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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

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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.

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The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors (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 GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. 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.

* *For identification purpose only*

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2005

	Notes	2005 HK$	2004 HK$ (restated)
Revenue	5	**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	5	**146,306**	1,114,638
Selling expenses		**(4,823,871)**	(14,952,792)
Research and development costs		**(1,598,194)**	(3,416,519)
Administrative expenses		**(29,467,653)**	(12,477,941)
Finance costs		**(1,124,725)**	(631,050)
Share of results of associates		**(658,940)**	4,700
Loss on disposal of an associate		**(3,097,889)**	–
Loss before tax		**(39,453,233)**	(25,983,352)
Income tax expenses	7	**(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	8	**–**	–
Loss per share	9		
Basic		**(19.19) cents**	(12.82) cents
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

At 31st December 2005

	Notes	2005 HK$	2004 HK$ (restated)
Non-current assets			
Property, plant and equipment		**1,614,470**	4,425,602
Intangible assets		**4,247,153**	4,574,374
Interest in an associate		**4,848,508**	3,306,587
Goodwill		**9,697,350**	–
		20,407,481	12,306,563
Current assets			
Inventories		**–**	2,559,205
Trade receivables	*10*	**416,900**	8,338,684
Prepayments, deposits and other receivables		**1,125,145**	5,940,843
Investment funds		**16,427,085**	7,966,671
Deposit for acquisition of subsidiaries		**12,710,149**	1,905,660
Loan to minority shareholders		**–**	1,396,226
Tax recoverable		**–**	111,448
Bank balances and cash		**560,993**	31,065,922
		31,240,272	59,284,659
Current liabilities			
Trade and other payables	*11*	**6,138,428**	5,372,608
Amount due to a shareholder		**18,217,071**	2,427,709
Amounts due to directors		**1,322,037**	664,700
Borrowings		**13,643,868**	14,622,641
		39,321,404	23,087,658
Net current (liabilities)/assets		**(8,081,132)**	36,197,001
Net assets		**12,326,349**	48,503,564
Capital and reserves			
Share capital		**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 interest		**1,000,321**	2,087,472
		12,326,349	48,503,564

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2005

	Attributable to equity holders of the parent								
	Share capital	**Share Premium**	**Capital surplus**	**General reserve**	**Share-based payment reserve**	**Retained earnings/ (accumulated losses)**	**Total**	**Minority interest**	**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	–	–	–	–	–	–	–	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)	–	–	–	–	–	–	–
At 31st December 2004 and 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:

1. 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.

2. 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

Goodwill arising on acquisitions after 1st January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition.

Share-based Payment

The principal impact 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.

Financial instruments

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".

3. 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)	Retrospective Adjustments	As at 31/12/2004 & 1/1/2005 (restated)
	HK$	*HK$*	*HK$*
		HKAS 1	
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.

4. AUDITORS' OPINION

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 are deposit for acquisition of subsidiaries of HK$12.7 million in respect of certain deposit paid to an independent third party for acquisition of Mighty Wish Services Limited and Shanghai Ruijin Translation Company Limited. However, 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 are interest in an associate of HK$4.8 million in respect of the equity interest in Beijing Advanced Information Storage Technology Co., Ltd. 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 1 to this announcement concerning the adoption of the going concern basis, being the basis on which the consolidated financial statements have been prepared. As explained in note 1 to this announcement, 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.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Disclaimer of opinion

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 us, we are unable to form an opinion as to whether the consolidated financial statements give a true and fair 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. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitations on our work relating to investment funds, deposit paid for acquisition of subsidiaries, goodwill and interest in an associate, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

5. 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	**–**	1,044,762
Other income	**64,372**	47,873
	146,306	1,114,638

6. SEGMENT REPORTING

During the year ended 31st December 2005, the Group is principally engaged in the provision of information localisation services. A 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 *HK$*	General software *HK$*	Custom-made solutions *HK$*	Licensing fee *HK$*	Inter-segment elimination *HK$*	Consolidated *HK$*
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	**General software**	**Custom-made solutions**	**Licensing fee**	**Inter-segment elimination**	**Consolidated**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*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

7. INCOME TAX EXPENSES

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%.

8. 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.

9. 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.

10. 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.

11. 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

BUSINESS REVIEW

Aiming at becoming the prominent information localisation experts in the Greater China region, the Group actively developed its information localisation business during the year under review. With its abundant experience and expertise in software development, the Group has successfully built up a stable customer base covering major commercial and industrial sectors like automobile, information technology, energy, machinery and construction. In view of the significant decrease in translation works handled by the Group compared with the corresponding period last year, the Group has decided to rationalize its business by focusing on providing professional translation services to more established customers. These customers usually place new orders through bidding process with great emphasis on pricing. However, we faced major difficulties in lowering cost prior to the establishment of our comprehensive core-operating platform, which undermined our business performance.

