



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)

HIGH CONCENTRATION OF SHAREHOLDING AND INSUFFICIENT PUBLIC FLOAT

The Board was informed by the Exchange that based on the information provided by SFC, there was a high concentration of shareholding in the Company where five Shareholders held about 94.54% of the Company's issued share capital as at 28 February 2007.

The Company makes this announcement to clarify the issues and keep the market informed.

To the best of the Directors' knowledge, information and belief, as at 28 February 2007, there were three substantial shareholders (as defined under the Securities and Futures Ordinance) holding in aggregate 178,982,069 Shares and the following two largest shareholders held in aggregate 14,099,184 Shares, which together held 193,081,253 Shares, representing about 96.54% of the Company's issued share capital, with the remaining Shares of about 3.46% held by other investors.

Pursuant to the Listing Rules, the Company is required to maintain a minimum prescribed percentage of 25% of Public Float. Based on the above information, only about 20.46% of the Shares were in the hands of the public and it fell below the minimum percentage required for the Public Float. The Company had failed to maintain the Public Float. In addition, the Company has delayed the release of the 2006 Annual Results and such delay constitutes breaches of Rules 18.03, 18.48A and 18.49 of the Listing Rules.

The Board is considering placing new Shares through a placing agent to third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company in order to (1) restore the Public Float; (2) improve the high concentration of shareholding in relatively few Shareholders by increasing the total number of Shareholders; and (3) improve the working capital of the Company following the termination of the proposed Rights Issue. Further announcement regarding the proposed placing will be made by the Company as and when appropriate.

In view of the high concentration of shareholding in a small number of Shareholders and the failing to maintain the Public Float, Shareholders and potential investors of the Company shall be aware that the price of the Shares could fluctuate substantially even with a small number of Shares being traded. Shareholders and potential investors of the Company are reminded to exercise caution when dealing with the Shares.

At the request of the Company, trading in the Shares has been suspended with effect from 9:30 a.m. on 22 March 2007 pending the release of an announcement relating to information of Public Float and trading in the Shares will remain suspended until restoration of the public float by the Company, the publication of the 2006 Annual Results and the 2007 first quarterly results.

This announcement is made at the request of The Stock Exchange of Hong Kong Limited (the "Exchange").

Background

The board (the "Board") of directors (the "Directors") of SJTU Sunway Software Industry Limited (the "Company") has been informed by the Exchange that based on the information provided by the Securities and Futures Commission (the "SFC"), as at the close of business of 28 February 2007, the aggregate shareholding in the Company held by three substantial shareholders (as defined under the Securities and Futures Ordinance) and two other entities amounted to 189,081,253 shares of the Company (the "Shares"), representing about 94.54% of the Company's issued share capital of 200,000,000 Shares as at 28 February 2007, with the remaining Shares of about 5.46% held by other investors.

The SFC also noted that during the period from 2 January 2007 to 23 February 2007 comprising 37 trading days, turnover was recorded on 16 days only. During these 16 days, average daily turnover was about 487,000 Shares with share price trading within a narrow range between HK\$0.135 and HK\$0.185. On 26 February 2007, share trading of the Company was suspended and resumed on 28 February 2007 after the Company announced the proposed rights issue (the “**Rights Issue**”) of one rights Shares for every four existing Shares at HK\$0.133 per rights Shares. Share price surged about 89.19% to close at HK\$0.35 with increased turnover of 2,120,000 Shares on 28 February 2007. On 1 March 2007, being the next following trading day, share price continued to rise for another 62.86% to close at HK\$0.57 with 1,482,600 Shares traded.

In view of the above information received, the Company makes this announcement to clarify the issues and to keep the market informed.

Shareholding structure of the Company

To the best of the Directors’ knowledge, information and belief, after reviewing the notices (the “**DI Notices**”) received by the Company pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and the shareholders lists maintained by Tengis Limited, the Hong Kong branch share registrar of the Company, as at 28 February 2007, there were only three substantial shareholders (as defined under the Securities and Futures Ordinance) holding in aggregate 178,982,069 Shares and the following two largest shareholders held in aggregate 14,099,184 Shares, which together held 193,081,253 Shares, representing about 96.54% of the Company’s issued share capital of 200,000,000 Shares as at 28 February 2007, with the remaining Shares of about 3.46% held by other investors. As at 21 March 2007, there were only three substantial shareholders (as defined under the Securities and Futures Ordinance) holding in aggregate 169,674,312 Shares and the following two largest shareholders held in aggregate 14,099,184 Shares, which together held 183,773,496 Shares, representing about 91.88% of the Company’s issued share capital of 200,000,000 Shares as at 21 March 2007 with the remaining Shares of about 8.11% held by other investors. The records showed that the shareholdings of these four shareholders namely, S&D Holdings Group Limited, Simplex Technology Investment (Hong Kong) Co. Ltd., Shareholder 1 and Shareholder 2 of the Company (each a “**Shareholder**”) remained the same on 28 February 2007 and 21 March 2007.

