

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer 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, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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**

This circular, 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 circular 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 circular misleading; and (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This circular will remain on the "Latest Company Announcements" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven (7) days from the date of its posting.

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

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 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.

## DEFINITIONS

*In this circular, unless the context otherwise requires, the following expressions 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 as to 55% by three individuals who are Independent Third Parties
“Besto”	Besto Investment Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly own subsidiary of the Company
“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 the section headed “Letter from the Board” in this circular)
“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 the 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

\* *for identification purposes only*

## DEFINITIONS

“Latest Practicable Date”	12 July 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“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
“Shares”	the shares of the Company of HK\$0.01 each
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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 are Independent Third Parties
“%”	per cent.

*In this circular, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.06 to HK\$1.00. Such exchange rate has been used, where applicable, for the 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.*

## LETTER FROM THE BOARD



### 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:*

Sze Wai, Marco  
Chu Chi Shing  
He En Pei  
He Zhan Tao  
Chen Si Gen  
Wang Hui Bo  
Shang Guan Bu Yan

*Registered address:*

Century Yard, Cricket Square  
Hutchins Drive, P.O. Box 2681 GT  
George Town, Grand Cayman  
British West Indies

*Principal place of business in Hong Kong:*

Rooms 2003 and 2005, 20th Floor  
Great Eagle Centre  
23 Harbour Road, Wanchai  
Hong Kong

*Independent non-executive Directors:*

Wang Tian Ye  
Xu Shi Hong  
Wang Bin

15 July 2005

*To the Shareholders*

Dear Sir or Madam

### **DISCLOSEABLE TRANSACTION: ACQUISITION OF NEW CHAMPION**

#### **INTRODUCTION**

On 24 June 2005, the Directors announced that Besto (a wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement on the same date with the Vendor pursuant to which the Vendor had agreed to sell, and Besto had 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.

The purpose of this circular is to give you further information regarding the Sale and Purchase Agreement and other information of the Group.

\* *for identification purposes only*

## LETTER FROM THE BOARD

### 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 held 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 has taken place on 29 June 2005 in accordance with the Sale and Purchase Agreement.

### 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.

The entire amount of the Consideration of HK\$15,000,000 has been paid by the Besto to the Vendor in accordance with the Sale and Purchase Agreement.

## LETTER FROM THE BOARD

### *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:

<b>The percentage of the Actual Result to the Target Performance (“X”)</b>	<b>Agreed amount (RMB)</b>
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 negotiations 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 Sale 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

## LETTER FROM THE BOARD

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 on 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 55% interests by three Independent Third Parties. Beijing AIS is principally engaged in the 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.



## LETTER FROM THE BOARD

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 in the interests of the Company and the shareholders of the Company as a whole.

After the completion of the Acquisition, the Company indirectly owns 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, such interests will be accounted for as an interest in an associate by New Champion. The Acquisition was financed by the Group's internal resources. The total asset value of the Group will not be changed as a result of the Acquisition as the Group's investment cost of HK\$15,000,000 will be accounted for as an interest in an associate.

### 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.

### ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendix to this circular.

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

## 1. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

- (a) As at the Latest Practicable Date, the interests and short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO), or are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by Directors to be notified to the Company and the Stock Exchange were as follows:

<b>Name</b>	<b>Capacity</b>	<b>Number and class of securities</b> (note 1)
He En Pei	Beneficial interest	1,770,000 ordinary Shares (L) (note 2)
He Zhan Tao	Beneficial interest	250,000 ordinary Shares (L) (note 2)

*Notes:*

1. The letter "L" represents the interests in the share and underlying shares of the Company.
  2. These Shares represent the respective number of Shares which would be allotted and issued upon exercise in full of the options granted to each of He En Pei and He Zhan Tao under the share option scheme of the Company.
- (b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company has any interest in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO), or are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by Directors to be notified to the Company and the Stock Exchange.

