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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: ACQUISITION OF NEW CHAMPION

On 24 June 2005, Besto (a wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Vendor pursuant to which the Vendor has agreed to sell, and Besto has agreed to purchase, the Sale Shares and the Sale Loan at an aggregate consideration of HK\$15,000,000.

Since the relevant percentage ratios calculated pursuant to Rule 19.07 of the GEM Listing Rules are 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.

SALE AND PURCHASE AGREEMENT

Date : 24 June 2005

Parties : (a) the Vendor (as vendor), an investment holding company incorporated in the British Virgin Islands who holds the entire issued share capital of New Champion immediately before the completion of the Acquisition.

To the best of the Director's knowledge, information and belief having made all reasonable enquiry, each of the Vendor and its beneficial owner is an Independent Third Party.

(b) Besto, a wholly-owned subsidiary of the Company (as purchaser).

- Subject matter of the Sale and Purchase Agreement** : the Sale Shares and the Sale Loan.
- There is no restriction under the Sale and Purchase Agreement on Besto on the subsequent disposal of the Sale Shares.
- Completion** : Completion of the Acquisition will take place on the fifth day from the date of the Sale and Purchase Agreement or such other date as the parties may agree.

Consideration

The aggregate Consideration for the Sale Shares and the Sale Loan is HK\$15,000,000 (subject to adjustment as referred to below) which shall be paid by Besto in cash in the following manner:

- (1) HK\$3,000,000 shall be paid by Besto within three business days from the date of the Sale and Purchase Agreement; and
- (2) the remaining HK\$12,000,000 shall be paid by Besto within three business days from the date of completion of the Acquisition.

Adjustment to the Consideration

Should the audited net profit of Beijing AIS (prepared in accordance with PRC GAAP) for the period commencing from 1 July 2005 to 30 June 2008 (the “**Actual Result**”) be lower than RMB10,000,000 (the “**Target Performance**”), the Consideration shall be adjusted as follows:

Adjusted Consideration = Original Consideration (HK\$15,000,000) – the agreed amount as specified below:

The percentage of the Actual Result to the Target Performance (“X”)

Agreed amount (RMB)

95% ≤ X < 100%	675,000
90% ≤ X < 95%	1,800,000
85% ≤ X < 90%	2,925,000
80% ≤ X < 85%	4,050,000
75% ≤ X < 80%	5,175,000
70% ≤ X < 75%	6,300,000
65% ≤ X < 70%	7,425,000
60% ≤ X < 65%	8,550,000
55% ≤ X < 60%	9,675,000
50% ≤ X < 55%	10,800,000
45% ≤ X < 50%	11,925,000
40% ≤ X < 45%	13,050,000
35% ≤ X < 40%	14,175,000
X < 35%	15,900,000

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 Besto in cash. The parties to the Sale and Purchase Agreement agreed that for the purposes of calculating the Adjusted Consideration, RMB shall be converted into Hong Kong dollars at the rate of RMB1.06 to HK\$1.00.

The Sale and Purchase Agreement does not contain any provisions for adjusting the Consideration if the Actual Result is more than the Target Performance.

The Consideration and the adjustment mechanism of the Consideration as referred to above were determined after arm's length negotiation between the Vendor and Besto taking into account of the growth prospects of Beijing AIS in the coming years. The original Consideration of HK\$15,000,000 represents a premium of approximately HK\$7.2 million over the aggregate of the face value of the Sales Loan and the net asset value of Beijing AIS attributable to New Champion as at 31 December 2004. The Directors believe that the Jukebox (光盤庫) developed by Beijing AIS and its related technology can be broadly applied in various areas which require storage of huge volume of data. Taking into account the adjustment mechanism of the Consideration, the growth prospects of Beijing AIS in the data storage market in the PRC (which is the potential market for Jukebox (光盤庫)) the quality of products and technology for the development of Jukebox (光盤庫) of Beijing AIS, the Directors are of the view that the Consideration is fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

Information of New Champion and Beijing AIS

New Champion is a limited liability company incorporated in the British Virgin Islands on 19 July 2004. 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 was initially established as a limited liability company in the PRC on 3 January 2001. On 29 December 2004, Beijing AIS was approved to be converted into a wholly foreign owned enterprise. Beijing AIS is owned as to 45% by New Champion and the remaining 65% interests by three Independent Third Parties. Beijing AIS is principally engaged in development and sale of Jukebox (光盤庫). The Jukebox (光盤庫) developed by Beijing AIS is a hardware for computer which allows storage of and access to a large quantity of discs, especially compact disc that functions as read-only memory (CD-ROM) or other optical media.

