalf of the Offeror, is making the Option Offer A and Option Offer B on the following basis:

For cancellation of Group A Options .... HK$1 per grantee in cash
For cancellation of Group B Options .... HK$1 per grantee in cash

Pursuant to the terms of the S&P Agreement, the Vendor shall procure each of the grantees of the Group A Options and Group B Options to provide an undertaking to Offeror confirming that he/she shall not exercise any of his/her Group A Options or Group B Options as from the date of the said undertaking up to and including the close of the Offers and will accept the Option Offer A and Option Offer B. However, the Vendor was unable to procure to provide the undertaking of a grantee of the Group A Options and the sole grantee of the Group B Options entitling them to subscribe in aggregate a total of 3,000,000 new Shares. The conditions were waived by the Offeror before Completion.

Given the offer price for each grantee of the Options is set at nominal value and all the Options are currently "out of money", we consider the offer price for the Options acceptable and advise the Independent Board Committee to advise the Optionholders to accept the Option Offer A and the Option offer B. By accepting the Option Offer A and the Option Offer B, the accepting Optionholders will surrender to the Company their Options for cancellation by the Company.

RECOMMENDATION

Taking into consideration of the above mentioned principal factors and reasons, being:

(i) the deteriorating financial performance of the Group for the three financial years ended 31 December 2005 and the nine months ended 30 September 2006;

(ii) the Group is currently facing an extremely tight liquidity situation;

(iii) the extremely low liquidity of the Shares during the Review Period;

(iv) the Share Offer Price represents a premium of 0.7% over the closing price of the Shares as at the Last Trading Day, which is within the range of the premium/(discount) of the Comparable Offers; and

(v) the Share Offer Price, representing a premium of approximately 204.3% over the unaudited consolidated net asset value of the Company as at 30 June 2006, has been determined at a level which is more favourable than the majority of the offer prices under the Comparable Offers as far as the net asset value is taken into account, we are of the opinion that the Share Offer Price is fair and reasonable so far as the Independent Shareholders are concerned. In addition, the Share Offer is incidental to and as a result of the completion of the purchase of the Sale Shares by the Offeror at HK$0.1360 per Shares (the "Purchase Price"). Under the Share Offer, the Independent Shareholders are treated even-handedly by the Offeror as the Share Offer Price is equivalent to the Purchase Price. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Share Offer.

Given the offer price for each grantee of the Options is set at nominal value and all the Options are currently "out of money", we consider the offer price for the Options fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Optionholders to accept the Option Offer A and the Option Offer B.

The Independent Shareholders and the Optionholders should read carefully the procedures for accepting the Offers as detailed in Appendix I to the Composite Offer Document.

Yours faithfully,
For and on behalf of
Veda Capital Limited

Hans Wong	**Julisa Fong**
Managing Director	*Director*

1. PROCEDURES FOR ACCEPTANCE

A. The Share Offer

If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Shares are in your name, and you wish to accept the Share Offer, you must send the duly completed relevant Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title and/or any indemnity or indemnities required in respect thereof, to the Registrar, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in any event not later than 4:00 p.m. on Thursday, 25 January 2007 or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

If the Share 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 Share Offer whether in full or in respect of part of your holding of Shares, you must either:

(a) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, with the nominee company, or other nominee, and with instructions authorizing it to accept the Share Offer on your behalf and requesting it to deliver the relevant Form of Acceptance duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title to the Registrar; or

(b) arrange for the Shares to be registered in your name by the Company through the Registrar and send the relevant Form of Acceptance duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title to the Registrar; or

(c) if your Shares have been lodged with your licensed securities dealer/custodian bank through CCASS, instruct your licensed securities dealer/custodian bank to authorize HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer in your securities/custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/custodian bank as required by them; or

(d) if your Shares have been lodged with your Investor Participant's Account with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.

If 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) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer, the Form of Acceptance 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 or that it/they is/are not readily available. If you find such document(s) or if it/they become available, it/they 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 a letter of indemnity which, when completed in accordance with the instruction given, should be returned to the Registrar.

If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Share Offer, you should nevertheless complete the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to any of Grand Vinco, the Company, the Offeror or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificates to the Registrar and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Share Offer, as if it/they were delivered to the Registrar with the relevant Form of Acceptance.

An acceptance may not be counted as valid unless:

(a) it is received by the Registrar on or before the latest time for acceptance on the first closing date at 4:00 p.m. on Thursday, 25 January 2007 (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive) and the Registrar has recorded that the acceptance and any relevant documents required under paragraph (b) below have been so received; and

(b) the Form of Acceptance is duly completed and is: (i) accompanied by Share certificate(s) in respect of the relevant Shares and, if that/those Share certificate(s) is/are not in the name of the acceptor, such other documents (e.g. a duly stamped transfer of the relevant Shares in blank or in favour of the acceptor executed by the registered holder) in order to establish the right of the acceptor to become the registered holder of the relevant Shares; or (ii) from a registered Shareholder or his personal representatives (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under the other subparagraph of this paragraph (b)); or (iii) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate evidence of authority (e.g. grant of probate or certified copy of a power of attorney) must be produced.

No acknowledgement of receipt of any Form 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.

B. The Option Offer A and the Option Offer B

(a) If you accept the Option Offer A and/or Option Offer B, you should complete the relevant Form of Acceptance and renunciation of outstanding Options accompanying the Composite Offer Document in accordance with the instructions printed thereon, which form part of the terms and conditions of the Option A and/or Option Offer B.

(b) The completed Form of Acceptance and renunciation of outstanding Options should be forwarded, together with the relevant Option certificate(s) (if any) and/or any other document(s) of title stating the number of outstanding Options in respect of which you intend to accept the Option Offer A and/or Option Offer B, by post or by hand to the principal place of business of the Company in Hong Kong at Units 2003 and 2005, 20/F Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong, marked "SJTU Sunway Software Industry Limited – Option Offers" on the envelope, as soon as possible and in any event so as to reach the principal place of business of the Company in Hong Kong at aforesaid address by no later than 4:00 p.m. on Thursday, 25 January 2007.

2. SETTLEMENT

A. The Share Offer

Provided that the Form(s) of Acceptance and relevant Share certificate(s) and/or transfer receipt(s) and/or any document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are in complete and good order and have been received by the Registrar by not later than 4:00 p.m. on Thursday, 25 January 2007 being the latest time for acceptance of the Share Offer, a cheque for the amount due to the accepting Shareholders in respect of the Shares tendered by them under the Share Offer, less seller's ad valorem stamp duty payable by them, will be despatched to the accepting Shareholders to the addresses specified on the Forms of Acceptance by ordinary post at their own risk within 10 days of the later of the date on which the Offers become, or are declared, unconditional and the date on which all the relevant documents are received by the Registrar to render such acceptance complete and valid.

B. The Option Offer A and the Option Offer B

Provided that the form(s) of acceptance and renunciation of the outstanding Options and Option certificate(s) (if any) are in complete and good order and have been received by the Company not later than 4:00 p.m. on Thursday, 25 January 2007, a cheque for the amount due to each of the Optionholders in respect of the Options surrendered by the relevant Optionholders under the Option Offer A and/or Option Offer B will be despatched to each of them within 10 days of the later of the date on which the Offers became, or are declared, unconditional and the date on which all the relevant documents are received by the Company to render such acceptance complete and valid.

Settlement of the consideration to which any accepting Shareholder(s) or Optionholder(s) is/are entitled under the Offers will be implemented in full in accordance with the terms of the Offers, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Shareholder and Optionholder.

3. ACCEPTANCE PERIOD AND REVISIONS

Unless the Offers have previously been revised, the latest time and date for acceptance will be 4:00 p.m. on Thursday, 25 January 2007. The Offeror reserves the right to revise the Offers after the despatch of the Composite Offer Document until such day as it may determine and in accordance with the Takeovers Code. If the Offeror revises its terms, all Independent Shareholders and Optionholders, whether or not they have already accepted the Offers, will be entitled to accept the revised Offers under the revised terms.

If the Offers are revised, the announcement of such revision will state the next closing date. If the Offers are revised, it will remain open for acceptance for a period of not less than 14 days from the posting of the revised offer document.

In order to be valid, Form(s) of Acceptance for the Share Offer must be received by the Registrar and Form(s) of Acceptance for the Option Offer A and Option Offer B must be received by the Company in accordance with the instructions printed thereon by 4:00 p.m. on Thursday, 25 January 2007.

4. ANNOUNCEMENTS

By 6:00 p.m. on Thursday, 25 January 2007, which is the first closing date of the Offers, or such later time and/or date as the Executive may in exceptional circumstances permit, the Offeror must inform the Executive and the Stock Exchange of its decisions in relation to revision, extension, expiry of the Offers. The Offeror shall publish an announcement to be posted on the Stock Exchange's website by 7:00 p.m. on the first closing date of the Offers stating whether the Offers have been revised or extended, have expired. The announcement shall specify the number of Shares/Options (a) for which valid acceptances have been received, (b) held, controlled or directed by the Offeror or persons acting in concert with it before the period of the Offers; and (c) acquired or agreed to be acquired by the Offeror or any person acting in concert with it during the period of the Offers.

The announcement must specify the percentages of the relevant classes of share capital, and the percentages of voting rights of the Company represented by these numbers of Shares.

5. RIGHT OF WITHDRAWAL

The accepting Shareholders and Optionholders shall be entitled to withdraw their acceptances after 21 days from the date of this document in relation to the Offers, if the Offers have not by then become unconditional as to acceptances.

Save as aforesaid, acceptances of the Offers by the Independent Shareholders shall be irrevocable and cannot be withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code which is to the effect that if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offers as described under the section headed "Announcements" above, the Executive may require that acceptors be granted a right of withdrawal on terms acceptable to the Executive until such requirements can be met.

6. STAMP DUTY

Hong Kong stamp duty at a rate of HK$1.00 for every HK$1,000 (or part thereof) of the amount payable which is based on the number of accepted Shares and the market value of the Share or the offer price of the Share (at the discretion of the Collector of Stamp Duty) in respect of relevant acceptances will be deducted from the consideration payable to the accepting Shareholders. The Offeror will then, on behalf of the accepting Shareholders, pay such amount to the Inland Revenue Department of Hong Kong. The Offeror will also pay stamp duty payable by it as purchaser of the Shares pursuant to the Share Offer based on the gross consideration payable to the accepting Shareholders in respect of the Share Offer.

7. TAXATION

The Independent Shareholders and the Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their accepting the Offers. It is emphasised that none of the Offeror, Grand Vinco or Nuada or any of their respective directors or any persons involved in the Offers accept responsibility for any tax effects or liabilities of any person or persons as a result of their acceptance of the Offers.

8. OVERSEAS SHAREHOLDERS

The making of the Offers to persons with a registered address in jurisdiction outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdiction. Shareholders and Optionholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should obtain appropriate legal advice on, inform themselves about and observe any applicable legal requirement. It is the responsibility of each person who wishes to accept the Offers to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes due in respect of such jurisdiction.

9. GENERAL

(i) Acceptance of the Offers by any person or persons holding Shares/Options will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares/Options acquired under the Offers are sold by any such person or persons free from all liens, charges, encumbrances, equities and third party rights and together with all rights attaching thereto, including the right to receive all dividends and distributions declared, made or paid on or after their acceptance of the Offers. The Optionholders, in accepting the Option Offer A or, as the case may be Option Offer B, will surrender to the Company all of their existing rights, if any, in respect of the Options, following which such Options will be cancelled and extinguished.

(ii) All communications, notices, Forms of Acceptance, Share certificates, Option certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Shareholders or the Optionholders will be delivered by or sent to or from them, or their designated agents, through post at their own risk, and none of the Offeror, the Company, Grand Vinco, Nuada or the Registrar or any of their respective agents, accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

(iii) The provisions set out in the Form of Acceptance form part of the terms of the Offers.

