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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)**

### **DISCLOSEABLE TRANSACTION**

On 30 March 2005, Mr. Yu, Besto, the Company and Mighty Wish entered into the Equity Transfer Agreement pursuant to which Mr. Yu has agreed to sell, and Besto has agreed to purchase (i) 100% interests in Mighty Wish; or (ii) 100% interests in both the Translation Company and Mighty Wish, if the Reorganisation is not implemented, at a consideration of HK\$19,500,000 (subject to adjustment as referred to below). As at the date of the Equity Transfer Agreement, Mighty Wish is wholly owned by Mr. Yu and the Translation Company is owned as to 95% by Mr. Yu and 5% by an Independent Third Party.

Since the applicable percentage ratio is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company.

A circular containing further details of the Acquisition and the Group will be despatched to the shareholders of the Company as soon as possible.

At the request of the Company, trading in Shares on GEM of the Stock Exchange was suspended from 9:30 a.m. on 31 March 2005 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in Shares on GEM of the Stock Exchange with effect from 9:30 a.m. on 4 April 2005.

### **EQUITY TRANSFER AGREEMENT**

**Date** : 30 March 2005

**Parties** : (a) Mr. Yu (as vendor);  
(b) Besto (as purchaser), an investment holding company incorporated in the BVI and wholly owned by the Company;

\* For identification purpose only

- (c) the Company; and
- (d) Mighty Wish, a limited liability company incorporated in the BVI and wholly owned by Mr. Yu. Mighty Wish is intended to be an investment holding company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Mr. Yu (also being the sole owner of Mighty Wish) is not a connected person (as defined in the GEM Listing Rules) of the Company or any of their respective associates.

**Subject matter of the Equity Transfer Agreement** : (i) 100% of the equity interests of Mighty Wish which is beneficially owned by Mr. Yu; or

(ii) if the Reorganisation is not implemented, 100% of the equity interests of both the Translation Company and Mighty Wish.

**Completion** : Completion will take place on the 10th business day (excluding Saturday) after the fulfilment of the last condition (other than Condition (4)) set out in the paragraph headed "Conditions precedent" below.

### **Consideration**

The consideration of HK\$19,500,000 (subject to adjustment as referred to below) was determined after arm's length negotiation among Mr. Yu, Besto, the Company and Mighty Wish on normal commercial terms and taking into account of various factors, including the potential revenue contribution of the Translation Company to the Group, the growth prospects of the Translation Company and earnings potential and synergy opportunity with the Group.

After considering the above factors, the Directors (including the independent non-executive Directors) were of the view that the terms of the Equity Transfer Agreement were normal commercial terms and were fair and reasonable and in the interests of the shareholders of the Company as a whole.

The consideration shall be paid in the following manner:

- (1) HK\$2,000,000 (the "Deposit") in cash shall be paid by Besto upon the execution of the Equity Transfer Agreement;
- (2) HK\$10,500,000 in cash shall be paid by Besto on the date of Completion; and
- (3) the remaining balance (after adjustment as referred to below as may be necessary) shall be paid by the Company by issuing the Consideration Shares.

*Adjustment to consideration and the Consideration Shares:*

Where the audited net profits (under the PRC GAAP) of the Translation Company for the period from 1 April 2005 to 31 March 2006 amount to RMB2,800,000 (equivalent to approximately HK\$2,642,000), the Company shall issue the Consideration Shares which, in aggregate, represent a monetary value of HK\$7,000,000 to Mr. Yu within 10 business days (excluding Saturday) after the issuance of the audited financial statements of the Translation Company. Under such circumstances, 17,766,497 Consideration Shares in aggregate will be allotted and issued to Mr. Yu.

The amount of RMB2,800,000 was arrived at arm's length negotiation between Mr. Yu and the Group taking into account the business prospects and the market conditions.

