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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)

SHARE AND DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF BEAUHORSE PROFESSIONAL TRANSLATION LIMITED

On 23 August 2004, the Company entered into a Deed pursuant to which, inter alia, the Company agreed to acquire, and the Vendors agreed to sell to the Company, the entire issued share capital of Beauhorse for a consideration of HK\$5,911,080 subject to adjustment.

The Vendors jointly and severally and the Guarantors severally guaranteed to the Company that the Guaranteed Profit will not be less than HK\$1.4 million.

The consideration of HK\$5,911,080 will be satisfied as to HK\$3.6 million in cash and as to HK\$2,311,080 by the issue and allotment of SJTU Shares at ACP.

Based on HK\$0.49 being the latest closing price per share of SJTU Shares on 20 August 2004, a total of 4,720,000 SJTU Shares representing approximately 2.36% of the existing issued share capital and 2.3% of the entire issued share capital of the Company as enlarged by such issue would be issued as Consideration Shares.

Based on HK\$0.493 being the average closing price per share of SJTU Shares for the 60 trading days on which SJTU Shares are traded on the Stock Exchange immediately prior to this Announcement, a total of 4,690,000 SJTU Shares representing approximately 2.35% of the existing issued share capital and 2.29% of the entire issued share capital of the Company as enlarged by such issue would be issued as Consideration Shares.

The Acquisition contemplated under the Deed constitutes a discloseable transaction under Chapter 19 of the GEM Listing Rules. A circular containing further details of the Acquisition will be dispatched to the Shareholders as soon as practicable.

Trading in the securities of the Company on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 24 August 2004 pending release of this announcement. An application has been made by the Company for the resumption of trading in the securities of the Company with effect from 9:30 a.m. on 26 August 2004.

* For identification purpose only

The Deed

Date:	23 August 2004
Purchaser:	The Company
Vendors:	Salt & Light Development Inc. and Exclusive Investments Limited, each of them an Independent Third Party.
Guarantors:	Mr. Ng Kai Ching, Arthur and Mr. Chan Ting Kwan, Tyrone, each of them a shareholder of each of the Vendors and an Independent Third Party.

Assets to be Acquired

The entire issued share capital of Beauhorse will be acquired. The audited total asset and net asset value of Beauhorse as at 30 June 2003 are HK\$2,999,841.00 and HK\$715,310.00 respectively. The unaudited total asset and net asset value of Beauhorse as at 30 June 2004 are HK\$3,681,336.55 and HK\$1,941,849.51 respectively.

Consideration

The aggregate consideration is HK\$5,911,080 which will be satisfied

- (1) as to HK\$3,100,000 payable in cash to Mr. Ng on behalf of the Vendors on (a) the earlier of (i) the 3rd business day after the establishment of a company in the PRC to employ those employees currently employed by Beauhorse in Shenzhen or (ii) 30th September 2004 or (b) the Completion Date, whichever is the later;
- (2) as to HK\$500,000 payable in cash to Beauhorse to satisfy certain debts owed by the Vendors to Beauhorse on the Completion Date; and
- (3) as to HK\$2,311,080 by the issue and allotment of the Consideration Shares at ACP subject to a cap of not more than 5% of the enlarged issued capital of the Company to Mr. Ng on behalf of the Vendors on Completion.

Based on HK\$0.49 being the latest closing price per share of SJTU Shares on 20 August 2004, a total of 4,720,000 SJTU Shares representing approximately 2.36% of the existing issued share capital and 2.3% of the entire issued share capital of the Company as enlarged by such issue would be issued as Consideration Shares.

Based on HK\$0.493 being the average closing price per share of SJTU Shares for the 60 trading days on which SJTU Shares are traded on the Stock Exchange immediately prior to this Announcement, a total of 4,690,000 SJTU Shares representing approximately 2.35% of the existing issued share capital and 2.29% of the entire issued share capital of the Company as enlarged by such issue would be issued as Consideration Shares.

The Consideration was arrived at after arm's length negotiations by reference to the Guaranteed Profit. The Consideration represents a price to earning ratio of approximately 4.2222 times to the Guaranteed Profit. The Consideration was based on various factors including: (i) Beauhorse is currently profit-making; (ii) the Guaranteed Profit guaranteed by the Vendors and the Guarantors; (iii) the future growth prospect of the business of Beauhorse; and (iv) the synergies between the business of the Company and Beauhorse. The Directors (including the independent non-executive Directors) consider the terms of the Deed and the Acquisition including the Consideration are fair and reasonable to and, are on normal commercial terms and in the interest of, the Company and the Shareholders as a whole.

The Consideration will be paid out of the internal resources of the Company.