(iv) The accidental omission to despatch this document and/or the Form of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.

(v) The Offers and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.

(vi) Due execution of a Form of Acceptance will constitute an authority to the Company, the Offeror, any director of the Offeror, Grand Vinco, Nuada or such person or persons as the Offeror may direct, to complete and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares or the Options in respect of which such person or persons has/have accepted the Offers.

(vii) References to the Offers in this document and in the Form of Acceptance shall include any revision thereof.

(viii) The English text of this document and of the Form of Acceptance shall prevail over their respective Chinese text.

SUMMARY OF FINANCIAL RESULTS OF THE GROUP FOR THREE YEARS ENDED 31ST DECEMBER 2005

Set out below is a summary of results of the Group for three financial years ended 31st December 2005 as extracted from the Company's annual reports. The following financial information has been extracted from the audited financial statements of the Company for each of the three years ended 31st December 2005:

Consolidated balance sheet

	2005	**2004**	**2003**
	HK$	*HK$*	*HK$*
		(restated)	
Non-current assets			
Property, plant and equipment	1,614,470	4,425,602	1,526,840
Intangible assets	4,247,153	4,574,374	3,513,577
Interests in an associate	4,848,508	3,306,587	–
Goodwill	9,697,350	–	–
Current Assets			
Inventories	–	2,559,205	2,161,335
Trade receivables	416,900	8,338,684	48,383,100
Prepayments, deposits and other receivables	1,125,145	5,940,843	–
Investment funds	16,427,085	7,966,671	1,905,660
Deposit for acquisition of subsidiaries	12,710,149	1,905,660	–
Loans to minority shareholders	–	1,396,226	–
Tax recoverable	–	111,448	–
Bank balances and cash	560,993	31,065,922	17,162,442
Total assets	51,647,753	71,591,222	74,652,954
Current liabilities			
Trade and other payables	6,138,428	5,372,608	12,529,486
Amount due to a shareholder	18,217,071	2,427,709	–
Amount due to directors	1,322,037	664,700	–
Borrowings	13,643,868	14,622,641	8,490,566
Current taxation	–	–	188,075
Total liabilities	39,321,404	23,087,658	21,208,127
Net assets	12,326,349	48,503,564	53,444,827
Capital and reserves			
Share capital	2,000,000	2,000,000	200,000
Reserves	9,326,028	44,416,092	53,244,827
Equity attributable to equity holders of the parent	11,326,028	46,416,092	53,444,827
Minority interests	1,000,321	2,087,472	–
	12,326,349	48,503,564	53,444,827

Consolidated income statement

	2005	2004	2003
	HK$	*HK$*	*HK$*
		(restated)	
Revenue	3,763,589	13,949,217	35,502,319
Cost of Sales	(2,591,856)	(9,573,605)	(11,910,108)
Gross profit	1,171,733	4,375,612	23,592,211
Other operating income	146,306	1,114,638	2,246,769
Selling expenses	(4,823,871)	(14,952,792)	(8,246,410)
Research and development costs	(1,598,194)	(3,416,519)	(2,545,448)
Administrative expenses	(29,467,653)	(12,477,941)	(6,185,542)
Finance costs	(1,124,725)	(631,050)	(208,037)
Share of results of associates	(658,940)	4,700	–
Loss on disposal of associates	(3,097,889)	–	–
Loss before tax	(39,453,233)	(25,983,352)	8,653,543
Income tax expenses	(5,722)	(373)	(509,068)
Loss for the year	(39,458,955)	(25,983,725)	8,144,475
Attributable to:			
Equity holders of the parent	(38,371,804)	(25,495,725)	8,144,475
Minority interests	(1,087,151)	(488,000)	–
	(39,458,955)	(25,983,725)	8,144,475
Dividend	–	–	–
Loss per share	(19.19) cents	(12.82) cents	6.26 cents

There was neither extraordinary nor exceptional items existing during each of the three years ended 31st December 2005.

No dividend has been paid or declared by the Company for each of the three years ended 31st December 2005.

The was no qualification in the auditor's reports signed by KPMG for each of the two years ended 31st December 2004.

For the year ended 31st December 2005, Shinewing (HK) CPA Limited, the auditors of the Group was unable to form an opinion as to whether the consolidated financial statements give a true and view of the state of affairs of the Group as at 31st December 2005 and of the loss and cash flows of the Group for the year then ended. The major controversial items are extracted as follows:

"Fundamental uncertainty and limitations of audit scope

(i) Included in the consolidated balance sheet as at 31st December 2005 are investment funds of HK$16.4 million which were held in custody by an independent company incorporated in the People's Republic of China (the "PRC"), 北京盛邦投資有限公司. We were unable to obtain sufficient documentary evidence to satisfy ourselves as to the Company's ownership and to assess whether any impairment loss is required to be recognised in respect of this investment funds.

(ii) Included in the consolidated balance sheet as at 31st December 2005 is deposit for acquisition of subsidiaries of HK$12.7 million in respect of deposit paid to an independent third party for acquisition of Mighty Wish Services Limited ("Mighty Wish") and Shanghai Ruijin Translation Company Limited ("Translation Company"). However, as explained in note 25 to the consolidated financial statements which explain the details of the deposit and we were unable to obtain evidence to satisfy ourselves to the ability and commitment of that independent third party to complete the transactions. Furthermore, we were unable to obtain sufficient documentary evidence to satisfy ourselves as to the Company's ownership and to assess whether any impairment loss is required to be recognised in respect of this deposit.

(iii) Included in the consolidated balance sheet as at 31st December 2005 is goodwill of HK$9.7 million in respect of goodwill arising from the acquisition of a subsidiary, New Champion International Limited, during the year. We were unable to obtain sufficient documentary evidence to satisfy ourselves as to assess whether any impairment loss is required to be recognised in respect of the goodwill.

(iv) Included in the consolidated balance sheet as at 31st December 2005 is interest in an associate of HK$4.8 million in respect of the equity interest in Beijing Advanced Information Storage Technology Co., Ltd. ("Beijing AIS") of which was held directly by New Champion International Limited. We were unable to obtain sufficient documentary evidence to satisfy ourselves as to assess whether any impairment is required to be recognised in respect of New Champion International Limited's goodwill arising from acquisition of equity interest in Beijing AIS of HK$3.4 million.

There were no other satisfactory audit procedures that we could adopt to satisfy ourselves in respect of the matters set out in (i) to (iv) above. Any adjustments found to be necessary would affect the net assets of the Group as at 31st December 2005 and the loss of the Group for the year then ended.

Fundamental uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the consolidated financial statements concerning the adoption of the going concern basis, being the basis on which the consolidated financial statements have been prepared. As explained in note 2 to the consolidated financial statements, the Group is currently undertaking a number of measures to relieve its current profitability and liquidity problem. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome of the arrangement for long term financing with its existing bankers, the ability to obtain continuing financial support from the controlling shareholders and to explore income generating investments in the PRC, to meet the Group's future working capital and financing requirements. The consolidated financial statements do not include any adjustments that may be necessary should the implementation of such measures be unsuccessful. We consider that appropriate disclosures have been made, but the inherent uncertainties surrounding the circumstances under which the Group might successfully continue to adopt the going concern basis are so extreme that we have disclaimed our opinion."

The financial information set out below is an extract from pages 33 to 84 of the annual report 2005 of the Company for the year ended 31st December 2005. All information set out below should be read in conjunction with the audited accounts which are included in the annual report 2005 for the Company for the year ended 31st December 2005.

Consolidated income statement

Year ended 31st December 2005

	Notes	2005 HK$	2004 HK$ (restated)
Revenue	8	3,763,589	13,949,217
Cost of Sales		(2,591,856)	(9,573,605)
Gross profit		1,171,733	4,375,612
Other operating income	8	146,306	1,114,638
Selling expenses		(4,823,871)	(14,952,792)
Research and development costs	10	(1,598,194)	(3,416,519)
Administrative expenses		(29,467,653)	(12,477,941)
Finance costs	11	(1,124,725)	(631,050)
Share of results of associates		(658,940)	4,700
Loss on disposal of associates		(3,097,889)	–
Loss before tax	12	(39,453,233)	(25,983,352)
Income tax expenses	13	(5,722)	(373)
Loss for the year		(39,458,955)	(25,983,725)
Attributable to:			
Equity holders of the parent		(38,371,804)	(25,495,725)
Minority interests		(1,087,151)	(488,000)
		(39,458,955)	(25,983,725)
Dividend	16	–	–
Loss per share	17		
Basic		(19.19) cents	(12.82) cents
Diluted		N/A	N/A

Consolidated balance sheet

As at 31st December 2005

	Notes	2005 HK$	2004 HK$ (restated)
Non-current assets			
Property, plant and equipment	18	1,614,470	4,425,602
Intangible assets	19	4,247,153	4,574,374
Interests in an associate	20	4,848,508	3,306,587
Goodwill	21	9,697,350	–
Current Assets			
Inventories	22	–	2,559,205
Trade receivables	23	416,900	8,338,684
Prepayments, deposits and other receivables		1,125,145	5,940,843
Investment funds	24	16,427,085	7,966,671
Deposit for acquisition of subsidiaries	25	12,710,149	1,905,660
Loans to minority shareholders	26	–	1,396,226
Tax recoverable		–	111,448
Bank balances and cash		560,993	31,065,922
Total assets		51,647,753	71,591,222
Current liabilities			
Trade and other payables	27	6,138,428	5,372,608
Amount due to a shareholder	28	18,217,071	2,427,709
Amount due to directors	29	1,322,037	664,700
Borrowings	30	13,643,868	14,622,641
Current taxation		–	–
Total liabilities		39,321,404	23,087,658
Net assets		12,326,349	48,503,564
Capital and reserves			
Share capital	32	2,000,000	2,000,000
Reserves		9,326,028	44,416,092
Equity attributable to equity holders of the parent		11,326,028	46,416,092
Minority interests		1,000,321	2,087,472
		12,326,349	48,503,564

Consolidated cash flow statement
For the year ended 31st December

	2005	2004
	HK$	*HK$*
		(restated)
OPERATING ACTIVITIES		
Loss before tax	(39,453,233)	(25,983,352)
Adjustments for:		
Amortisation of intangible assets	1,160,580	2,202,037
Impairment of intangible assets	437,614	1,214,482
Depreciation	1,230,778	971,160
Loss on disposal of property, plant and equipment	46,975	–
Finance costs	1,124,725	631,050
Interest income	(81,934)	(22,003)
Share-based payments	3,281,740	–
Allowance for bad and doubtful debts	7,446,339	5,920,100
Allowance for inventories	2,636,366	1,717,569
Written off of property, plant and equipment	1,906,331	–
Written off of deposit for acquisition of property, plant and equipment	3,773,585	–
Share of results of associates	658,940	(4,700)
Loss on disposal of an associate	3,097,889	–
Operating cash flows before movements in working capital	(12,733,305)	(13,353,657)
Increase in inventories	(77,161)	(2,115,439)
Decrease in trade receivables, prepayments, deposits, and other receivables	2,917,684	28,183,473
Increase in loans to minority shareholders	–	(1,396,226)
Increase/(decrease) in trade and other payables	557,208	(3,935,637)
Increase in amounts due to directors	657,337	354,033
Cash (used in)/generated from operations	(8,678,237)	7,736,547
Income taxes recovered/(paid)	105,726	(299,896)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(8,572,511)	7,436,651