If the audited net profits of the Translation Company for the period from 1 April 2005 to 31 March 2006 (which are expected to be issued within three months after 31 March 2006) is less than RMB2,800,000 (equivalent to approximately HK\$2,642,000), the consideration shall be adjusted as follows:

$$\text{Adjusted consideration} = \text{Original consideration (HK\$19,500,000) - (HK\$2,641,509 (equivalent to RMB2,800,000) - audited net profits of the Translation Company for the period from 1 April 2005 to 31 March 2006) X 4}$$

The above adjustment mechanism was arrived at arm's length negotiation between Mr. Yu and the Group taking into account the growth prospect of the translation industry.

If the adjusted consideration is more than HK\$12,500,000, the Company shall issue the Consideration Shares to Mr. Yu as follows:

$$\text{Number of Consideration Shares to be issued} = (\text{Adjusted consideration} - \text{HK\$12,500,000}) / \text{HK\$0.394}$$

Where the adjusted consideration is equal to or less than HK\$12,500,000, the Group is not required to pay further amount or allot and issue any Consideration Shares to Mr. Yu.

The issue price of the Consideration Shares of HK\$0.394 represents:

- (a) the average closing price of the Shares for the five trading days before the date of the Equity Transfer Agreement; and
- (b) a discount of approximately 0.2% of the closing price of HK\$0.395 of the Shares as at the date of the Equity Transfer Agreement.

The Consideration Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 5 May 2004. The Directors were authorised to issue new Shares up to 40,000,000 Shares under such mandate and the Company had not allotted and issued any new Shares pursuant to such mandate prior to the entering of the Equity Transfer Agreement.

An application will be made to the GEM Listing Committee of the Stock Exchange by the Company for the listing of and permission to deal in the Consideration Shares.

### **Conditions precedent**

The conditions precedent to which the Equity Transfer Agreement is subject are:

- (1) the listing of, and permission to deal in, the Consideration Shares having been approved by the GEM Listing Committee of the Stock Exchange;
- (2) the relevant approvals, agreements or waivers in relation to the Acquisition and other related transactions having been obtained, including the approvals from the competent PRC government authority for the Reorganisation and the Acquisition (if necessary);
- (3) in the reasonable opinion of Besto and the Company that the Translation Company has been reorganised as a wholly owned subsidiary of Mighty Wish or, with prior written consent of Besto, Besto under the PRC laws and regulations; that the Translation Company has been legally and validly converted into a wholly foreign owned enterprise; that the then registered capital of the Translation Company is not less than RMB100,000 (equivalent to approximately HK\$94,340) and that all necessary approvals from the relevant authorities having been obtained;
- (4) on or before Completion, Mr. Yu not having breached any of the warranties and representations contained in the Equity Transfer Agreement; and
- (5) within five business days of the fulfillment of condition (3) above, Besto and the Company not having been aware of any material breaches of the warranties and representations on the part of Mr. Yu contained in the Equity Transfer Agreement.

Condition (3) above shall be fulfilled or caused to be fulfilled by Mr. Yu and Mighty Wish at their own cost within 90 days after the execution of the Equity Transfer Agreement.

The Equity Transfer Agreement shall be terminated forthwith in the event that (i) condition (3) above is not fulfilled within 90 days after the execution of the Equity Transfer Agreement; or (ii) within five business days (excluding Saturday) after the fulfillment of condition (3), condition (5) above is not satisfied or otherwise waived by Besto and the Company. In such circumstances, Mr. Yu shall return the entire amount of the Deposit (without interest) to Besto.

### **INFORMATION ON MIGHTY WISH AND THE TRANSLATION COMPANY**

Mighty Wish is a limited liability company incorporated in the BVI on 18 December 2003. Mighty Wish is wholly and beneficially owned by Mr. Yu. Save for entering into the Equity Transfer Agreement, Mighty Wish has not carried on any business since its incorporation.

The Translation Company is a limited liability company established in the PRC on 11 April 2003 with a registered capital of RMB100,000 (equivalent to approximately HK\$94,340). Prior to the completion of the Equity Transfer Agreement, the Translation Company is owned as to 95% by Mr. Yu and the remaining 5% by an Independent Third Party. The Translation Company is principally engaged in the business of information localisation in the PRC.