The Consideration Shares will be issued under the general mandate granted to the Board in the annual general meeting of the Company held on 5 May 2004. The Consideration Shares, when issued and allotted, will rank *pari passu* in all respects with all SJTU Shares in issue including the right to any dividends or distributions made, declared or paid on or after the date of such issue and allotment.

Lock-up

The Guarantors and the Vendors agree that they shall not sell, contract to sell, deal in, grant options in respect of, charge, mortgage or otherwise dispose of or encumber, directly or indirectly, their interest in any of the Consideration Shares, at all times until the occurrence of the following events, whichever is applicable:—

- (a) the expiry of 7 days after the issue of the 2005 Accounts and statement of adjustment in the absence of any disputes on the 2005 Accounts showing that the Net Profits exceeds the Guaranteed Profit; or
- (b) the issue of the Reviewed 2005 Accounts showing that the Net Profit exceeds the Guaranteed Profit; or
- (c) full payment of the Adjusted Amount by the Vendors to the Company.

Conditions Precedent

Completion of the Acquisition is conditional upon, *inter alia*, the GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares on or before 22 October 2004 or such other date as the parties may agree in writing.

Completion

Completion will take place on the third business day after the Acquisition becoming unconditional on or before 22 October 2004 or such other date as may be agreed between the parties in writing.

Mr. Ng and Hanmark Enterprises Limited are the existing directors of Beauhorse. At Completion, Mr. Ng will enter into a service agreement with the Company to serve as a vice-president of the Company and a director and general manager of Beauhorse for a term of 3 years. The Company will appoint two directors of Beauhorse while Mr. Ng will remain a director of Beauhorse and Hanmark Enterprises Limited will resign as a director of Beauhorse.

Profit Guarantee by the Vendors

The Vendors jointly and severally and the Guarantors severally guaranteed to the Company that the Guaranteed Profit would not be less than HK\$1.4 million. The Consideration will be adjusted upon the occurrence of any of the following events, whichever is applicable:–

- (1) If the Net Profit falls short of the Guaranteed Profit, the Consideration will be adjusted and the Vendors undertake to pay the Company the Adjusted Amount by:–
 - (a) selling and transferring to such investors, directly or through placing agent designated by the Company as the Company may direct, such amount of Consideration Shares at the price(s) bona fide offered by such investors or ACP, whichever is the higher, as is sufficient as much as possible to repay the Adjusted Amount to the Company out of the sale proceeds subject to a maximum value of HK\$2,311,080; and
 - (b) if (a) is not sufficient, paying up to HK\$600,000 in cash to the Company.
- (2) If the Net Profit exceeds the Guaranteed Profit, the Consideration will be adjusted by adding an amount calculated by multiplying such excess by 4.2222 (subject to a maximum amount of HK\$2,311,080) and such amount shall be paid to the Vendors in cash.

As the Company may direct the Vendors to sell the Consideration Shares to investors or placing agent designated by the Company, the Company will take appropriate steps to ensure that the Consideration Shares will be sold to Independent Third Parties or otherwise will ensure compliance with the GEM Listing Rules and the Codes of Takeovers and Mergers and Share Repurchases in such sale of the Consideration Shares and notify the Stock Exchange prior to such sale.

The Company will make an announcement in the event that the Net Profit is materially less than the Guaranteed Profit.

Guarantee by the Guarantors

The Guarantors unconditionally and irrevocably guaranteed to the Company the due and punctual performance and observance by the Vendors of all its obligations, commitments, undertakings, warranties, indemnities and covenants under or pursuant to the Deed and agree to indemnify the Company against all losses, damages, costs and expenses (including legal costs and expenses) which the Company may suffer through or arising from any breach by the Vendors of such obligations, commitments, warranties, undertakings, indemnities or covenants.

Information on the Company

The Company is principally engaged in the provision of information localization services and translation services.

Information on the Vendors

SLD is an investment holding company and owned as to 85% and 15% by Mr. Ng and Mr. Chan respectively. EIL is also an investment holding company and owned as to 85% and 15% by Mr. Ng and Mr. Chan respectively. The sole business of SLD and EIL is the holding of 90% and 10% shares respectively in Beauhorse. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendors and their ultimate beneficial owners is an Independent Third Party.

Information on Beauhorse

Beauhorse was established by EIL and commenced business in the 2nd half of year 1990. On 23 February 1998, SLD acquired 90% shareholding of Beauhorse.

Beauhorse is principally engaged in rendering professional translation services of various documents including but not limited to financial and legal documents such as prospectuses, annual reports and contract etc to corporate clients and listed companies in Hong Kong and the PRC.

Beauhorse recorded audited net profits before and after tax of HK\$462,624.00 and HK\$303,898.00 respectively for the financial year ended 30 June 2002 and HK\$162,873.00 and HK\$158,035.00 respectively for the financial year ended 30 June 2003. The unaudited net profit of Beauhorse before tax for the financial year ended 30 June 2004 is HK\$1,280,853.93.