	2005	2004
	HK$	*HK$*
		(restated)
INVESTING ACTIVITIES		
Interest received	81,934	22,003
Purchase of property, plant and equipment	(500,825)	(3,869,922)
Proceeds on disposal of property, plant and equipment	127,873	–
Expenditure on development projects	(1,270,973)	(4,477,316)
Acquisition of a subsidiary	(15,000,000)	–
Increase in deposit for acquisition of subsidiaries	(10,804,489)	–
Increase in investment funds	(8,460,414)	(7,966,671)
Investment in an associate	–	(3,301,887)
NET CASH USED IN INVESTING ACTIVITIES	(35,826,894)	(19,593,793)
FINANCING ACTIVITIES		
Repayment of borrowings	(978,773)	(8,490,566)
Advanced from/(repayment of) a shareholder	15,789,362	(482,865)
Proceeds from a new bank borrowing	–	14,150,943
Interest paid	(916,113)	(631,050)
Proceeds from other loan	–	471,698
Proceeds from shares issuance	–	30,100,000
Share issuance expenses paid	–	(11,633,010)
Capital injection from minority shareholders to subsidiaries	–	2,575,472
NET CASH FROM FINANCING ACTIVITIES	13,894,476	26,060,622
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(30,504,929)	13,903,480
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	31,065,922	17,162,442
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER	560,993	31,065,922
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER, represented by		
Bank balances and cash	560,993	31,065,922

Consolidated shareholder's equity account

For the year ended 31st December 2005

	Attributable to the equity holders of the parent								
	Share Capital	Share Premium	Capital surplus	General reserve	Share-based payment reserve	Retained earnings/ (accumulated loss)	Total	Minority interests	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 1st January 2004	200,000	13,557,045	15,089,717	2,927,119	–	21,670,946	53,444,827	–	53,444,827
Loss for the year	–	–	–	–	–	(25,495,725)	(25,495,725)	(488,000)	(25,983,725)
Premium arising from the issuance of shares for cash	700,000	29,400,000	–	–	–	–	30,100,000	–	30,100,000
Capital injection from minority shareholders	–	–	–	–	–	–	0	2,575,472	2,575,472
Shares issuance expenses	–	(11,633,010)	–	–	–	–	(11,633,010)	–	(11,633,010)
Capitalisation issue	1,100,000	(1,100,000)	–	–	–	–	0	–	0
At 1st January 2005	2,000,000	30,224,035	15,089,717	2,927,119	–	(3,824,779)	46,416,092	2,087,472	48,503,564
Loss for the year	–	–	–	–	–	(38,371,804)	(38,371,804)	(1,087,151)	(39,458,955)
Recognition of equity-settled share based payment	–	–	–	–	3,281,740	–	3,281,740	–	3,281,740
At 31st December 2005	2,000,000	30,224,035	15,089,717	2,927,119	3,281,740	(42,196,583)	11,326,028	1,000,321	12,326,349

Notes to the financial statements

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the GEM of The Stock Exchange. The Company's registered office is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, Cayman Islands, British West Indies and, its principal place of business is located at Units 2003 and 2005, 20th floor, Great Eagle Centre, No. 23 Harbour Road, Wanchai, Hong Kong.

The consolidated financial statements are expressed in Hong Kong dollars, being the measurement currency of the Group.

The principal activity of the Group during the year is the provision of information localization services.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the Directors of the Company have given consideration to the future liquidity of the Group in light of its net current liabilities of HK$8,081,132 as at 31st December 2005. The Directors are taking active steps to improve the liquidity position of the Group. Included in the consolidated balance sheet at 31st December 2005 is an overdue borrowing of HK$13,207,547 and an accrued interest of HK$208,612 owed to a bank, classified as current liabilities (herein collectively referred to as "Total Borrowings"). The Company is in process of negotiation with the bank for the settlement of Total Borrowings. In addition, the Company is in process of exploring income generating investments in the PRC and requesting continuing financial support from its controlling shareholders. Provided that the repayment arrangement for the Total Borrowings can be agreed upon and provided that income generating investments are injected into the Group and that continuing financial support from controlling shareholders can be obtained, the Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1st January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are prepared and presented:

Business Combinations

In the current year, the Group has applied HKFRS 3 *Business Combinations* which is effective for business combinations for which the agreement date is on or after 1st January 2005. Goodwill arising on acquisitions after 1st January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition.

Share-based Payments

In the current year, the Group has applied HKFRS 2 *Share-based Payment* which requires an expenses to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group, is in relation to the expensing of the fair value of share options granted to Directors and employees of the Company, determined at the date of grant of the share options, over the vesting period. The Group has applied HKFRS 2 to share options that were granted on or after 1st January 2005. No share options had been granted by the Group prior to 1st January 2005.

Financial Instruments

In the current year, the Group has applied HKAS 32 *Financial Instruments: Disclosure and Presentation and* HKAS 39 *Financial Instruments: Recognition and Measurement.* HKAS 32 requires retrospective application and HKAS 39, which is effective for accounting periods beginning on or after 1st January 2005, generally does not permit the recognition, derecognition or measure financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact or how financial instruments of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39. However, there has been no material effect on how the results for the current accounting period are prepared and presented.

Financial assets and financial liabilities other than debt and equity securities

From 1st January 2005 onwards, the Group has classified and measured its financial assets and financial liabilities in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. The Group has applied the relevant transitional provisions in HKAS 39. However, there has been no material effect on how the results for the current accounting period are prepared and presented.

4. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current and prior years are as follows:

	2005	**2004**
	HK$	*HK$*
Decrease in share of results of associates	–	(902)
Decrease in income tax expenses	–	902
Recognition of share-based payments as expenses	(3,281,740)	–
Non-amortisation of goodwill	969,735	–
Non-amortisation of goodwill of an associate	339,305	–
Effects in loss for the year	(1,972,700)	–

The cumulative effects of the application of the new HKFRSs on 31st December 2004 and 1st January 2005 are summarised below:

	As at 31/12/2004 (originally stated) *HK$*	Retrospective Adjustments *HK$* HKAS 1	As at 31/12/2004 & 1/1/2005 (restated) *HK$*
Minority interests	–	2,087,472	2,087,472
Total effects on equity	–	2,087,472	2,087,472
Minority interests	2,087,472	(2,087,472)	–

Note: The application of the new HKFRSs has no effect on the Group's equity on 1st January 2004.

5. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis. The consolidated financial statements have been prepared in accordance with HKFRSs. In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(b) Goodwill

Goodwill arising on an acquisition of a subsidiary or an associate for which the agreement date is on or after 1st January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary or associate at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet. Capitalised goodwill arising on an acquisition of an associate (which is accounted for using the equity method) is included in the cost of the investment of the relevant associate.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary or an associate, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(c) Interests in associates

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

(d) Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimate residual value, using the straight-line method, at the following rates per annum:

Computer and other equipment	4 – 5 years
Furniture and fixtures	3 years
Motor vehicles	8 years
Leasehold improvements	Over the shorter of 5 years or the unexpired terms of the leases.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

(e) Intangible assets

On initial recognition, intangible assets acquired separately are recognised at cost. After initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognised.

Research and development expenditures

Expenditure on research activities is recognised as an expense in the year in which it is incurred. An internally-generated intangible asset arising from development expenditure is recognized only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less accumulated amortisation and any accumulated impairment losses. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the year in which it is incurred.

Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired (see the accounting policies in respect of impairment losses for tangible and intangible assets below).

(f) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, deposits and loan receivables) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities including trade and other payables, loan from a shareholder and borrowings are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(g) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

(h) Revenue recognition

(i) Sales of goods

Sales of goods are recognised when goods are delivered and title has passed.

(ii) Provision of information localisation services

Revenue from the provision of information localisation services are recognised when the services are rendered.

(iii) Licensing fee

Licensing fee is recognised upon the issuance of authorisation letter to the customers pursuant to which the customers are granted the right to make an agreed number of copies of the patented software.

(iv) Custom-made solutions

When the outcome of a custom-made solution contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a custom-made solution contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(v) Interest income

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(i) Retirement benefit costs

Payments to state-managed retirement benefit scheme and Mandatory Provident Fund Scheme are charged as an expense as they fall due.

(j) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(k) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such Exchange differences are recognised in profit or loss in the period in which the foreign operating is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1st January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Goodwill and fair value adjustments arising on acquisitions of foreign operations prior to 1st January 2005 are treated as non-monetary foreign currency items of the acquirer and reported using the historical exchange rate prevailing at the date of the acquisition.

(l) Leasing

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

(m) Shared-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors, employees, consultants and other eligible participants of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in share based payment reserve.

At the time when the share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share based payments are forfeited or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to accumulated losses.

(n) Impairment losses (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately unless the relevant asset is carried at a revalued amount under another standard in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognized as income immediately unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity's accounting policies which are described in note 5, management has made the following judgments that have significant effect on the amounts recognised in the financial statements. The key assumptions concerning the future, and other key sources of estimation in uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives, after taking into account of their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

Amortisation of intangible assets

Intangible assets are amortised on a straight-line basis over their estimated useful lives. The determination of the useful lives involve management's estimation. The Group re-assesses the useful life of the intangible assets and if the expectation differs from the original estimate, such a difference may impact the amortisation in the year and the estimate will be changed in the future period.

Estimated impairment of intangible assets (excluding goodwill)

The Group evaluates whether intangible assets (excluding goodwill) have suffered any impairment whenever events or changes in circumstances indicated that the carrying amount of the assets may not be recoverable, in accordance with the accounting policy stated in Note 5(e). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Allowance for bad and doubtful debts

The Group performs ongoing credit evaluations of its customers and adjust credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that its has been identified. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses.

Allowance for inventories

The management of the Group reviews an aging analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for obsolete items.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31st December 2005, the carrying amount of goodwill is HK$9,697,350. Details of impairment testing on goodwill are set out in note 21.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade receivables, other receivables, investment funds, deposit for acquisition of subsidiaries, trade and other payables and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

At 31st December 2005, the Group had net current liabilities of approximately HK$8.1 million, overdue bank borrowings of approximately HK$13.2 million and cash and cash equivalents of only approximately HK$561,000. Notwithstanding these, the directors consider that with the continuous financial support of the Group's bankers and shareholders and the attainment of profitable and positive cash flow investments in the PRC, the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. The validity of which depends upon the future funding being available.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st December 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed rate bank borrowings.

8. REVENUE AND OTHER OPERATING INCOME

Revenue represents the revenue from the provision of information localisation services and custom-made solution contracts and the sales value of goods sold after allowances for goods returned, excludes value added or other sales taxes and is after the deduction of any trade discounts.

	2005	**2004**
	HK$	*HK$*
		(restated)
Revenue		
Information localisation services	3,758,594	8,661,921
General software	4,995	2,946,951
Custom-made solutions	–	1,317,587
Licensing fee	–	1,022,758
	3,763,589	13,949,217
Other operating income		
Interest income	81,934	22,003
Value added tax ("VAT") refund *(note)*	–	1,044,762
Other income	64,372	47,873
	146,306	1,114,638

Note: Pursuant to the relevant approval document issued by the tax authorities in Beijing, a subsidiary of the Group is entitled to a refund of VAT on the sales of self developed software. The VAT refund represents the amount of VAT paid in excess of 3% of income generated from the sale of self-developed software. The amount of VAT refund is calculated on a monthly basis and recognised as other revenue when the refund is approved by the relevant tax authorities.

9. SEGMENT REPORTING

During the year ended 31st December 2005, the Group is principally engaged in the provision of information localisation services. Business segmental information for the Group for the year ended 31st December 2005 and 2004 are shown as below. As the Group mainly operates in the PRC, no geographical segment information is presented.

Business segments

(i) Information localisation services

To provide translation and information localisation services.

(ii) General software

The development and sale of a range of self developed standardised software products.