Pursuant to the DI Notices filed by the Shareholders on the Stock Exchange’s website, details of the shareholding structure of the Company as at 28 February 2007 and as at 21 March 2007 are set out in the following tables:

Shareholding structure as at 28 February 2007

Shareholder	No. of Shares held	Approximate %
S&D Holdings Group Limited <i>(Note)</i>	136,545,828	68.27%
Simplex Technology Investment (Hong Kong) Co. Ltd. <i>(Note)</i>	22,528,484	11.26%
Public Shareholders:		
<i>Hong Kong Sunway Technology Development Limited (Note2)</i>	19,907,757	9.95%
<i>Shareholder 1</i>	9,097,283	4.55%
<i>Shareholder 2</i>	5,001,901	2.50%
<i>Other Shareholders</i>	6,918,747	3.46%
Sub-total	40,925,688	20.46%
Total	200,000,000	100%

Note: These shareholders are substantial shareholders of the Company within the meaning of the Securities and Futures Ordinance

Note2: With a shareholding of less than 10% of the total issued share capital of the Company, such shareholders will qualify as a public shareholder under the Rules Governing the Listing of Securities on the Exchange (the “Listing Rules”)

Shareholding structure as at 21 March 2007

Shareholder	No. of Shares held	Approximate %
S&D Holdings Group Limited <i>(Note)</i>	136,545,828	68.27%
Simplex Technology Investment (Hong Kong) Co. Ltd. <i>(Note)</i>	22,528,484	11.26%
Public Shareholders:		
<i>Yan Li Li (Note 2)</i>	10,600,000	5.3%
Shareholder 1	9,097,283	4.55%
Shareholder 2	5,001,901	2.50%
Other Shareholders	16,226,504	8.11%
	40,925,688	20.46%
Total	200,000,000	100%

Note: These shareholders are substantial shareholders of the Company within the meaning of the Securities and Futures Ordinance

Note2: With a shareholding of less than 10% of the total issued share capital of the Company, such shareholders will qualify as a public shareholder under the Rules Governing the Listing of Securities on the Exchange (the "Listing Rules")

Unusual price and trading volume

The Board confirms that it is not aware of any reason for the increases in the trading price and trading volume of the Shares during the period from 28 February 2007 to 1 March 2007. Save for the proposed Rights Issue announced by the Company on 27 February 2007 and subsequently terminated on 23 March 2007, the Board confirms there are no negotiations or agreements relating to intended acquisitions or realizations which are discloseable under Chapters 19 and 20 of the Listing Rules, and neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 17.10 of the Listing Rules Governing the Listing of Securities on the Growth Enterprise Market of the Exchange, which is or may be of a price sensitive nature.

Public Float

Pursuant to the Listing Rules, the Company is required to maintain a minimum prescribed percentage of 25% of the issued Shares to be in the hands of the public (the "Public Float"). Based on the above information, only about 20.46% of the Shares were in the hands of the public and it fell below the minimum percentage required for the Public Float. The Company had failed to maintain the Public Float. In addition, pursuant to the Listing Rules, the Company should have released its 2006 annual results (the "2006 Annual Results") and despatch its annual report on or before 31 March 2007. Therefore, the delay to release the 2006 Annual Results constitutes breaches of Rules 18.03, 18.48A and 18.49 of the Listing Rules.

The Board is considering placing new Shares through a placing agent to third parties independent to the Company and connected persons (as defined in the Listing Rules) of the Company in order to (1) restore the Public Float; (2) improve the high concentration of shareholding in relatively few Shareholders by increasing the total number of Shareholders; and (3) improve the working capital of the Company following the termination of the proposed Rights Issue. Further announcement regarding the proposed placing will be made by the Company as and when appropriate.

Warning

In view of the high concentration of shareholding in a small number of Shareholders and the failing to maintain the Public Float, Shareholders and potential investors of the Company shall be aware that the price of the Shares could fluctuate substantially even with a small number of Shares being traded. Shareholders and potential investors of the company are reminded to exercise caution when dealing with the Shares.

Resumption of trading

At the request of the Company, trading in the Shares has been suspended with effect from 9:30 a.m. on 22 March 2007 pending the release of an announcement relating to information of Public Float and trading in the Shares will remain suspended until restoration of the public float by the Company, the publication of the 2006 Annual Results and the 2007 first quarterly results.

Board of Directors

As at the date of this announcement, the Board comprises Ms. Tinna Chan Yee and Ms. Syeda Bakhtiar and Mr. Tan Shu Jiang being executive Directors; and Mr. Chan Cheong Yee, Mr. Ronald Garry, Hopp and Mr. Yip Tai Him being independent non-executive Directors.

By Order of the Board of
SJTU Sunway Software Industry Limited
Tinna Chan Yee
Executive Director

Hong Kong, 18 May 2007

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 (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 for at least 7 days from the date of its posting.

* *For identification purpose only*