## 2. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS IN THE COMPANY

### (a) Substantial shareholders

As at the Latest Practicable Date, so far as is known to the Directors, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the shares and 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 and were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of shareholder	Nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding
Futart Industry Company Limited ("Futart")	Beneficial owner	64,355,828 (L)	32.18%
Start Technology Company Limited ("Start Technology")	Interest of a controlled corporation (note 2)	64,355,828 (L)	32.18%
Simplex Technology Investment (Hong Kong) Co. Limited ("Simplex")	Beneficial owner	24,528,484 (L)	12.26%
Shanghai Jiaoda Industrial Investment Management (Group) Limited ("Jiaoda Industrial Group")	Interest of a controlled corporation (note 3)	24,528,484 (L) (note 4)	12.26%
Shanghai Jiao Tong University	Interest of controlled corporations (note 3)	24,528,484 (L) (note 4)	12.26%
Hongkong 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 interest in the Shares was held through Futart, the entire issued share capital of which was beneficially owned by Start Technology, a company whose shares are listed on the Main Board of the Stock Exchange. The issued share capital of Start Technology was owned as to approximately 25.05% by Leading Value Industrial Limited which was in turn wholly owned by Mr. Sze Wai, Marco, an executive Director, as at the Latest Practicable Date.
  3. The interest in the Shares was 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, as at the Latest Practicable Date.
  4. 2,000,000 Shares out of these 24,528,484 Shares are the Shares which would be allotted and issued upon exercise in full of the options granted to Simplex under the share option scheme of the Company.
- (b) As at the Latest Practicable Date, so far as is known to the Directors, the following entities were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other members of the Group:

Name of member of the Group	Name of entity	Approximate percentage
Beijing Guoxin Sunway IT Co., Ltd.	北京國新投資管理有限公司 (Beijing Guo Xin Investment Management Co., Ltd.)*	15%
	國新欣聞 (北京) 國際文化交流中心 (Guo Xin Xin Wen (Beijing) International Culture Exchange Centre)*	34%
Shanghai Sunway Century IT Co., Ltd.	呂欣 (Lv Xin)*	10%
Fujian Multi Language Translation Service Company Limited	Start-Tech (Fujian) Software and System Co., Ltd.	25%

- (c) Save as disclosed in this circular, so far as is known to the Directors, there is no other person who had an interest or short position in the shares and 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, had a direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

\* for identification purposes only

**3. 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. Since the Directors consider that the Company has valid defences against the claims, no provision has been made in respect of the alleged claims in the financial statements of the Company for the year ended 31 December 2004.

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

**4. DIRECTORS' SERVICE CONTRACTS**

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from 1 November 2003, and is automatically renewable for successive terms of one year upon expiry of the then current term, until terminated by not less than three months' notice in writing served by either party.

Save as disclosed above, none of the Directors has entered into any services agreements with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

**5. COMPETING BUSINESS**

None of the Directors and management shareholders of the Company has any interests in any business which competes or may compete with the business in which the Group is engaged.

**6. COMPLIANCE ADVISER'S INTEREST**

Pursuant to the agreement dated 31 December 2003 entered into between the Company and Core Pacific – Yamaichi Capital Limited ("CPY Capital"), CPY Capital acts as the Company's compliance adviser for a period commencing from 9 January 2004 to 31 December 2006 and CPY Capital will receive fees for acting as the Company's compliance adviser.

As at the Latest Practicable Date, as notified and updated by CPY Capital pursuant to Rule 6.35 of the GEM Listing Rules, CPY Capital, its directors, employees or associates, did not have any interest in the share capital of the Company or any of its subsidiaries, or any right to subscribe for or to nominate persons to subscribe for the share capital of the Company or any of its subsidiaries.

**7. MISCELLANEOUS**

- (a) The registered office of the Company is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies.
- (b) The principal place of business of the Company in Hong Kong is at Rooms 2003 and 2005, 20th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.
- (c) The Hong Kong share registrar and transfer office of the Company is Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (d) The company secretary and qualified accountant of the Company is Mr. Ho Shu Pui, an associate member of the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Company Secretaries.
- (e) The compliance officer of the Company is Mr. Chu Chi Shing.
- (f) The audit committee of the Company comprises the three independent non-executive Directors, Mr. Wang Tian Ye, Mr. Xu Shi Hong and Mr. Wang Bin. Each of the independent non-executive Directors does not hold directorship in other companies listed on GEM, the Main Board operated by the Stock Exchange or other exchanges. The main responsibilities of the audit committee is to review the financial reporting process and internal control of the Company.
- (g) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.