(iii) Customer-made solutions

To develop and implement custom-made solutions which are specifically designed and developed for the specific needs and requirements of a particular customer.

(iv) Licensing fee

To grant the right to the customers for making an agreed number of copies of the patented software.

Business segments

For the year ended 31st December 2005

	Information localisation services	General software	Custom-made solutions	Licensing fee	Inter-segment elimination	Consolidated
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Revenue from external customers	3,758,594	4,995	–	–	–	3,763,589
Segment result	(9,914,670)	(12,366,503)	–	–	–	(22,281,173)
Unallocated operating income and expenses						(12,290,506)
Finance costs						(1,124,725)
Share of results of associates						(658,940)
Loss on disposal of an associate						(3,097,889)
Loss before tax						(39,453,233)
Income tax expenses						(5,722)
Loss for the year						(39,458,955)
Depreciation and amortisation	2,391,358	–	–	–		
Impairment loss on intangible assets	–	437,614	–	–		
Allowance for bad and doubtful debts	–	3,565,632	–	–		
Allowance for inventories	–	2,636,366	–	–		
Loss on disposal of property, plant and equipment	–	46,975	–	–		
Written off of property, plant and equipment	–	1,906,331	–	–		
Written off of deposit for acquisition of property, plant and equipment	–	3,773,585	–	–		
Capital expenditure	500,825	–	–	–		
At 31st December 2005						
Segment assets	8,563,571	–	–	–	–	8,563,571
Unallocated corporate assets						43,084,182
Consolidated total assets						51,647,753
Segment liabilities	2,851,857	–	–	–	–	2,851,857
Unallocated liabilities						36,469,547
Consolidated total liabilities						39,321,404

For the year ended 31st December 2004

	Information localisation services *HK$*	General software *HK$*	Custom-made solutions *HK$*	Licensing fee *HK$*	Inter-segment elimination *HK$*	Consolidated *HK$* (restated)
Revenue from external customers	8,661,921	2,946,951	1,317,587	1,022,758	–	13,949,217
Segment result	(3,942,439)	(12,118,910)	(927,264)	372,384	–	(16,616,229)
Unallocated operating income and expenses						(8,740,773)
Finance costs						(631,050)
Share of result of an associate						4,700
Loss before tax						(25,983,352)
Income tax expenses						(373)
Loss for the year						(25,983,725)
Depreciation and amortisation	678,000	2,495,197	–	–		
Impairment loss on intangible assets	–	1,214,482	–	–		
Allowance for bad and doubtful debts and inventories	141,509	4,483,667	2,832,939	179,554		
Capital expenditure	2,235,442	–	–	–		
At 31st December 2004						
Segment assets	7,001,216	9,115,082	–	145,789	–	16,262,087
Unallocated corporate assets						55,329,135
Consolidated total assets						71,591,222
Segment liabilities	1,127,826	749,491	43,867	34,051	–	1,955,235
Unallocated liabilities						21,132,423
Consolidated total liabilities						23,087,658

10. RESEARCH AND DEVELOPMENT COSTS

	2005	**2004**
	HK$	*HK$*
Staff costs	651,179	1,292,721
Rental expenses	576,531	949,153
Others	43,263	–
Software acquired for development	–	2,235,442
	1,270,973	4,477,316
Less: Amount capitalised *(note 19)*	(1,270,973)	(4,477,316)
	–	–
Add: Amortisation of intangible assets	1,160,580	2,202,037
Impairment of intangible assets	437,614	1,214,482
	1,598,194	3,416,519

11. FINANCE COSTS

	2005	**2004**
	HK$	*HK$*
Interest on bank borrowings wholly repayable within five years	1,124,725	631,050

12. LOSS BEFORE TAX

	2005	**2004**
	HK$	*HK$*
Loss before tax has been arrived at after charging:–		
Auditors' remuneration		
– current year	325,472	750,000
– over-provision in prior year	(48,150)	–
Staff costs, including directors' remuneration *(note 14)*		
Salaries, wages and allowances	5,114,953	7,469,649
Share-based payments	2,034,230	–
Contributions to retirement benefits schemes *(note 31)*	396,443	281,016
	7,545,626	7,750,665
Cost of inventories	–	4,511,358
Depreciation of property, plant and equipment	1,230,778	971,160
Amortisation of intangible assets	1,160,580	2,202,037
Impairment of intangible assets	437,614	1,214,482
Allowance for inventories	2,636,366	1,717,569
Loss on disposal of property, plant and equipment	46,975	–
Loss on disposal of an associate	3,097,889	–
Written off of property, plant and equipment	1,906,331	–
Written off of deposit for acquisition of property, plant and equipment (Included in other receivables)	3,773,585	–
Operating lease charges in respect of properties	1,487,954	3,176,183
Allowance for bad and doubtful debts	7,446,339	5,920,100
Net exchange loss	13,736	2,183
Share of tax of associates included in share of results of associates	–	902
Share-based payments	1,247,510	–

13. INCOME TAX EXPENSES

(a) The amount of tax charged to the consolidated income statement represents:

	2005	**2004**
	HK$	*HK$*
Enterprise income tax in the PRC		
– current year	5,722	373

No provision has been made for Hong Kong Profits Tax as the Group did not earn income subject to Hong Kong Profits Tax during the years ended 31st December 2005 and 2004. The PRC Enterprise income tax of the Group represents the provisions for the PRC income tax on profits of subsidiaries operating in the PRC which have been calculated at the prevailing income tax rates ranging from 7.5% to 33% under the relevant PRC income tax rules and regulations applicable to the subsidiaries.

As foreign investment enterprises in the PRC, two subsidiaries of the Company are granted certain tax relief, under which they are entitled to income tax exemption for first three profit making years and to a 50% relief for PRC income tax to the following three years, after which the subsidiaries' profits are subject to PRC income tax at the rate of 15%.

(b) The tax charge for the year can be reconciled to the loss per the income statement as follows:

	2005	**2004**
	HK$	*HK$*
Loss before tax	(39,453,233)	(25,983,352)
Notional tax on loss before tax, calculated at the rates applicable to profits in the PRC	(3,341,651)	(2,176,139)
Tax effect of expenses not deductible for tax purposes	2,008,135	1,418,474
Tax effect of income not subject to tax	–	(78,777)
Tax effect of unrecognised tax losses	1,339,238	836,815
Tax charges	5,722	373

(c) The Group has not recognised deferred tax assets in respect of tax losses of HK$15,596,180 (2004: HK$4,923,223) as it is not certain that future taxable profits will be available against which the asset can be utilised. The tax losses can be used to make good of subsequent years' profits and will expire in five years from the year the tax losses were resulted under the current tax legislation.

14. DIRECTORS' REMUNERATION

The remuneration paid or payable to each of the 14 (2004: 12) directors were as follows:

2005	Fees	Salaries and other emoluments	Share-based payments	Contribution to retirement benefits scheme	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Executive Directors					
Sze Wai, Marco	–	240,000	169,950	12,000	421,950
He En Pei	–	280,000	545,534	12,000	837,534
Chu Chi Shing *(note 2)*	–	90,000	–	4,500	94,500
Shang Guan Bu Yan	–	120,000	113,300	6,000	239,300
Chen Si Gen	–	180,000	113,300	9,000	302,300
Wang Hui Bo *(note 2)*	–	135,000	–	6,750	141,750
He Zhan Tao *(note 2)*	–	180,000	61,050	9,000	250,050
Chen Cheng Ping *(note 1)*	–	10,000	–	500	10,500
Tan Shu Jiang *(note 3)*	–	20,000	–	1,000	21,000
Independent Non-Executive Directors					
Wang Tian Ye	120,000	–	22,660	–	142,660
Wang Bin *(note 5)*	66,000	–	–	–	66,000
Xu Shi Hong *(note 5)*	66,000	–	–	–	66,000
Song Jing Sheng *(note 4)*	54,333	–	–	–	54,333
Ho Chen-yu *(note 6)*	72,936	–	–	–	72,936
	379,269	1,255,000	1,025,794	60,750	2,720,813

Notes:

1. Resigned on 4th February 2005
2. Resigned on 1st October 2005
3. Appointed on 1st November 2005
4. Resigned on 13th June 2005
5. Appointed on 13th June 2005
6. Retired on 6th May 2005

2004	Fees	Salaries and other emoluments	Contribution to retirement benefits scheme	Total
	HK$	*HK$*	*HK$*	*HK$*
Executive Directors				
Sze Wai, Marco	–	240,000	12,000	252,000
He En Pei	–	287,974	12,142	300,116
Chu Chi Shing	–	120,000	6,000	126,000
Shang Guan Bu Yan	–	120,000	6,000	126,000
Chen Si Gen	–	180,000	9,000	189,000
Wang Hui Bo	–	180,000	9,000	189,000
He Zhan Tao	–	247,955	12,142	260,097
Chen Cheng Ping	–	120,000	6,000	126,000
Independent Non-Executive Directors				
Wang Tian Ye	120,000	–	–	120,000
Song Jing Sheng	120,000	–	–	120,000
Chiu Chi Shun, Clarence *(note 1)*	102,257	–	4,614	106,871
Ho Chen-yu *(note 2)*	30,000	–	6,500	36,500
	372,257	1,495,929	83,398	1,951,584

Notes:

1. Resigned on 8th October 2004

2. Appointed on 28th September 2004

No emoluments were paid by the Group to the directors or any of the give highest paid individuals (note 15) as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived any emoluments in the two years ended 31st December 2005 and 2004.

15. EMPLOYEES EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, 4 (2004: 4) are directors whose emoluments are disclosed in note 14. The aggregate of the emolument in respect of the other individual for the years ended 31st December 2005 and 2004 are as follows:

	2005	2004
	HK$	*HK$*
Salaries and other emoluments	224,877	264,000
Contributions to retirement benefits scheme	9,000	12,200
	233,877	276,200

The emoluments were within the following band:

	Number of employee 2005	2004
Nil – HK$1,000,000	1	1

16. DIVIDEND

No dividend was paid or proposed during the two years ended 31st December 2005 and 2004 nor has any dividend been proposed since the balance sheet date.

17. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to equity holders of the parent of HK$38,371,804 (2004: HK$25,495,725) and the weighted average of 200,000,000 (2004: 198,849,315) shares in issue during the year.

No diluted loss per share amounts have been presented for the two years ended 31st December 2005 and 2004 as there was no diluting events existed during those years.

18. PROPERTY, PLANT AND EQUIPMENT

	Computer and other equipment	**Furniture and fixtures**	**Motor vehicles**	**Leasehold improvements**	**Total**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
COST					
At 1st January 2004	2,504,052	493,609	929,399	–	3,927,060
Additions	1,078,487	829,466	–	1,961,969	3,869,922
At 31st December 2004	3,582,539	1,323,075	929,399	1,961,969	7,796,982
Additions	123,467	–	–	377,358	500,825
Disposals/written off	(1,529,797)	(184,779)	(143,159)	(1,856,714)	(3,714,449)
At 31st December 2005	2,176,209	1,138,296	786,240	482,613	4,583,358
ACCUMULATED DEPRECIATION					
At 1st January 2004	1,664,628	392,684	342,908	–	2,400,220
Charge for the year	401,097	202,724	110,412	256,927	971,160
At 31st December 2004	2,065,725	595,408	453,320	256,927	3,371,380
Charge for the year	480,359	266,572	110,412	373,435	1,230,778
Eliminated on disposals/ written off	(881,927)	(112,432)	(102,044)	(536,867)	(1,633,270)
At 31st December 2005	1,664,157	749,548	461,688	93,495	2,968,888
NET BOOK VALUE					
At 31st December 2005	512,052	388,748	324,552	389,118	1,614,470
At 31st December 2004	1,516,814	727,667	476,079	1,705,042	4,425,602

19. INTANGIBLE ASSETS

	HK$
COST	
At 1st January 2004	7,217,949
Additions	4,477,316
At 31st December 2004	11,695,265
Additions	1,270,973
At 31st December 2005	12,966,238
ACCUMULATED AMORTISATION / IMPAIRMENT	
At 1st January 2004	3,704,372
Charge for the year	2,202,037
Impairment loss	1,214,482
At 31st December 2004	7,120,891
Charge for the year	1,160,580
Impairment loss	437,614
At 31st December 2005	8,719,085
NET BOOK VALUE	
At 31st December 2005	4,247,153
At 31st December 2004	4,574,374

Intangible assets comprise computer software development costs. The intangible assets have definite useful lives and amortised on a straight line basis over five years.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software.