As at 31 December 2003 and 31 December 2004, the audited net asset value (under the PRC GAAP) of Beijing AIS was approximately RMB7,533,000 (equivalent to approximately HK\$7,107,000) and approximately RMB5,968,000 (equivalent to approximately HK\$5,630,000) respectively.

The Vendor confirmed that no financial statements of New Champion has been prepared since the date of its incorporation on 19 July 2004.

The audited net loss (under the PRC GAAP) of Beijing AIS for the two years ended 31 December 2004 are as follows:

	For the year ended 31 December 2003	For the year ended 31 December 2004
Net loss (before taxation and extraordinary items)	RMB1,842,000	RMB1,566,000
Net loss (after taxation and extraordinary items)	RMB1,842,000	RMB1,566,000

Reasons for the Acquisition

The Group is principally engaged in the business of information localisation including the provision of translation services with the aid of translation software developed by the Group, serving a wide array of industries, including automobile, information technology, energy, machinery and construction in the PRC.

The Group has been identifying suitable business segments to improve the performance of the Group. The Directors consider that the PRC market for Jukebox (光盤庫) has great potential as it can be applied in various areas which require storage of huge quantity of data. The management of Beijing AIS believes that the Jukebox (光盤庫) developed by Beijing AIS and its related technology can be broadly applied in the PRC market in the near future.

After considering the above factors, the Directors are of the view that the terms of the Sale and Purchase Agreement are normal commercial terms and are fair and reasonable and the Sale and Purchase Agreement is in the interests of the Company and the shareholders of the Company as a whole.

After the completion of the Acquisition, the Company will indirectly own 100% interests in New Champion which owns 45% interests in Beijing AIS. The Company will consolidate 100% of the financial results of New Champion with the Group's financial results and since New Champion only owns 45% interests in Beijing AIS, Beijing AIS will be accounted for as an interest in an associate by New Champion.

DISCLOSEABLE TRANSACTION

Since the relevant percentage ratios calculated pursuant to Rule 19.07 of the GEM Listing Rules are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company.

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

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares and the Sale Loan pursuant to the Sale and Purchase Agreement
“Beijing AIS”	北京愛思拓信息儲存技術有限公司 (Beijing Advanced Information Storage Technology Co., Ltd.), a sino-foreign equity joint venture established in the PRC and owned as to 45% by New Champion and 55% by individual shareholders
“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
“Consideration”	the consideration payable by the Company to the Vendor for the Acquisition (subject to adjustment as referred to in the paragraph headed “Consideration” in this announcement)
“Directors”	the directors (including independent non-executive directors) of the Company
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“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 of the Group and connected persons (within the meaning of the GEM Listing Rules) of the Group
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“New Champion”	New Champion International Limited, a company incorporated in the British Virgin Islands on 19 July 2004
“PRC”	the People’s Republic of China
“PRC GAAP”	the generally accepted accounting principles in the PRC
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 24 June 2005 entered into between the Vendor and Besto in relation to the Acquisition

“Sale Loan”	the shareholders’ loan in an amount of HK\$5,298,750 advanced by the Vendor to New Champion as at the date of the Sale and Purchase Agreement and on or before completion of the Acquisition
“Sale Shares”	the 500 shares of US\$1 each in the share capital of New Champion, being its entire issued share capital
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Success Logic Limited, a company incorporated in the British Virgin Islands who and its ultimate beneficial owner is an Independent Third Party
“%”	per cent.

In this announcement, for purpose of illustration only, amounts quoted in RMB have been converted into Hong Kong 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 this 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	Wang Tian Ye, Xu Shi Hong and Wang Bing

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

Hong Kong, 24 June 2005

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 for a minimum period of seven days from the day of its posting.

* For identification purposes only