



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

**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.**

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*This report, for which the directors (the “Directors”) of S & D International Development Group Limited (the “Company”) 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## THIRD QUARTERLY UNAUDITED RESULTS

The board of directors of the Company (the “Board”) hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the nine months and three months ended 30 September 2007, together with the comparative figures for the corresponding periods in 2006, as follows:

### Condensed consolidated income statement

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Turnover	2	1,088	675	538	301
Cost of sales		(732)	(639)	(426)	(296)
Gross profit		356	36	112	5
Selling and distribution expenses		—	(338)	—	(17)
Research and development costs		—	(940)	—	(313)
General and administrative expenses		(3,150)	(3,006)	(1,569)	(757)
Loss from operations		(2,794)	(4,248)	(1,457)	(1,082)
Finance costs		(1,003)	(223)	(334)	—
Waiver of amount due to a former shareholder		1,594	—	—	—
Loss before taxation		(2,203)	(4,471)	(1,791)	(1,082)
Income tax	3	—	—	—	—
Loss for the period		(2,203)	(4,471)	(1,791)	(1,082)
Attributable to:					
Equity shareholders of the Company		(2,203)	(4,449)	(1,791)	(1,083)
Minority interests		—	(22)	—	1
Loss for the period		(2,203)	(4,471)	(1,791)	(1,082)
Loss per share	5				
Basic (cents)		(1.10)	(2.23)	(0.90)	(0.54)
Diluted (cents)		N/A	N/A	N/A	N/A

Notes:

## 1. BASIS OF PREPARATION

The Group's unaudited condensed third quarterly financial statements have been prepared in accordance with the applicable disclosure requirements set out in Chapter 18 of the GEM Listing Rules and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed third quarterly financial statements have been prepared under the historical cost convention. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. These new and revised HKFRSs have no significant impact on the results or the financial position of the Group and the Company for current and previous accounting periods.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 2. TURNOVER

The principal activities of the Group are provision of information localization services, custom-made solutions and trading of computer equipment. Turnover represents the revenue from provision of information localization services, custom-made solutions and trading computer equipment, excludes value added or other sales taxes and is after the deduction of any trade discounts.

The amount of each significant category of revenue recognized in turnover is as follows:

	Nine months ended 30 September		Three months ended 30 September	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Information localization services	—	675	—	301
Custom-made solutions	850	—	300	—
Trading of computer equipment	238	—	238	—
	<b>1,088</b>	<b>675</b>	<b>538</b>	<b>301</b>

### 3. INCOMETAX

No provision for Hong Kong Profits Tax has been made as there was no estimated assessable profit for the Group during the nine months ended 30 September 2007 (2006: Nil).

The Group has no other known tax liability.

No provision for deferred tax has been made as there was no significant timing differences arose for the nine months ended 30 September 2007 (2006: Nil).

### 4. DIVIDENDS

No dividend has been paid or declared by the Company for the period ended 30 September 2007 (2006: Nil).

### 5. LOSS PER SHARE

#### (a) Basic loss per share

The calculation of basic loss per share is based on the Group's loss attributable to equity shareholders of approximately HK\$2,203,000 and HK\$1,791,000 respectively (2006: HK\$4,449,000 and HK\$1,083,000 respectively) and the weighted average of 200,000,000 (2006: 200,000,000) ordinary shares in issue for the nine months and three months ended 30 September 2007.

#### (b) Diluted loss per share

There were no potential dilutive ordinary shares in issue during the period ended 30 September 2007 and the corresponding period in 2006 as no diluting events were existed during these two periods.

### 6. RESERVES

	Share premium HK\$'000	Capital surplus HK\$'000	General reserve HK\$'000	Exchange reserve HK\$'000	Share-based Compensation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2006	30,224	15,090	2,927	—	3,282	(42,197)	9,326
Loss for the period	—	—	—	—	—	(4,449)	(4,449)
At 30 September 2006 (Unaudited)	30,224	15,090	2,927	—	3,282	(46,646)	4,877
At 1 January 2007	30,224	15,090	2,927	(550)	1,742	(51,905)	(2,472)
Share options lapsed	—	—	—	—	(1,742)	1,742	—
Loss for the period	—	—	—	—	—	(2,203)	(2,203)
At 30 September 2007 (Unaudited)	30,224	15,090	2,927	(550)	—	(52,366)	(4,675)

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Change of Company Name**

Pursuant to a special resolution passed at the extraordinary general meeting held on 10 August 2007 and the Certificate of Incorporation on Change of Name issued by the Registrar of Companies in the Cayman Islands on 15 August 2007, the name of the Company has been changed from “SJTU Sunway Software Industry Limited” to “S & D International Development Group Limited 基仕達國際發展集團有限公司” and has no longer adopted its existing Chinese name “交大銘泰軟件實業有限公司” for identification purpose.

### **Overall Review**

For the nine months ended 30 September 2007, the Group recorded a turnover of approximately HK\$1.1 million as compared with approximately HK\$0.7 million for the same period in 2006. Loss attributable to equity shareholders of the Company was approximately HK\$2.2 million as compared with approximately HK\$4.4 million for the same period in 2006.

#### *Financial Resource and Liquidity*

As at 30 September 2007, the Group had bank balances and cash of approximately HK\$1.1 million (31 December 2006: HK\$0.2 million) and a short term bank loan of approximately HK\$14.0 million (31 December 2006: HK\$14.0 million). The bank loan, denominated in Renminbi (“RMB”), are repayable within one year and interest of 6.38% per annum. The bank loan has been overdue and interest charge revised to 9.558% per annum.