Owing to the unsatisfactory sales records on certain computer software, the directors have performed an assessment on the recoverable amount of the development costs previously capitalised for these computer software. Based on this assessment, the directors consider that it is unlikely that these development costs have any future value in use and hence the carrying amount of these development costs in the amount of HK$437,614 (2004: HK$1,214,482) were fully impaired.

20. INTEREST IN AN ASSOCIATE

	2005	2004
	HK$	*HK$*
Cost of investment in an unlisted associate	5,298,750	3,301,887
Share of post acquisition (loss)/profit	(450,242)	4,700
	4,848,508	3,306,587

As at 31st December 2005, the Group had interest in the following associate:

					Proportion of ownership interest			
Name of associate	**Form of business**	**Class of shares held**	**Place of incorporation/ operation**	**Particulars of issued and paid up capital**	**Group's effective interest**	**held by the Company**	**held by subsidiary**	**Principal activity**
Beijing Advanced Information Storage Technology Co., Ltd. ("Beijing AIS") 北京愛思拓信息存儲技術有限公司	Incorporated	Contributed capital	PRC	RMB12,500,000	45%	–	45%	Development and sales of jukebox and the provision of data storage services

Included in the cost of investment in an associate is goodwill of HK$3,393,054 (2004: Nil) arising on acquisition of the associate during the year. The movement of goodwill is set out below.

	HK$
COST AND CARRYING VALUE	
Arising on acquisition of an associate during the year	3,393,054
At 31st December 2005	3,393,054

The directors are of the opinion that the recoverable amount of the goodwill arising from the acquisition of an associate exceeds its carrying amount and no impairment loss is necessary. The summarised financial information in respect of the Group's associate is set out below:

	2005	**2004**
	HK$	*HK$*
Total assets	6,711,403	10,561,520
Total liabilities	(3,477,060)	(1,114,126)
Net assets	3,234,343	9,447,394
Group's share of net assets of an associate	1,455,454	3,306,587
Revenue	1,144,334	3,550,794
(Loss)/profit for the year	(2,387,142)	13,431
Group's share of result of an associate for the year	(450,242)	4,700

The Group disposed of its entire 35% equity interest in Beijing Polypegasus and Technology Co., Ltd. in December 2005 for nil consideration. Loss attributed to this disposal amounted to HK$3,097,889. For the year ended 31st December 2005, the Group shared loss from this former associate amounted to HK$208,698 up to the disposal date.

21. GOODWILL

	HK$
COST AND CARRYING VALUE	
Arising on acquisition of a subsidiary *(see Note 34)*	9,697,350
At 31st December 2005	9,697,350

Impairment testing on goodwill

For the purposes of impairment testing, goodwill have been arising from the acquisition of a subsidiary, New Champion International Limited ("New Champion"). New Champion is an investment vehicle holding 45% interests in Beijing AIS. Other than holding the 45% interests in Beijing AIS, New Champion does not have any business and own any material assets. Beijing AIS is principally engaged in the development and sale of Jukebox in the PRC.

During the year ended 31st December 2005, the management of the Group prepared profit forecast and cash flow forecast ("the Forecast") in respect of Beijing AIS. The cash flow forecast based on financial budgets approved by management covering a period of 8 years period and discount rate of 4.5%. Cash flow forecast during the budget period are based on the expected gross margins during the budget period. Budgeted gross margins have been determined based on the management's expectation for the market development and the management believe that the gross margins are reasonable. The directors are of the opinion, based on the Forecast, that the recoverable amounts of the goodwill with indefinite useful lives exceed their carrying amount in the consolidated balance sheet and no impairment loss is necessary.

22. INVENTORIES

	2005	2004
	HK$	*HK$*
Finished goods		
– general software held on consignment	–	2,559,205

23. TRADE RECEIVABLES

	2005	2004
	HK$	*HK$*
Net trade receivables	416,900	8,338,684

Debts are due for payment at the date of billing. Credit term granted by the Group to customers is generally between one to six months. Subject to negotiation, extended credit terms are available for certain major customers with well-established trading records. An aged analysis of the trade receivables (net of allowance for bad and doubtful debts) as at the balance sheet date are as follows:

	2005	2004
	HK$	*HK$*
Within 1 month	11,707	922,084
Aged over 1 month but less than 4 months	33,561	191,552
Aged over 4 months but less than 8 months	64,835	1,048,655
Aged over 8 months but less than 1 year	306,797	3,536,387
Aged over 1 year	–	2,640,006
	416,900	8,338,684

The fair value of the Group's trade receivables at 31st December 2005 was approximate to the corresponding carrying amount.

24. INVESTMENT FUNDS

Pursuant to an agreement dated 1st June 2004, a subsidiary of the Group entered into an agreement with 北京盛邦投資有限公司 ("盛邦"), an independent PRC company, for a term of one year for the provision of advisory service on capital investment and expired during the year on 30th June 2005. As at 31st December 2004, a total of HK$7,966,671 was placed with 盛邦 and recorded as investment funds.

On 30th June 2005, a subsidiary of the Group entered into a supplementary agreement to extend the provision of advisory service on capital investment for a further year and expiring on 30th June 2006. During the year, the Group paid further deposits to 盛邦 of HK$8,460,414 with an aggregate amount of HK$16,427,085 held by 盛邦 as at 31st December 2005. The directors are of the opinion that the carrying amount of the investment funds is approximate to its fair value.

25. DEPOSIT FOR ACQUISITION OF SUBSIDIARIES

On 28th December 2004, the Group entered into a revised letter of intent with an independent third party to acquire the entire interest in Mighty Wish Services Limited ("Mighty Wish") and Shanghai Ruijin Translation Company Limited ("Translation Company"). As at 31st December 2004, the Group has paid HK$1,905,660 and was retained as a deposit for the acquisition (the "Deposit").

On 30th March 2005, the Group entered into an equity transfer agreement with Mighty Wish and the independent third party (the "Equity Transfer Agreement"). Pursuant to the Equity Transfer Agreement, the Group agreed to acquire the entire equity interest in both Mighty Wish and Translation Company at a consideration of HK$19,500,000 subject to the conditions that the Translation Company has been reorganised as a wholly owned subsidiary of Mighty Wish or with prior written consent of the Group, under the PRC laws and regulations that the Translation Company has been legally and validly converted into a wholly owned foreign enterprise within 90 days after the execution of the Equity Transfer Agreement. The Equity Transfer Agreement shall be terminated forthwith in the event that if the condition set above is not fulfilled within 90 days after the execution of the Equity Transfer Agreement. The independent third party shall return the entire amount of the Deposit (without interest) to the Group.

On 28th June 2005, the Group, the independent third party and Mighty Wish entered into a supplementary agreement to the Equity Transfer Agreement ("Supplemental Agreement") pursuant to which the long stop date for the fulfillment of such condition precedent to the completion of the Acquisition was extended from 90 days to 180 days after the execution of the Equity Transfer Agreement.

As at 31st December 2005, the Group has paid an aggregate amount of HK$12,710,149 which was retained as a deposit for the acquisition of the subsidiaries. The transactions have not yet completed and the long stop date was expired as at the balance sheet date. However, the Company's directors remained confident that the transactions will be completed and the entire deposit will be converted into investment costs in subsidiaries.

26. LOANS TO MINORITY SHAREHOLDERS

	2005	**2004**
	HK$	*HK$*
Loans to minority shareholders	1,396,226	1,396,226
Less: Allowance for bad and doubtful debts	(1,396,226)	–
	–	1,396,226

As at 31st December 2004, loans to minority shareholders are unsecured, bearing interest at 3% per annum and were repayable before 31st December 2005. The amounts were overdue and in the opinion of directors, the amounts due from the minority shareholders are irrecoverable and accordingly, an allowance of HK$1,396,226 was recognised in the consolidated income statement during the year ended 31st December 2005.

27. TRADE AND OTHER PAYABLES

	2005	2004
	HK$	*HK$*
Trade payables	352,350	412,161
Other payables	5,786,078	4,960,447
	6,138,428	5,372,608

An aged analysis of the trade payables as at the balance sheet date are as follows:

	2005	2004
	HK$	*HK$*
Due within 3 months or on demand	11,792	412,161
Due after 3 months but within 6 months	–	–
Due after 6 months but within 1 year	–	–
Over 1 year	340,558	–
	352,350	412,161

28. AMOUNT DUE TO A SHAREHOLDER

	2005	2004
	HK$	*HK$*
Loan advanced therefrom *(note a)*	–	2,321,709
Amount due thereto *(note b)*	18,217,071	106,000
	18,217,071	2,427,709

Notes:

(a) Loan advanced from a shareholder is unsecured, interest free (2004: bear interest ranged from 1.6% to 2.7% per annum) and is repayable on demand.

(b) Amount due to a shareholder represented operating expenses paid on behalf of the Group. The amount is unsecured, interest free and repayable on demand.

(c) The directors consider that the carrying amount of amount due to a shareholder was approximate to its fair value.

29. AMOUNTS DUE TO DIRECTORS

The amounts due to directors are unsecured, interest free and repayable on demand.

30. BORROWINGS

	2005 *HK$*	2004 *HK$*
Unsecured bank loan *(note a)*	13,207,547	14,150,943
Unsecured other loan *(note b)*	436,321	471,698
	13,643,868	14,622,641
Carrying amount repayable:		
On demand or within one year	13,643,868	14,622,641
Less: Amounts due within one year shown under current liabilities	(13,643,868)	(14,622,641)
	–	–

Notes:

(a) The unsecured bank loan amounting to HK$13,207,547 (2004: HK$14,150,943) was bearing interest at 6.38% (2004: 6.38%) per annum and matured on 30th May 2005. The unsecured bank loan has been overdue and interest charge at 9.558% per annum. The Company is in the process of negotiating the terms with the relevant banker. As at 31st December 2005, those negotiations had not been concluded and the lender has not agreed to waive its right to demand immediate payment as at the balance sheet date.

The unsecured bank loan is guaranteed by a former shareholder of a subsidiary of the Company.

(b) The other loan of HK$436,321 (2004: HK$471,698) advanced from an independent third party is interest free (2004: interest of 2% per month) and repayable on demand.

The Group's borrowings that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	2005 *RMB*	2004 *RMB*
Fixed-rate bank loans	14,000,000	15,000,000
Other loans	462,500	500,000

The directors consider that the carrying amount of borrowings was approximate their fair value.

31. RETIREMENT BENEFITS

Subsidiaries operating in the PRC participate in state-managed retirement benefit schemes whereby the subsidiaries are required to pay annual contributions at the rate of 19% – 34% of the basic salaries. Under these schemes, retirement benefits of existing and retired employees are payable by the relevant authorities and the Group has no further obligations beyond the annual contributions. The Company operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme managed by an independent approved MPF trustee. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the scheme vest immediately.

During the year, the aggregate contributions made by the Group to the retirement schemes amount to HK$396,443 (2004: HK$281,016). The Group does not operate any other scheme for retirement benefits provided to the Group's employees.

