



交大銘泰軟件實業有限公司*
SJTU SUNWAY SOFTWARE INDUSTRY LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8148



First Quarterly Report

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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.

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.

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 at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, 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 report.

This report, for which the directors (the “Directors”) of SJTU Sunway Software Industry 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.

FIRST 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 three months ended 31 March 2007, together with the comparative figures for the corresponding periods in 2006, as follows:

Condensed consolidated income statement

	Notes	Three months ended	
		2007	2006
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	2	300	211
Cost of sales		(175)	(256)
Gross profit/(loss)		125	(45)
Selling and distribution expenses		—	(239)
Research and development costs		—	(295)
General and administrative expenses		(448)	(1,082)
Loss from operations		(323)	(1,661)
Finance costs		(335)	(223)
Loss before taxation		(658)	(1,884)
Taxation	3	—	—
Loss for the period		(658)	(1,884)
Attributable to:			
Equity shareholders of the Company		(658)	(1,861)
Minority interests		—	(23)
Loss for the period		(658)	(1,884)
Loss per share	5		
Basic (cents)		(0.33)	(0.93)
Diluted (cents)		N/A	N/A

Notes:

1. BASIS OF PREPARATION

The Group's unaudited consolidated results 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 issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The condensed consolidated results 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.

2. TURNOVER AND SEGMENT INFORMATION

The principal activities of the Group are, provision of information localization services and custom-made solutions. Turnover represents the revenue from provision of information localisation services and custom-made solution contracts, 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:

	Three months ended	
	31 March	
	2007	2006
	HK\$'000	HK\$'000
Information localisation services	—	211
Custom-made solutions	300	—
	300	211

3. TAXATION

No provision for Hong Kong Tax has been made as there was no estimated assessable profit for the Group during the three months ended 31 March 2007.

No provision for deferred tax has been made as there was no significant timing differences arose for the three months ended 31 March 2007.

4. DIVIDENDS

No dividend has been paid or declared by the Company for the period ended 31 March 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\$658,000 (2006: HK\$1,861,000) and the weighted average of 200,000,000 (2006: 200,000,000) ordinary shares in issue for the three months ended 31 March 2007.

(b) Diluted loss per share

There were no potential dilutive ordinary shares in issue during the three months ended 31 March 2007 and the corresponding period in 2006 as no diluting events were existed during these two periods.

6. RESERVES

	Share premium <i>HK\$'000</i>	Capital surplus <i>HK\$'000</i>	General reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Share-based Compensation reserve <i>HK\$'000</i>	Accumu- lated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2006	30,224	15,090	2,927	—	3,282	(42,197)	9,326
Loss for the period	—	—	—	—	—	(1,861)	(1,861)
At 31 March 2006	30,224	15,090	2,927	—	3,282	(44,058)	7,465
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	—	—	—	—	—	(658)	(658)
At 31 March 2007	30,224	15,090	2,927	(550)	—	(50,821)	(3,130)

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Overall Review

For the three months ended 31 March 2007, the Group recorded a turnover of approximately HK\$0.3 million as compared with HK\$0.2 million for the same period in 2006. Loss attributable to equity shareholders of the company was approximately HK\$0.7 million as compared with HK\$1.9 million for the same period in 2006.

Financial Resources and Liquidity

As at 31 March 2007, the Group had bank balances and cash of approximately HK\$0.2 million (2006: HK\$0.4 million) and a short term bank loan of approximately HK\$14.0 million (2006: HK\$14.0 million). The bank borrowings, 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 31 March 2007, the total assets of the Group were approximately HK\$25 million whereas the total liabilities was approximately HK\$24 million. The gearing ratio of the Group, calculated as total liabilities over total assets, was approximately 99.3% (31 December 2006: 96.6%). The Directors have put into certain financing measures to ensure the Group maintaining a healthy gearing ratio.

Foreign Exchange Exposure

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

Acquisition, Disposal and Significant Investment

The Group has no significant investments during the three months ended 31 March 2007.

Pledge of Assets and Contingent Liabilities

As at 31 March 2007, the Group did not have any substantial pledge of assets and material contingent liabilities.

BUSINESS REVIEW AND PROSPECTS

During the period under review, the Group is principally engaged in the information localization business and custom-made solutions. In view of the significant decrease in translation works carried out by the Group due to severe market competition, the Group has decided to rationalise its business by focusing on providing professional services on custom-made solution to develop another group of target customers at the same time. As a result, the performance in the first quarter was improved comparing with the same period in last year.

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

Meanwhile, the Group is in constant review of 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 31 March 2007, the interests and short position of the Directors the chief executive in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "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 of Shares <i>(Note 1)</i>	Approximate percentage of shareholding
Ms. Tinna Chan Yee	Interesting of a controlled corporation <i>(Note 2)</i>	136,545,828 (L)	68.27%
Ms. Sana Bakhtiar Ahmed	Interesting of a controlled corporation <i>(Note 2)</i>	136,545,828 (L)	68.27%

Notes:

1. The letter "L" represents the interests in the Share.
2. The interests in the Shares are held through S&D Holdings Group Limited, the entire issued capital of which was beneficially owned by Ms. Tinna Chan Yee and her spouse as to 28.33% and Ms. Sana Bakhtiar Ahmed and her spouse as to 28.34% respectively.

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

Substantial Shareholders

So far as is known to the Directors, as at 31 March 2007, the following persons, other than the Directors 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
S&D Holdings Group Limited	Beneficial owner (Note 2)	136,545,828 (L)	68.27%
Shanghai Jiao Tong University	Interest of a controlled corporation (Note 3)	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%
Simplex Technology Investment (Hong Kong) Co. Limited ("Simplex")	Beneficial owner	22,528,484 (L)	11.26%
Yan Li Li	Beneficial owner	10,600,000 (L)	5.30%

Notes:

1. The letter "L" denotes the entity's long position in the Shares.
2. The entire share capital of S&D Holdings Group Limited is beneficially owned by Ms. Wen Chen as to 4.17%, Ms. Tinna Chan Yee as to 14.16%, Mr. David Cigar Yee as to 14.17%, Mr. Syed Waliuddin Ahmed as to 14.17%, Ms Sana Bakhtiar Ahmed as to 14.17%, Mr. Frank Wai Kah Yee as to 15% and Mr. Stephen Yee as to 24.16% respectively
3. 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 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 31 March 2007.

* *For identification purposes only*

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 31.3.2007
				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 is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize 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 (the "Code") throughout the period ended 31 March 2007. Details of the Code adopted by the Company are set out in the section of Corporate Governance Report in the Annual Report 2006.

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, all of them resigned on 27 March 2007. Mr. Yip Tai Him, Mr. Chan Cheong Yee, and Mr. Ronald Garry Hopp were appointed on 27 March 2007. 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 quarterly report for the three months ended 31 March 2007 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 three months ended 31 March 2007.

As at the date of this report, the Board comprises Ms. Tinna Chan Yee, Ms Sana Bakhtiar Ahmed 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.

On behalf of the Board
Tinna Chan Yee
Executive Director

Hong Kong, 18 July 2007