Upon Completion, Beauhorse will become a wholly owned subsidiary of the Company.

Reasons of the Acquisition

The Directors consider that the Acquisition enables the Company to expand its business to those relating to the provision of translation services by using the knowhow of and the existing client base of Beauhorse. Accordingly, the Directors believe that the terms of the Deed are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

General

The Acquisition contemplated under the Deed constitutes a discloseable transaction of the Company under Rule 19.06(2) of the GEM Listing Rules. A circular containing the details of the Acquisition will be dispatched to the shareholders as soon as practicable.

The Company will in accordance with the GEM Listing Rules make an application to the Listing Committee of GEM for the listing of and permission to deal in the Consideration Shares to be issued under the Acquisition.

Suspension and Resumption of Trading

Trading in the securities of the Company on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 24 August 2004 pending release of this announcement. An application has been made by the Company for the resumption of trading in the securities of the Company with effect from 9:30 a.m. on 26 August 2004.

Definitions

In this announcement, the following expressions have the meanings as set out below unless the context requires otherwise.

“ACP”	the average closing price per share of SJTU Shares for the 60 trading days on which SJTU Shares are traded on the Stock Exchange immediately prior to the Completion Date (exclusive of the Completion Date)
“Acquisition”	the acquisition of the entire issued share capital of Beauhorse by the Company from the Vendors pursuant to the Deed
“Adjusted Amount”	an amount equivalent to (Guaranteed Profit – Net Profit) x 4.2222 (subject to a maximum of HK\$2,311,080) to be deducted from the Consideration
“Beauhorse”	Beauhorse Professional Translation Limited, a limited company incorporated in Hong Kong on 18 April 1990
“Board”	the board of Directors of the Company
“business day”	a day (other than Saturday) on which banks in Hong Kong are generally open for business
“Company”	SJTU Sunway Software Industry Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM
“Completion”	completion of the Deed
“Conditions Precedent”	the conditions precedent which Completion is subject to, as mentioned in the Section “Conditions Precedent” above
“connected person(s)”	the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the consideration of HK\$5,911,080 payable by the Company to the Vendors for the Acquisition under the Deed
“Consideration Shares”	SJTU Shares of a value of HK\$2,311,080 to be issued and allotted to Mr. Ng at ACP to satisfy part of the consideration pursuant to the Deed, credited as fully paid
“Deed”	the Deed relating to the Sale and Purchase of Shares in Beauhorse Professional Translation Limited dated 20 August 2004 entered into between the Company, the Vendors and the Guarantors
“Directors”	the directors of the Company

“EIL”	Exclusive Investments Limited, a limited company incorporated in the British Virgin Islands on 20 July 1990
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Committee”	has the meaning ascribed thereto in the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Guaranteed Profit”	the Net Profit being HK\$1,400,000.00
“Guarantors”	Mr. Ng Kai Ching, Arthur and Mr. Chan Ting Kwan, Tyrone
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a third party who is independent of the Company and its subsidiaries and the connected person(s) of the Company and its subsidiaries
“Mr. Chan”	Mr. Chan Ting Kwan, Tyrone
“Mr. Ng”	Mr. Ng Kai Ching, Arthur
“Net Profit”	the audited net profit of Beauhorse before tax, bank loan or overdraft interest, distribution of any dividend and extraordinary items for the period from 1 July 2004 to 30 June 2005
“PRC”	the People’s Republic of China but for the purposes of this announcement excluding Hong Kong, Macau and Taiwan
“Sale Shares”	10,000 shares of HK\$1.00 each representing the entire issued share capital of Beauhorse
“SJTU Share(s)”	Ordinary share(s) of HK\$0.01 each in the capital of the Company which are listed on the Stock Exchange
“SLD”	Salt & Light Development Inc., a limited company incorporated in the British Virgin Islands on 14 May 1992
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	Salt & Light Development Inc. and Exclusive Investments Limited
“2005 Accounts”	audited consolidated accounts (including a balance sheet and a profit and loss account) of Beauhorse for the financial year ending 30 June 2005

“Reviewed 2005 Accounts”

the report of the review of 2005 Accounts and statement of adjustment by an accounting firm being independent of both the Company and the Vendors as nominated by the President of the Hong Kong Society of Accountants upon the request of the board of directors of Beauhorce

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

Hong Kong, 26 August 2004.

As at the date of this announcement, there are 11 Directors; nine are executive Directors, namely Sze Wai, Marco, Chu Chi Shing, Chiu Chi Shun, Clarence, He En Pei, He Zhan Tao, Chen Cheng Ping, Chen Si Gen, Wang Hui Bo and Shang Guan Bu Yan; and two are independent non-executive Directors, namely Song Jing Sheng and Wang Tian Ye.

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

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