32. SHARE CAPITAL

		2005		**2004**	
	Notes	*Number of shares*	*HK$*	*Number of shares*	*HK$*
Authorised:					
Ordinary share of HK$0.01 each		4,000,000,000	40,000,000	4,000,000,000	40,000,000
Issued:					
At 1st January		200,000,000	2,000,000	20,000,000	200,000
Issuance of shares for cash	*(i)*	–	–	70,000,000	700,000
Capitalisation issue	*(ii)*	–	–	110,000,000	1,100,000
At 31st December		200,000,000	2,000,000	200,000,000	2,000,000

Notes:

(i) On 7th January 2004, 70,000,000 ordinary shares of HK$0.01 each were issued and offered for subscription ("Placing") at a price of HK$0.43 per share upon the listing of the Company's shares on the GEM of the Stock Exchange. The Group raised approximately HK$17,766,990 net of related expenses from the Placing.

(ii) Pursuant to a resolution of the directors' meeting held on 6th January 2004 (conditional upon the share premium account of the Company being credited as a result of the Placing), an amount of HK$1,100,000 standing to the credit of the share premium account of the Company was applied in paying up in full at par 110,000,000 ordinary shares of HK$0.01 each allotted pursuant to the capitalisation issue authorised by a written resolution passed on 25th November 2003.

33. SHARE-BASED PAYMENT TRANSACTIONS

A share option scheme (the "Scheme") of the Company was adopted on 25th November 2003 for the purpose of providing incentives and rewards to eligible participants, including the executive directors of the Company, who contribute to the success of the Group's operations. The Board of Directors of the Company may, at their discretion, grant option to the eligible participants including any employees, directors, suppliers, customers, advisors, consultants, joint venture partners and any shareholders of any members of the Group or any invested entities or any holders of any securities issued by any members of the Group or any invested entities. The maximum number of shares of the Company which may be issued upon exercise of all options granted under its Scheme or any other share option scheme adopted by the Company must not exceed 30% of its issued share capital from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 20,000,000 shares, being 10 per cent of the shares in issue unless it is approved by shareholders in a general meeting of the Company. The maximum number of shares issuable under the options to each eligible participant in any 12-month period is limited to 1% of the shares in issue unless it is approved by substantial shareholder in a general meeting of the Company. Any grant of options under the Scheme to a director, chief executive, management shareholder or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive directors (excluding any independent non-executive director who or whose associate is the proposed grantee of the options). Any share options granted to a substantial shareholder or an independent non-executive director of the Company or to any of their respective associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of grant) in excess of HK$5 million, in any 12-month period, are subject to shareholders' approval in a general meeting of the Company.

At 31st December 2005, the number of shares of the Company in respect of which options had remained outstanding under the Scheme of the Company was 15,070,000, representing 7.54% of the shares of the Company in issue at that date. The offer of a grant of share options may be accepted within 21 business days from the date of the offer of grant of the option. The consideration for a grant of options the Company is HK$1.00. The exercise period of the share options granted is determined by the Board of Directors.

Total consideration received during the year from eligible participants for taking up the options granted during the year is HK$45 (2004: Nil). The exercise price of the share options is determined by the Board of Directors providing that the exercise price of the share options shall not be less than the highest of (i) the closing price of the shares on GEM as stated in the Stock Exchange's daily quotations on the date of the offer of grant, which must be a business day; (ii) the average closing price of the shares on GEM as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

The following table discloses the details of the share options under Share Option Scheme held by directors, employees, consultants and other eligible participants of the Company and movements in such holdings during the year of 2004 and 2005:

		Number of share options				
	Date of Grant	**Outstanding at 1/1/2004, 31/12/2004 and 1/1/2005**	**Granted during the year**	**Cancelled during the year**	**Outstanding at 31/12/2005**	**Exercise price per share** *HK$*
Directors	17th January 2005	–	2,020,000	(250,000)	1,770,000	0.45
	10th October 2005	–	4,700,000	–	4,700,000	0.14
		–	6,720,000	(250,000)	6,470,000	
Employees	17th January 2005	–	3,480,000	(2,480,000)	1,000,000	0.45
	10th October 2005	–	1,400,000	(300,000)	1,100,000	0.14
		–	4,880,000	(2,780,000)	2,100,000	
Consultants	10th October 2005	–	6,700,000	(2,200,000)	4,500,000	0.14
Other eligible participants	17th January 2005	–	2,000,000	–	2,000,000	0.45
Exercisable at the end of the year		–	20,300,000	(5,230,000)	15,070,000	

During the year ended 31st December 2005, options were granted on 17th January and 10th October. The estimated fair values of the options granted on those dates are HK$1,831,500 and HK$1,450,240 respectively. No options were granted prior to 1st January 2005. These fair values were calculated using the Binomial model. The inputs into the model were as follows:

	Share options grant date	
	17/1/2005 *HK$*	**10/10/2005** *HK$*
Share price on grant date	HK$0.445	HK$0.14
Exercise price	HK$0.45	HK$0.14
Expected volatility	75% per annum	75% per annum
Expected life	10 years	10 years
Risk-free rate	2.89% per annum	4.127% per annum
Expected dividend yield	0% per annum	0% per annum

In respect of the share options granted on 17th January 2005, the valuation of the fair value as at the balance sheet date was conducted by a professional valuation company, Watson Wyatt Hong Kong Limited on 4th August 2005. According to its report, the volatility rate of the share price of the Company was determined with reference to the movement of selected comparators' share prices during the period from November 1999 to July 2005. Taking into account the probability of leaving employment and early exercise behavior stated above, the expected life of the grant of options was estimated to be 5.24 years. The risk-free interest rate is taken to be the linearly interpolated yield using Hong Kong Exchange Fund Notes as at 17th January 2005. It is expected that option holders will exercise when the share price is at least 325% of the exercise price. In respect of the share options granted on 10th October 2005, the valuation of their fair value as at the balance sheet date was conducted by another professional valuation company, B.I. Appraisals Limited, on 22nd March 2005. According to its report, historical volatility rate of the share price of the Company was determined with reference to the 90-day historical share prices of the Company proceeding the balance sheet date. Risk-free rate of 4.127% were adopted which were the Hong Kong Interbank Offered Rates (6-months) as at the end of December 2005. Other terms and conditions of these options including but not limited to the exercise condition, number of share outstanding, strike price and conversion numbers of the options. The Group recognised the total expenses of HK$3,281,740 for the year ended 31st December 2005 (2004: Nil) in relation to share options granted by the Company.

34. ACQUISITION OF A SUBSIDIARY

On 24th June 2005, the Group acquired 100% of the issued share capital and shareholder's loan of New Champion for a consideration of HK$9,701,250 and HK$5,298,750 respectively. This acquisition of subsidiary has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$9,697,350. In the opinion of directors, the fair value of the identifiable assets and liabilities of the subsidiary acquired during the year have no significant differences from their respective carrying amounts. The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amount *HK$*
Net assets acquired:	
Other receivables	3,900
Interest in an associate	5,298,750
Loan from a former shareholder	(5,298,750)
	3,900
Goodwill	9,697,350
Consideration is satisfied by:	
Cash	15,000,000
Less: shareholder's loan	(5,298,750)
Net consideration	9,701,250

The outflow of cash and cash equivalents in respect of the purchase of this subsidiary together with the shareholder's loan are HK$15,000,000.

Pursuant to the sales and purchase agreement for the acquisition of New Champion. The consideration shall be adjusted if the audited net profit (prepared in accordance with PRC General Acceptable Accounting Practice) of Beijing AIS, for the period commencing from 1st July 2005 to 30th June 2008 ("Actual result") be lower than RMB10,000,000. In the event that the original consideration shall be adjusted in accordance with the above mechanism, the vendor shall within 30 business days after the issue of the Actual Result refund the applicable agreed amount to the Group in cash. Further details of the acquisition are set out in the Company's circular dated 15th July 2005.

The goodwill arising on the acquisition of New Champion is attributable to the anticipated profitability of its associate, Beijing AIS, which engaged in development and sales of jukebox and provision of related services that can be broadly applied in the PRC market in the near future. New Champion did not contribute any revenue nor profit to the Group for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1st January 2005, total group revenue and profit for the period would not be changed.

35. COMMITMENTS

(a) At the balance sheet date, the Group had capital commitments contracted but not provided for in the financial statement were as follows:

	2005	**2004**
	HK$	*HK$*
Contracted for	–	943,396

(b) At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases are repayable as follows:

	2005	**2004**
	HK$	*HK$*
Within 1 year	1,852,666	2,303,680
Over 1 year but within 5 years	2,345,561	3,961,396
	4,198,227	6,265,076

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to four year, with an option to renew the lease when all terms are renegotiated.

None of the leases includes contingent rentals.

36. LITIGATION

Two writ of summons were filed against the Company for damages in relation to breaches of agreements and defamation arising from the termination of an acquisition of a company. After seeking legal advice, the directors are of the opinion that the alleged claims are unjustifiable and will take vigorous actions to defend the cases. Notices of appeal have been served on 23rd February 2005 and 25th February 2005. Checklist Hearing on 26th October 2005 was attended.

The directors consider that the Company has valid defences against the claims. Accordingly, no provision has been made in respect of the alleged claims in the consolidated financial statements.

37. RELATED PARTY TRANSACTIONS

(a) Significant transactions

	2005	2004
	HK$	*HK$*
Rental expenses *(note)*	73,228	278,400

Note: Rental expenses are paid to a shareholder for the lease of office.

(b) Balances with related parties are disclosed in notes 26, 28 and 29 of the consolidated balance sheet.

(c) Compensation of directors and key management personnel.

The remuneration of directors and other members of key management during the year was as follows:

	2005	2004
	HK$	*HK$*
Short-term benefits	2,131,774	2,315,325
Post-employment benefits	76,744	99,768
Share-based payments	1,208,944	–
	3,417,462	2,415,093

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

(d) On 17th January 2005, the Company granted 2,000,000 share options to one of its substantial shareholders with an exercised price of HK$0.45. The estimated fair value of the options granted to this shareholder on that date is HK$0.2442. The corresponding share-based payments for the options granted amounted to HK$488,400.