#### *Gearing Ratio*

As at 30 September 2007, the total asset value of the Group was approximately HK\$25 million whereas the total liabilities were approximately HK\$27 million. The gearing ratio of the Group, calculated as total liabilities over total assets, was 105.4% (31 December 2006: 96.6%). The Directors have been considering various measures to improve the gearing ratio of the Group.

#### *Foreign Exchange Exposure*

The Directors consider that the Group has no material foreign exchange exposure.

### *Pledge of Assets and Contingent Liabilities*

As at 30 September 2007, the Group did not have any substantial pledge of assets and contingent liabilities.

## **BUSINESS REVIEW AND PROSPECTS**

During the period under review, the Group is principally engaged in the information localization services, custom-made solutions and trading of computer equipment. In order to act as a Total IT Solution Provider to our customers, the Group has continuously expanded in different products and different market segments to provide high quality service to our customers. As a result, the revenue generated from the segment of custom-made solutions business, which has a higher profit margin and greater market potential, has grown gradually during the previous nine months in 2007.

The Group has taken a more pragmatic and lower risk approach to penetrate the market in a step by step manner in order to well strike the balance of expense and revenue. Thus, the Group has re-structured the operation to cut-down unnecessary expenses at the same time.

The rapid opening of the PRC market and the continued growth of the PRC economy provide the advantage and economic environment to develop our business in PRC market. Also, more and more large-scale international events, such as the Beijing 2008 Olympic Games and Expro 2010 Shanghai to be staged in the PRC enable us to remain optimistic towards the future of our business.

Meanwhile, the Group will constantly review its business strategy and look for other business opportunities with a view to expanding the business portfolio and profitability of the Group.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2007, 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:

### (i) Long positions in the shares of the Company

Name of Directors	Nature of Interest	Number of shares	Approximate percentage of shareholding
Nil			

### (ii) Long positions in the shares of associated corporation

Name of Directors	Name of associated corporation	Nature of Interest	Number of shares	Approximate percentage of shareholding
Mrs. Tinna Chan Yee	S&D Holdings	Beneficial owner	1,416	
	Group Limited	Family interest	1,417	
		(Note 1)		
			2,833	28.33%
Mrs. Sana Bakhtiar Ahmed	S&D Holdings	Beneficial owner	1,417	
	Group Limited	Family interest	1,417	
		(Note 2)		
			2,834	28.34%

Notes:

- These shares are held by her spouse Mr. David Cigar Yee in which she is deemed to be interested.
- These shares are held by her spouse Mr. Syed Waliuddin Ahmed in which she is deemed to be interested.





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

### **Substantial Shareholders**

The Company has not been notified of other interests or short positions of any other person (other than the Directors and chief executives 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 30 September 2007.

## SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) which was adopted on 25 November 2003 whereby the Directors of the Company may at their discretion invite any employees, directors, suppliers, customers, advisers, consultants, joint venture partners, and any shareholders of any members of the Group or any invested entities or any holders of any securities issued by any member of the Group or any invested entities, to take up options to subscribe for Shares. The Scheme became effective upon the listing of the Company's shares on the GEM of the Stock Exchange on 9 January 2004.

Date of grant	Exercise period	Exercise price per share (HK\$)	Outstanding as at 1.1.2007	Number of options			Outstanding as at 30.9.2007
				Granted during the period	Exercised during the period	Lapsed during the period	
Directors							
10.10.2005	10.10.2005 – 29.10.2015	0.14	3,700,000	—	—	(3,700,000)	—
			3,700,000	—	—	(3,700,000)	—
Employees, consultants and others							
17.01.2005	17.1.2005 – 16.1.2015	0.45	2,000,000	—	—	(2,000,000)	—
10.10.2005	10.10.2005 – 29.10.2015	0.14	2,300,000	—	—	(2,300,000)	—
			4,300,000	—	—	(4,300,000)	—

## COMPETING INTERESTS

None of the Directors and management and shareholders of the Company (within the meaning of the GEM Listing Rules) has an interest in any business which competes or may compete with the business in which the Group is engaged.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

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 (the “Code”) throughout the period ended 30 September 2007.

## **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. Yip Tai Him, Mr. Chan Cheong Yee and Mr. Ronald Garry Hopp. Mr. Yip Tai Him 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 third quarterly report for the nine months ended 30 September 2007 with the Directors.

## **CODE ON CORPORATE REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

During the nine months ended 30 September 2007, the Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by 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 nine months ended 30 September 2007.

## SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, the Company has failed to maintain a minimum prescribed percentage of 25% of the issued share capital to be in the hand of public (the “Public Float”). The Board is considering means to restore the Public Float. Further announcement in this regard will be made by the Company as and when appropriate.

On behalf of the Board

**Tinna Chan Yee**

*Executive Director*

Hong Kong, 9 November 2007

*As at the date of this report, the Board comprises Mrs. Tinna Chan Yee, Mrs. Sana Bakhtiar Ahmed, Mr. Henry Dicker Yee and Mr. Tan Shu Jiang being executive Directors of the Company; and Mr. Chan Cheong Yee, Mr. Ronald Garry Hopp and Mr. Yip Tai Him being independent non-executive Directors.*