With a view to improve its profitability, the Group has been exploring other business opportunities that can enhance its business portfolio and generate synergies. The Group expanded into the optical disc jukebox business during the year under review. As commerical and personal usage of computers and the internet become increasingly popular in the People's Republic of China (the "PRC"), optical disc jukebox that can be widely used in various sectors requiring large data storage has enormous potential in the PRC market.

During the year under review, the Group has focused on the information localisation business that offers a higher profit margin and greater market potential so as to diversify the Group's business and develop more profitable segments.

PROSPECTS

After actively exploring and consolidating its position in the information localisation market, the Group is confident about the future of its information localisation business. In 2005, the PRC economy grew at a steady pace, which is evidenced by its gross domestic production of RMB18.2321 trillion in 2005, representing an increase of 9.9% over last year. On the back of the globalization of various industries, the quicker penetration of multi-national companies into markets around the world and the rapid opening of the PRC market, an enormous translation market with billions of potential revenues is in place. In addition, as more and more large-scale international exhibitions like the Beijing 2008 Olympic Games and Shanghai World Exhibition are coming to the PRC, its translation sector is presented with an unprecedented opportunity. We remain optimistic towards the future of our information localisation business, and will capitalize on our resources and strengthen our competitive edges to prepare ourselves for the future opportunities emerged in the information localisation market.

Looking forward, the Group will focus on exploring the automobile, information technology and financial sectors, which have higher development potential.

With satisfactory progress on all its projects, the management believes that SJTU Sunway will achieve outstanding performance by developing steadily as well as capturing new opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overall Review

The Group has downsized its operation in the sales of general software, custom-made solution and licensing that results the turnover drops significantly compared with 2004. At the same time, the operating costs of the Group has increased by 16.3% compared with in 2004. As a result, the Group's loss attributable to equity holders of the parent has increased to approximately HK$38,372,000 for the year ended 31 December 2005, as compared to loss attributable to shareholders of approximately HK$25,496,000 for last year.

Revenue

For the year ended 31 December 2005, the Group's revenue was approximately HK$3,764,000 as compared to approximately HK13,949,000 for last year. The decrease in revenue was mainly attributable to the Group's business restructuring and the downsizing of business segments in the sales of general software business, licensing fee and custom-made solutions. On the other hand, revenue of the information localisation business, which was the core business during the year, has dropped significantly by 56.6% to approximately HK$3,759,000 from HK$8,662,000 which was recorded in 2004.

Gross Profit

For the year ended 31 December 2005, the Group recorded gross profit of approximately HK$1,172,000 as compared to approximately HK$4,376,000 last year. Overall gross profit margin was 31.1% this year as compared with 31.4% last year.

Operating costs

For the year ended 31 December 2005, the Group's operating costs, which includes administrative expenses, selling expenses and research and development costs, increased by 16.3% with that for the year 2004. Among which, the administrative expenses have increased by 136.2% whereas selling expenses and research and development costs have decreased by 67.7% and 53.2% respectively. The increase in operating costs, in particular staff costs, professional fees and rental expenses, the recognition of share-based payments in accordance with the new accounting standards during the year, have imposed great financial burden to the Group. At the same time, the overall business results cannot improve correspondingly, that results in the Group recorded loss attributable to the equity holders of the parent was approximately HK$38,372,000 as compared with HK$25,496,000 for the corresponding period in 2004.

Financial Resources and Liquidity

As at 31 December 2005, the Group had bank and cash balances of approximately HK$561,000 (2004: approximately HK$31.1 million). About 98.9% of the total bank and cash balances were denominated in Renminbi ("RMB") with the remainder in Hong Kong dollars.

As at 31 December 2005, the outstanding bank loan and other loan of the Group amounted to approximately HK$13.6 million (2004: approximately HK$14.6 million). The bank borrowings, denominated in RMB, are repayable within one year and bearing interest of 6.38% per annum to 9.558% per annum.

Gearing Ratio

As at 31 December 2005, the total assets of the Group was approximately HK$51.6 million (2004: approximately HK$71.6 million) whereas the total liabilities was approximately HK$39.3 million (2004: approximately HK$23.1 million). The gearing ratio of the Group, calculated as total liabilities over total assets, was 76.2% (2004: 32.3%).

Foreign Exchange Exposure

Since most of the income and expenses as well as assets and liabilities of the Group are denominated in Renminbi, the Directors consider the Group has no material foreign exchange exposure.

Acquisition, Disposal and Significant Investment

On 30 March 2005, the Group entered into an equity transfer agreement with an independent third party pursuant to which the Group agreed to purchase from the independent third party 100% interests in Mighty Wish Services Limited and Shanghai Ruijin Translation Company Limited ("Translation Company"), the Translation Company is principally engaged in the business of information localization within the PRC.

On 24 June 2005, the group entered into a sale and purchase agreement with an independent third party pursuant to which the Group agreed to purchase from the independent third party 100% interests in New Champion International Limited which owns 45% interests in Beijing Advanced Information Storage Technology Co., Ltd ("Beijing AIS"), Beijing AIS is principally engaged in the development and sale of Jukebox in the PRC.