The unaudited net losses of the Translation Company (under the PRC GAAP) for the two years ended 31 December 2004 are as follows:

	<b>For the year ended 31 December 2003</b>	<b>For the year ended 31 December 2004</b>
Net loss (before taxation and extraordinary items)	RMB38,397	RMB26,833
Net loss (after taxation and extraordinary items)	RMB38,397	RMB26,833

As at 31 December 2003 and 2004, the unaudited net asset value of the Translation Company (under the PRC GAAP) were approximately RMB61,603 and RMB34,770 respectively.

## **REASONS FOR THE ACQUISITION**

The Group is principally engaged in the business of information localisation in the PRC.

The Directors believe that the Acquisition can further strengthen the Group's business in this area.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement are normal commercial terms and are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## **DISCLOSEABLE TRANSACTION**

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## **DEFINITIONS**

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

“Acquisition”	the acquisition by Besto of (i) 100% interests in Mighty Wish; or (ii) 100% interests in both the Translation Company and Mighty Wish, if the Reorganisation is not implemented, pursuant to the Equity Transfer Agreement
“Besto”	Besto Investment Limited, a company incorporated in the BVI with limited liability and a wholly owned subsidiary of the Company

“BVI”	the British Virgin Islands
“Company”	SJTU Sunway Software Industry Limited (交大銘泰軟件實業有限公司*), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM
“Completion”	completion of the Equity Transfer Agreement
“Consideration Shares”	such number of new Shares to be issued by the Company to Mr. Yu pursuant to the Equity Transfer Agreement at an issue price per Consideration Share of HK\$0.394, being the average closing price of the Shares for the five trading days before the date of the Equity Transfer Agreement
“Directors”	the directors of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 30 March 2005 entered into between Mr. Yu, Besto, the Company and Mighty Wish in relation to the Acquisition
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a party who is independent from and not connected with the directors, chief executive, management shareholders, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (within the meaning of the GEM Listing Rules)
“Mighty Wish”	Mighty Wish Services Limited, a company incorporated in the BVI with limited liability and wholly owned by Mr. Yu
“Mr. Yu”	Mr. Yu Xindong, an Independent Third party, the vendor named in the Equity Transfer Agreement
“PRC”	the People’s Republic of China
“PRC GAAP”	the generally accepted accounting principles in the PRC
“Reorganisation”	the acquisition of 100% interests in the Translation Company by Mighty Wish whereby the Translation Company will become a wholly foreign owned enterprise owned by Mighty Wish

“RMB”	Renminbi yuan, the lawful currency of the PRC
“Share(s)”	share(s) of HK\$0.01 each of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Translation Company”	上海瑞津翻譯有限公司 (Shanghai Ruijin Translation Company Limited), a limited liability company established in the PRC and owned as to 95% by Mr. Yu and the remaining 5% by an Independent Third Party
“%”	per cent.

In this announcement, for purpose of illustration only, amounts quoted in RMB have been converted into HK dollars at the rate of RMB1.06 to HK\$1.00. Such exchange rate has been used, where applicable, for purposes of illustration only and does not constitute a representation that any amounts were or may have been exchanged at these or any other rates or at all.

As at the date of this announcement, the Directors are as follows:

Executive Directors	Sze Wai, Marco, Chu Chi Shing, He En Pei, He Zhan Tao, Chen Si Gen, Wang Hui Bo and Shang Guan Bu Yan
Independent non-executive Directors	Song Jing Sheng, Wang Tian Ye and Ho Chen-yu

By order of the board of Directors  
**Sze Wai, Marco**  
Chairman

Hong Kong, 1 April 2005

\* For identification only

*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 of SJTU Sunway Software Industry Limited, 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.*

*This announcement will remain on the “Latest Company Announcement” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for a minimum period of seven days from the day of its posting.*