38. SUBSIDIARIES

Name of company	Place of incorporation/ establishment	Place of operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	held by the Company	held by subsidiary	Principal activities
Besto Investment Limited ("Besto")	British Virgin Islands ("BVI")	Hong Kong	US$14,833	100%	100%	–	Investment holding
SJTU Sunway Information Technology Co., Ltd. ("SJTU Sunway (Beijing)")*	PRC	PRC	RMB25,000,000	100%	–	100%	Provision of translation services and sales of general software
SUNV (Beijing) Century Information Technology Co., Ltd.*	PRC	PRC	RMB6,000,000	100%	–	100%	Provision of translation services
New Champion International Ltd	BVI	BVI	US$500	100%	–	100%	Investment holding
Beijing Guoxin Sunway IT Co., Ltd.#	PRC	PRC	RMB2,000,000	51%	–	51%	Provision of translation services
Shanghai Sunway Century IT Co., Ltd.#	PRC	PRC	RMB5,000,000	90%	–	90%	Provision of translation services
Fujian Multi Language Translation Service Company Limited #	PRC	PRC	RMB5,000,000	75%	–	75%	Provision of translation services

* *These are wholly foreign-owned enterprises established in the PRC.*

\# *These are domestic limited liability companies established in the PRC.*

	For the year ended 31st December				
	2005	2004	2003	2002	2001
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
		(restated)			
RESULTS					
Revenue	3,763,589	13,949,217	35,502,319	40,614,887	31,964,278
Cost of sales	(2,591,856)	(9,573,605)	(11,910,108)	(15,113,833)	(12,491,494)
Gross profit	1,171,733	4,375,612	23,592,211	25,501,054	19,472,784
Other operating income	146,306	1,114,638	2,246,769	3,085,397	2,691,947
Selling expenses	(4,823,871)	(14,952,792)	(8,246,410)	(11,214,800)	(10,370,214)
Research and development costs	(1,598,194)	(3,416,519)	(2,545,448)	(2,694,059)	(813,148)
Administrative expenses	(29,467,653)	(12,477,941)	(6,185,542)	(6,039,075)	(4,226,174)
Share of results of associates	(658,940)	4,700	–	–	–
Finance costs	(1,124,725)	(631,050)	(208,037)	122,379	(44,170)
Loss on disposal of an associate	(3,097,889)	–	–	–	–
(Loss)/profit before taxation	(39,453,233)	(25,983,352)	8,653,543	8,760,896	6,711,025
Income tax expenses	(5,722)	(373)	(509,068)	–	–
(Loss)/profit for the year	(39,458,955)	(25,983,725)	8,144,475	8,760,896	6,711,025
Attributable to:					
Equity holders of the parent	(38,371,804)	(25,495,725)	8,144,475	8,760,896	6,711,025
Minority interests	(1,087,151)	(488,000)	–	–	–
	(39,458,955)	(25,983,725)	8,144,475	8,760,896	6,711,025
(Loss)/earnings per share					
Basic	(19.19) cents	(12.82) cents	6.26 cents	6.74 cents	5.16 cents
Diluted	N/A	N/A	N/A	N/A	N/A

	As at 31st December				
	2005	2004	2003	2002	2001
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
ASSETS AND LIABILITIES					
Total assets	51,647,753	71,591,222	74,652,954	47,803,900	27,689,375
Total liabilities	(39,321,404)	(23,087,658)	(21,208,127)	(16,182,793)	(4,829,164)
	12,326,349	48,503,564	53,444,827	31,621,107	22,860,211
Equity attributable to equity holders of the parent	11,326,028	46,416,092	53,444,827	31,621,107	22,860,211
Minority interests	1,000,321	2,087,472	–	–	–
	12,326,349	48,503,564	53,444,827	31,621,107	22,860,211

THIRD QUARTERLY UNAUDITED RESULTS

Set below are the unaudited quarterly consolidated results of the Group for the nine months ended 30th September 2006 together with the comparative unaudited figures for the corresponding period 2005 as extracted from the Third Quarterly Report 2006 of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Nine-month ended 30th September 2006		**Three-month ended 30th September 2006**	
		2006	**2005**	**2006**	**2005**
	Note	*HK$' 000*	*HK$' 000*	*HK$' 000*	*HK$' 000*
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Turnover	*2*	675	3,005	301	1,299
Cost of sales		(639)	(1,348)	(296)	(671)
Gross profit		36	1,657	5	628
Other revenue		–	64	–	3
Selling expenses		(338)	(3,953)	(17)	(1,283)
Research and development costs		(940)	(1,737)	(313)	(482)
Administrative expenses		(3,006)	(10,704)	(757)	(2,775)
Loss from operations		(4,248)	(14,673)	(1,082)	(3,909)
Net finance costs		(223)	(1,239)	–	(826)
Share of loss of an associate		–	(552)	–	(199)
Loss from ordinary activities before taxation		(4,471)	(16,462)	(1,082)	(4,934)
Taxation	*3*	–	–	–	–
Loss for the period		(4,471)	(16,462)	(1,082)	(4,934)
Attributable to:					
Equity holders of the parent		4,449	(16,169)	(1,083)	(4,829)
Minority interests		(22)	(293)	1	(105)
		(4,471)	(16,462)	(1,082)	(4,934)
Loss per share	*5*				
Basic (cents)		(2.23)	(8.08)	(0.54)	(2.41)
Diluted (cents)		N/A	N/A	N/A	N/A

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the parent								
	Share Capital	Share Premium	Capital surplus	General reserve	Share-based payment reserve	Retained earnings/ (accumulated loss)	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January 2005	2,000	30,224	15,090	2,927	–	(3,825)	46,416	2,087	48,503
Loss for the period						(38,372)	(38,372)	(1,087)	(39,459)
Share based payment recognized	–	–	–	–	3,282	–	3,282	–	3,282
At 31st December 2005 and 1st January 2006	2,000	30,224	15,090	2,927	3,282	(42,197)	11,326	1,000	12,326
Loss for the year	–	–	–	–	–	(4,449)	(4,449)	(22)	(4,471)
At 30th September 2006	**2,000**	**30,224**	**15,090**	**2,927**	**3,282**	**(46,646)**	**6,877**	**978**	**7,855**

Notes:

1. BASIS OF PREPARATION

The Group's unaudited condensed interim financial statements have been prepared in accordance with the applicable disclosure requirements set out in Chapter 18 of the GEM Listing Rules and Hong Kong Accounting Standards ("HKAS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated financial statements have been prepared under the historical cost convention. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December 2005.

2. TURNOVER AND SEGMENT INFORMATION

The principal activities of the Group are, provision of information localization services, the development and sale of general software and custom-made solutions. Turnover represents the revenue from provision of information localisation services, custom-made solution contracts and the sales value of goods sold after allowances for goods returned, excludes value added or other sales taxes and is after the deduction of any trade discounts.

Segment information is presented in respect of the Group's business segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting. As the Group mainly operates in the PRC, no geographical segment information is presented.

The following table presents revenue and results information for the Group's business segment:

	Nine months ended 30th September		Three months ended 30th September	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Information localizations services	675	2,999	301	1,299
General software	–	6	–	–
	675	3,005	301	1,299

3. TAXATION

No provision has been made for Hong Kong Profits Tax as the Group did not earn income subject to Hong Kong Profits Tax during the period ended 30th September 2006 and the period ended 30th September 2005.

4. DIVIDENDS

No dividend has been paid or declared by the Company for the period ended 30th September 2006 (2005: Nil).

5. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share for the nine months and three months ended 30th September 2006 were based on the net loss attributable to equity holders of the parent of HK$4,449,000 and HK$1,083,000 respectively (2005: net loss attributable to equity holders of HK$16,169,000 and HK$4,829,000 respectively) over the weighted average number of ordinary shares in issue of 200,000,000 for the nine months and three months ended 30th September 2006 (2005: 200,000,000).

(b) Diluted loss per share

There were no potential dilutive ordinary shares in existence during the period ended 30th September 2006 and the period ended 30th September 2005.

STATEMENT OF INDEBTEDNESS

As at 30 October 2006 (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this document), the Group had outstanding bank borrowings of approximately HK$13,643,868, a secured bank loan. Saved as disclosed above, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on 30 October 2006.

MATERIAL CHANGE

The Directors confirm that saved as disclosed in the 1st, 2nd and 3rd quarterly report 2006 of the Company, there has been no material change in the financial or trading position or outlook of the Group subsequent to 31st December 2005, being the date to which the last published audited financial statements of the Company were made up.

RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group and the Offers.

The information contained in this document (other than information relating to the Offers, the Offeror and parties acting in concert with it) has been supplied by the Directors who jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than information relating to the Offers, the Offeror and parties acting in concert with it). The Directors confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document (other than information relating to the Offers, the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this document (other than information relating to the Offers, the Offeror and parties acting in concert with it), the omission of which would make any such statements contained in this document misleading. The issue of this document has been approved by the Board.

The information contained in this document relating to the Offers, the Offeror and parties acting in concert with it have been supplied by the directors of the Offeror. The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than that relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document (other than that relating to the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this document (other than that relating to the Group) the omission of which would make any such statements contained in this document (other than that relating to the Group) misleading.

SHARE CAPITAL

(a) Authorised and issued share capital

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

Authorized		*HK$*
4,000,000,000	Shares	40,000,000
Issued and fully paid		
200,000,000	Shares	2,000,000

All existing Shares rank equally in all respects, including in particular as to dividend, voting rights and capital. No Shares have been issued since the end of the last financial year of the Company ended 31 December 2005 (up to the Latest Practicable Date).

(b) Options

As at the Latest Practicable Date, there are 8,000,000 Options entitling Optionholders to subscribe for a total of 8,000,000 new Shares, out of which 6,000,000 Group A Options are exercisable at an exercise price of HK$0.14 per Share at any time up to 9 October 2015 and 2,000,000 Group B Options are exercisable at an exercise price of HK$0.45 per Share at any time up to 17 January 2015.

Save for the Options, there are no outstanding warrants or options or derivatives or securities convertible into Shares as at the Latest Practicable Date.

DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors in the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of each Director in the Shares, Options, warrants, derivatives, securities convertible into the Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company or the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO); (b) pursuant to section 336 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the GEM Listing Rules relating to securities transactions the Directors to be notified to the Company and the Stock Exchange; or (d) to be disclosed in the Composite Offer Document pursuant to the requirements of the Takeovers Code were as follows:

Long positions in the Options and the underlying Shares

Name of Directors	Capacity & nature of interest	Number of Shares *(Note 1)*	% of the Company's issued share capital
Chan Si Gan	Beneficial interest	1,000,000 (L) *(Note 2)*	0.5%
Shang Guan Bu Yan	Beneficial interest	1,000,000 (L) *(Note 2)*	0.5%
Sze Wai, Marco	Beneficial interest	1,500,000 (L) *(Note 2)*	0.75%
Wang Tian Ye	Beneficial interest	200,000 (L) *(Note 2)*	0.1%

Note:

1. The Letter "L" denotes the entity's interests in the Shares.

2. These shares represent the respective number of shares which would be allotted and issued upon exercise in full of the options granted to them under the share option scheme of the Company granted on 10 October 2005 which the exercise price is HK$0.14. These options have no vesting condition and exercisable for a period of ten years.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors knows of any persons/entities (not being a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the equity interests of the subsidiaries of the Company.

Saved as disclosed above, the Directors have no interests in the shareholding of the Company.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of the SFO

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO, and so far as is known to any Director or chief executive or the Company, the following persons had, or were deemed or taken to have, an interest or short position in the Shares or underlying Shares 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:

Name	**Capacity & nature of interest**	**Number of Shares** *(Note 1)*	**Approximate % of Shareholding**
S&D Holdings Group Limited	Beneficial owner	64,355,828 (L)	32.18%
Simplex Technology Investment (HongKong) Co. Limited ("Simplex")	Beneficial owner	22,528,484 (L) *(Note 2)*	11.26%
Shanghai Jiaoda Industrial Investment Management (Group) Limited ("Jiaoda Industrial Group")	Interest of a controlled corporation *(Note 2)*	22,528,484 (L) *(Note 2)*	11.26%
Shanghai Jiao Tong University	Interest of a controlled corporation *(Note 2)*	22,528,484 (L) *(Note 2)*	11.26%
Hong Kong Sunway Technology Development Limited ("HK Sunway")	Beneficial owner	20,157,757 (L)	10.08%

Notes:

1. The Letter "L" denotes the entity's interests in the Shares.

2. The interests in the Shares were held through Simplex, the entire issued share capital of which was beneficially owned by Jiaoda Industrial Group. The registered capital of Jiaoda Industrial Group was owned as to 96.735% by Shanghai Jiao Tong University and 3.265% by Shanghai Jiaoda Enterprise Management Centre* (上海交大企業管理中心), an entity wholly owned by Shanghai Jiao Tong University.

Save as disclosed in this section (b), the Directors and chief executive of the Company are not aware of any person who has an interest or short position in the Shares, or underlying Share 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.