Other than disclosed above, for the year ended 31 December 2005, the Group did not have any significant investments.

Future Significant Investment Plans and Expected Capital Sources

The details for estimated capital sources of future significant investment plans or expenditure scheme were respectively included in the section headed "Business Objective" of the prospectus of the Company dated 30 December 2003. As at 31 December 2005, an investment funds of approximately HK$16.4 million was set aside for future investment purpose. Save as disclosed therein, there was no other future significant investment plan as at 31 December 2005.

Pledge of Assets and Contingent Liabilities

As at 31 December 2005, the Group did not have any substantial pledge of assets and material contingent liabilities.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2005.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 December 2005, the Group employed 52 staff (2004: 202 staff). The staff cost (including directors' remuneration) was approximately HK$7,546,000 for the year under review (2004: approximately HK$7,751,000). The Directors received remuneration of approximately HK$2,721,000 during the year ended 31 December 2005 (2004: approximately HK$1,952,000). Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee.

The Group provides benefits in accordance with the relevant rules and regulations in the PRC and Hong Kong including contributions to state-managed retirement benefit scheme in the PRC and the Mandatory Provident Fund Scheme in Hong Kong. The Group also provides training to staff regularly.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial terms of one to three years, 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 or the other.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2005, the interests and short positions of the Directors or the chief executive in the shares of the Company ("Shares"), underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Name of Directors	**Nature of Interest**	**Number and class of securities** *(Note 1)*
He En Pei	Beneficial interest	1,770,000 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.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTEREST

A. Substantial Shareholders

So far as is known to the Directors, as at 31 December 2005, the following persons, other than a director or chief executive of the Company, had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO and who were, directly or indirectly, interested in 5% 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	**Capacity**	**Number of Shares** *(Note 1)*	**Approximate percentage of shareholding**
Chu Yuet Wah	Beneficial owner and interest of a controlled corporation *(Note 2)*	65,975,828 (L)	32.99%
Kingston Finance Limited	Beneficial owner	64,355,828 (L)	32.18%
Ma Siu Fong	Interest of a controlled corporation	64,355,828 (L)	32.18%
Futart Industry Company Limited ("Futart")	Beneficial owner	64,355,828 (L)	32.18%
FinTronics Holdings Company Limited ("FinTronics")	Interest of a controlled corporation *(note 2)*	64,355,828 (L)	32.18%
Simplex Technology Investment (Hongkong) Co. Limited ("Simplex")	Beneficial owner	22,528,484 (L)	11.26%
Shanghai Jiaoda Industrial Investment Management (Group) Limited ("Jiaoda Industrial Group")	Interest of a controlled corporation *(note 3)*	22,528,484 (L)	11.26%
Shanghai Jiao Tong University	Interest of a controlled corporation *(note 3)*	22,528,484 (L)	11.26%
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. 1,620,000 Shares are beneficially owned by Chu Yuen Wah. The interests in 64,355,828 Shares are held through Kingston Finance Limited, the entire issued capital of which is owned by Chu Yuet Wah as to 51% and Ma Siu Fong as to 49%.

3. The interest in the Shares are held through Futart, the entire issued share capital of which is beneficially owned by FinTronics, a company whose shares are listed on the Main Board of the Stock Exchange. The issued share capital of FinTronics Holdings Company Ltd is owned as to approximately 25.05% by Leading Value Industrial Limited which is in turn owned as to 100% by Mr. Sze Wai, Marco, an executive Director.

4. The interests in the Shares are held through Simplex, the entire issued share capital of which is beneficially owned by Jiaoda Industrial Group. The registered capital of Jiaoda Industrial Group is 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.

The Company has not been notified or other interests or short positions of any other person (other than the Directors and chief executive and the substantial shareholders of the Company) in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 31 December 2005.

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.

At 31 December 2005, 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.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, any of its subsidiaries or fellow subsidiaries was a party, in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality board, sound internal control, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules ("Code ion CG Practices") throughout the year ended 31 December 2005. Details of the Code adopted by the Company is set out in the Company's Annual Report.

AUDIT COMMITTEE

The Company has established audit committee with written terms of reference. The primary duties of the audit committee are to review, in draft form, the Company's annual report and accounts, half-year report, quarterly report and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal controls of the Group. The audit committee comprises three independent non-executive directors, namely Mr. Wang Tian Ye, Mr. Xu Shi Hong and Mr. Wang Bin. Mr Wang Tian Ye is the chairman of the audit committee. The audit committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters, including a review of the annual report for the year ended 31 December 2005 with the Directors.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2005.

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

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

Executive directors	Sze Wai, Marco, He En Pei, Chen Si Gen, Shang Guan Bu Yan, Tan Shu Jiang
Independent non-executive directors	Wang Tian Ye, Wang Bin and Xu Shi Hong

Hong Kong, 27 March 2006

The announcement, for which the directors (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 ("GEM") of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) 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 Announcements" page of the GEM website (http://www.hkgem.com) for at least seven days from the date of its posting.