(c) Options

Share Option Scheme of the Company

	Number of underlying Shares attributable to		
Name of Grantee	**Total**	**Group A Options**	**Group B Options**
陳思根	1,000,000	1,000,000	
上官步燕	1,000,000	1,000,000	
史偉	1,500,000	1,500,000	
古培堅	1,000,000	1,000,000	
王天也	200,000	200,000	
陳英祺	1,000,000	1,000,000	
徐彤薇	200,000	200,000	
張少煊	100,000	100,000	
思源科技投資有限公司	2,000,000		2,000,000

As at the Latest Practicable, save for the above Options, there were no outstanding convertible debts, options, warrants, derivatives or securities convertible into Shares.

(d) Interest in the Offeror

As the Latest Practicable Date, the entire issue share capital of the Offeror was ultimately and beneficially owned by Ms. Wen Chen, Ms. Tinna Chan Yee, Mr. David Cigar Yee, Ms. Syed Waliuddin Ahmed, Mr. Syeda Bakhtiar, Mr. Frank Wai Kah Yee and Mr. Stephen Yee as to 4.17%, 14.16%, 14.17%, 14.17%, 14.17%, 15% and 24.16% respectively. Each of these individual investors is an independent third party and is not connected with any connected persons of the Company and has no prior relationship or transactions with the Group. Mr. David Cigar Yee, Mr. Frank Wai Wah Yee and Mr. Stephen Yee are brothers. Ms. Tinna Chan Yee and Ms. Wen Chen are the wife of Mr. David Yee and Mr. Stephen Yee respectively. Ms. Syed Waliuddin Ahmed and Mr. Syed Bakhtiar are husband and wife of another family.

Neither the Company nor any Directors owned or controlled any shares, options, warrants, derivatives or securities convertible into shares of the Offeror or had dealt in the shares, options, warrants derivatives or securities convertible into shares of the Offeror for the six month period prior to the date of the Announcement and up to the Latest Practicable Date.

(e) Other interests in the Company

As at the Latest Practicable Date,

(i) The Offeror was interested in 64,355,828 Shares, representing an approximately 32.18% of the entire issued share capital of the Company. Save as above, none of the Offeror or any one of its beneficial owners, the directors of the Offeror, parties acting in concert with the Offeror, and the Directors were interested in or owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company;

(ii) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers;

(iii) no agreement, arrangement or understanding (including any compensation arrangement) existed between the Offeror or any person acting in concert with it and any Director, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offers;

(iv) none of the subsidiaries of the Company and pension fund of the Company or of a subsidiary of the Company owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company;

(v) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who was an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of associate under the Takeovers Code or with the Offeror or any person acting in concert with it;

(vi) except as disclosed in this document, no Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;

(vii) no person prior to the posting of this document had irrevocably committed himself or herself to accept or reject the Offers;

(viii) none of the advisers to the Company as specified in class (2) of the definition of associate under the Takeovers Code (excluding exempt principal traders) owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company; and

(ix) the Directors did not have any shareholdings in the Company except interested in share options mentioned in page 93 in this document.

DEALINGS IN SECURITIES

(a) By the Offeror and parties acting in concert with it

Save for the entering into of the S&P Agreement and the Completion, there had been no dealings in the Shares, Options, warrants, derivatives or securities convertible into the Shares by the Offeror, the directors of the Offeror and parties acting in concert with it during the six month period prior to the date of the Announcement and up to the Latest Practicable Date.

Pursuant to the Takeovers Code, as the Offers are made through Grand Vinco, and Grand Vinco and Nuada are the joint financial advisers to the Offeror, each of Grand Vinco and Nuada is deemed to be acting in concert with the Offeror for the purpose of the Offers. Neither Grand Vinco nor Nuada is a Shareholder nor has dealt for value in the Shares, Options, warrants, derivatives or securities convertible into the Shares in the six-month period prior to the date of the Announcement and up to the Latest Practicable Date.

(b) By the Directors

There had been no dealings in the Shares, Options, warrants, derivatives or securities convertible into the Shares by any of the Directors during the six-month period prior to the date of the Announcement and up to the Latest Practicable Date.

(c) By the Optionholders who had given the Undertakings

There had been no dealings in the Shares, Options, warrants, derivatives or securities convertible into the Shares by the Optionholders who had given the undertakings during the six month period prior to the date of the Announcement and up to the Latest Practicable Date.

(d) Others

(i) None of the advisers to the Company as specified in class (2) of the definition of the associate under the Takeovers Code (excluding exempt principal traders) had dealt with any Shares, convertible securities, warrants, options or derivatives of the Company for the six month period prior to the date of Announcement and up to the Latest Practicable Date;

(ii) No fund manager (other than exempted fund managers) who are connected with the Company had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company which were managed on a discretionary basis during the period beginning six months prior to the Announcement date and ending on the Latest Practicable Date;

(iii) None of the subsidiaries of the Company and pension fund of the Company or of a subsidiary of the Company had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the period beginning six months prior to the Announcement date and ending on the Latest Practicable Date;

(iv) No persons prior to posting of this Composite Offer Document irrevocably committed himself or herself to accept or to reject the Offers had dealt for value in any securities in the Company during the six months prior to the Announcement date and ending on the Latest Practicable Date.

MARKET PRICES

(a) The highest and lowest closing prices at which the Shares were traded on the Stock Exchange during the period commencing six months preceding the date of the Announcement and ending on the Latest Practicable Date were HK$0.234 per Share on 11 December 2006 and HK$0.133 per Share on from 25 October 2006 to 16 November 2006, respectively.

(b) The table below sets out the closing price per Share as quoted on the Stock Exchange on (i) the last business day of each of the calendar months during the period commencing six months immediately preceding the date of the Announcement; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	**Closing price** *HK$*
16 May 2006	0.137
30 June 2006	0.138
31 July 2006	0.140
31 August 2006	0.140
29 September 2006	0.138
31 October 2006	0.133
23 November 2006 (being the Last Trading Date)	0.135
30 November 2006	Suspended
29 December 2006	0.150
2 January 2007 (being the Latest Practicable Date)	0.150

Source: the website of the Stock Exchange (www.hkex.com.hk)

DIRECTORS' SERVICE CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, each of the executive Directors namely Mr. Sze Wai, Macro, Mr. Chen Si Gen, Mr. Shang Guan Bu Yan has entered into a service contract with the Company for an initial term of three years commencing from 1 November 2003 while Mr. Tan Shu Jiang was for an initial term of one year commencing from 1 November 2006 and renewable automatically for successive one year, and all such service contracts will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other at the end of the initial term or anytime thereafter with fixed monthly remuneration of HK$20,000, HK$15,000, HK$10,000 and HK$10,000 respectively.

Saved as disclosed above, none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the commencement of the offer period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

No benefit has been or will be given to any Director as compensation for loss of office or otherwise in connection with the Offers.

As at the Latest Practicable Date, there was no material contract entered into by the Offeror in which any Director had a material personal interest.

LITIGATION

As at the Latest Practicable Date, a PRC litigation which is of material importance was filed against a subsidiary of the Company arising from the default repayment of a bank loan. Judgement was issued from the court which the subsidiary has to repay the loan principal together with the default interest. Save as disclosed, none of the members of the Company is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Company.

MATERIAL CONTRACTS

During period after the date two years before the date of the Announcement and up to the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Group and are or may be material:

(a) an equity transfer agreement dated 30 March 2005 entered into between Mr. Yu, Besto Investment Limited, a wholly owned subsidiary of the Company and Mighty Wish Investment Limited, in relation to acquisition of translation companies at a consideration of HK$19,500,000.

(b) A sale and purchase agreement dated 24 June 2005 entered into between Besto Investment Limited, a wholly owned subsidiary of the Company and Success Logic Limited, in relation to acquisition of companies which are engaged in the development and sale of jukebox at a consideration of HK$15,000,000.

(c) A conditional acquisition agreement dated 16 May 2006 entered into between Surplus Trade Investment Limited, a wholly owned subsidiary of the Company and Mr. Wong Chi Man in relation to acquisition of companies engaged in hotel management business.

EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or their opinion has been extracted in this Composite Offer Document:

Name	Qualification
Grand Vinco	a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Nuada	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activities under the SFO
Veda Capital	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activities under the SFO
Shinewing (HK) CPA Limited	Certified Public Accountants

Each of Grand Vinco, Nuada and Veda Capital has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the opinion or letter (as the case may be) and references to its name, in the form and context in which it is included.

GENERAL

(a) The registered office of the Company is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman KY1-1111, Cayman Islands British West Indies and its head office and principal place of business in Hong Kong is Units 2003 and 2005, 20/F Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The Company has four executive Directors, namely, Mr. Sze Wai, Macro, Mr. Chen Si Gen, Mr. Shang Guan Bu Yan and Mr. Tan Shu Jiang and three independent non-executive Directors, namely Mr. Wang Tian Ye, Mr. Wang Bin and Mr. Xu Shi Hong.

(b) The principal members of the Offeror's concert group comprise:

(i) the Offeror, whose registered office is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands and the correspondence address of the Offeror is at Unit 2704, 27/F., West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong.

(ii) the Offeror is ultimately and beneficially owned as to 4.17% by Ms. Wen Chen, as to 14.16% by Ms. Tinna Chan Yee, as to 14.17% by Mr. David Cigar Yee, as to 14.17% by Ms. Syed Waliuddin Ahmed, as to 14.17% by Mr. Syeda Bakhtiar, as to 15.00% by Mr. Frank Wai Kah Yee and as to 24.16% by Mr. Stephen Yee;

(iii) the two directors of the Offeror, namely Ms. Tinna Chan Yee and Mr. Syeda Bakhtiar.

(iv) the correspondence address of the Offeror and its shareholders is at Unit 2704, 27/F, West Tower, Shun Tak Centre, 200 Connaught Road, Central, Hong Kong

(c) The registered office of Grand Vinco, one of the joint financial advisers to the Offeror in relation to the Offers, is at Unit 4909-10, 49/F., The Center, 99 Queen's Road Central, Hong Kong.

(d) The registered office of Nuada Limited, one of the joint financial advisers to the Offeror in relation to the Offers, is at 7/F, New York House, 60 Connaught Road Central, Hong Kong.

(e) The correspondence address of Veda Capital is at Suite 11-12, 13/F, Nam Fung Tower, 173 Des Voeux Road Central, Hong Kong.

(f) No securities are acquired pursuant to the Offers which will be transferred, charged or pledged to any other persons. There is no other agreement, arrangement or understanding and any related charges or pledges which may result in the transfer of voting rights.

(g) The Company's Hong Kong branch share registrar and transfer office is Tengis Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(h) All time references contained in this document refer to Hong Kong time.

(i) The English text of this document and the Forms of Acceptance shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours from 9:00 a.m. to 5:30 p.m. (Saturdays, Sundays and public holidays excepted) at the office of the Company at Units 2003 and 2005, 20/F Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

(a) the memorandum and articles of association of the Company;

(b) the memorandum and articles of association of the Offeror;

(c) the annual reports of the Company for the two years ended 31 December 2005;

(d) the letter from Grand Vinco, the text of which is set out on pages 16 to 24 of this document;

(e) the letter from the Independent Board Committee, the text of which is set out on page 25 of this document;

(f) the letter from Veda Capital, the text of which is set out on pages 26 to 38 of this document;

(g) the letter of consent from each of Grand Vinco, Nuada and Veda Capital referred to in the paragraph headed "Experts and consents" in this appendix;

(h) the S&P Agreement;

(i) the Directors service contracts;

(j) material contracts referred to under the section headed "Material Contracts" in this Appendix;

(k) a copy of the circular of the Company dated 22 April 2005, 15 July 2005 respectively, being the circular issued pursuant to the requirements set out in Chapter 19 of the GEM Listing Rules which have been issued by the Company since 31 December 2004; and

(l) this document.

Copies of the above documents will be available for inspection on the website of the SFC at http://www.sfc.hk while the Offers remain open.