



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



Interim Report

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

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*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.*

## INTERIM 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 six months and three months ended 30 June 2007, together with the comparative figures for the corresponding periods in 2006, as follows:

### Condensed consolidated income statement

	Notes	Six months ended 30 June		Three months ended 30 June	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Turnover	2	550	374	250	163
Cost of sales		(306)	(343)	(131)	(87)
Gross profit		244	31	119	76
Selling and distribution expenses		—	(321)	—	(82)
Research and development costs		—	(627)	—	(332)
General and administrative expenses		(1,579)	(2,249)	(1,131)	(1,166)
Loss from operations		(1,335)	(3,166)	(1,012)	(1,504)
Finance costs		(671)	(223)	(336)	—
Waiver of amount due to a former shareholder		1,594	—	1,594	—
(Loss)/profit before taxation	3	(412)	(3,389)	246	(1,504)
Income tax	4	—	—	—	—
(Loss)/profit for the period		(412)	(3,389)	246	(1,504)
Attributable to:					
Equity shareholders of the Company		(412)	(3,366)	246	(1,481)
Minority interests		—	(23)	—	(23)
(Loss)/profit for the period		(412)	(3,389)	246	(1,504)
(Loss)/profit per share	6				
Basic (cents)		(0.21)	(1.68)	0.12	(0.74)
Diluted (cents)		N/A	N/A	N/A	N/A

## Condensed consolidated balance sheet

		<b>As at 30 June 2007 HK\$'000 (Unaudited)</b>	As at 31 December 2006 HK\$'000 (Audited)
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment	8	<b>329</b>	—
Deposits for acquisition of subsidiaries		<b>22,710</b>	22,710
		<b>23,039</b>	22,710
<b>Current assets</b>			
Trade and other receivables	9	<b>1,266</b>	747
Cash and cash equivalents		<b>696</b>	164
		<b>1,962</b>	911
<b>Current liabilities</b>			
Trade and other payables	10	<b>8,025</b>	6,972
Amount due to a shareholder	11	<b>2,007</b>	—
Amounts due to former directors	12	—	1,370
Amounts due to directors	12	<b>112</b>	10
Bank loan, unsecured		<b>14,000</b>	14,000
Other loan payable, unsecured		<b>436</b>	436
		<b>24,580</b>	22,788
<b>Net current liabilities</b>		<b>(22,618)</b>	(21,877)
<b>NET ASSETS</b>		<b>421</b>	833
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>2,000</b>	2,000
Reserves		<b>(2,884)</b>	(2,472)
<b>Total equity attributable to equity shareholders of the Company</b>		<b>(884)</b>	(472)
<b>Minority interests</b>		<b>1,305</b>	1,305
<b>TOTAL EQUITY</b>		<b>421</b>	833

## Condensed consolidated cash flow statement

	Six months ended 30 June	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(1,458)	(3,270)
NET CASH USED IN INVESTING ACTIVITIES	(343)	—
NET CASH FROM FINANCING ACTIVITIES	2,333	2,959
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	532	(311)
CASH AND CASH EQUIVALENTS AT 1 JAN	164	561
CASH AND CASH EQUIVALENTS AT 30 JUN	696	250

## Condensed statement of changes in equity

	Share Capital	Share premium	Capital surplus	General reserve	Exchange reserve	Share-based Compensation reserve	Accumu- lated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2006	2,000	30,224	15,090	2,927	—	3,282	(42,197)	11,326
Loss for the period	—	—	—	—	—	—	(3,366)	(3,366)
At 30 June 2006 (Unaudited)	2,000	30,224	15,090	2,927	—	3,282	(45,563)	7,960
At 1 January 2007	2,000	30,224	15,090	2,927	(550)	1,742	(51,905)	(472)
Share options lapsed	—	—	—	—	—	(1,742)	1,742	—
Loss for the period	—	—	—	—	—	—	(412)	(412)
At 30 June 2007 (Unaudited)	2,000	30,224	15,090	2,927	(550)	—	(50,575)	(884)

Notes:

## 1. BASIS OF PREPARATION

The Group's unaudited condensed interim 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 Accounting Standards ("HKAS") 34 "Interim Financing Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed interim 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 and custom-made solutions. Turnover represents the revenue from provision of information localization 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:

	<b>Six months ended 30 June</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Information localisation services	—	374
Custom-made solutions	<b>550</b>	—
	<b>550</b>	374

### 3. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amortisation of intangible assets	—	627
Depreciation of property, plant and equipment	14	131
Operating lease charges in respect of properties:		
minimum lease payment	165	107
Interest on bank borrowings wholly repayable within five years	669	223

### 4. INCOME TAX

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

### 5. DIVIDENDS

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

### 6. (LOSS)/PROFIT PER SHARE

#### (a) Basic (loss)/profit per share

The calculation of basic (loss)/profit per share is based on the Group's (loss)/profit attributable to equity shareholders of approximately loss of HK\$412,000 and profit of HK\$246,000 respectively (2006: loss of HK\$3,366,000 and HK\$1,481,000 respectively) and the weighted average of 200,000,000 (2006: 200,000,000) ordinary shares in issue for the six months and three months ended 30 June 2007.

**(b) Diluted loss per share**

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

**7. SEGMENT REPORTING**

Business segmental information for the six months ended 30 June 2007 and 2006 are shown as below and is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting. The Group mainly operates in the Hong Kong for the six months ended 30 June 2007 and the Group mainly operated in the PRC for the corresponding period in 2006.

**Six months ended 30 June 2007**

	<b>Information localization services HK\$'000 (Unaudited)</b>	<b>Custom-made solutions HK\$'000 (Unaudited)</b>	<b>Consolidated HK\$'000 (Unaudited)</b>
Revenue from external customers	—	550	550
Segment result	—	244	244
Unallocated operating income and expenses			(1,579)
Loss from operations			(1,335)
Finance costs			(671)
Waiver of amount due to a former shareholder			1,594
Minority interests			—
Loss for the period			(412)

## Six months ended 30 June 2006

	Information localization services HK\$'000 (Unaudited)	Custom-made solutions HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Revenue from external customers	374	—	374
Segment result	(918)	—	(918)
Unallocated operating income and expenses			(2,248)
Loss from operations			(3,166)
Finance costs			(223)
Minority interests			23
Loss for the period			(3,366)

## 8. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Computer and other equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>					
At 1 January 2007	512	2,306	1,206	833	4,857
Additions	264	22	57	—	343
At 30 June 2007	776	2,328	1,263	833	5,200
<b>Accumulated depreciation</b>					
At 1 January 2007	512	2,306	1,206	833	4,857
Charge for period	9	1	4	—	14
At 30 June 2007	521	2,307	1,210	833	4,871
<b>Net book value</b>					
At 30 June 2007 (Unaudited)	255	21	53	—	329
At 31 December 2006 (Audited)	—	—	—	—	—

## 9. TRADE AND OTHER RECEIVABLES

	<b>At 30 June 2007 HK\$'000 (Unaudited)</b>	At 31 December 2006 HK\$'000 (Audited)
Trade debtors	<b>103</b>	53
Other debtors, deposits and prepayments	<b>1,163</b>	694
	<b>1,266</b>	747

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 is shown as follows:

	<b>At 30 June 2007 HK\$'000 (Unaudited)</b>	At 31 December 2006 HK\$'000 (Audited)
Within 30 days	<b>50</b>	—
Over 360 days	<b>53</b>	53
	<b>103</b>	53

## 10. TRADE AND OTHER PAYABLES

	<b>At 30 June 2007 HK\$'000 (Unaudited)</b>	At 31 December 2006 HK\$'000 (Audited)
Trade creditors	<b>675</b>	369
Other payables	<b>7,350</b>	6,603
	<b>8,025</b>	6,972

An aged analysis of the trade payables is shown as follows:

	<b>At 30 June 2007</b>	At 31 December 2006
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Due within 90 days or on demand	<b>306</b>	—
Over 360 days	<b>369</b>	369
	<b>675</b>	369

#### 11. AMOUNT DUE TO A SHAREHOLDER

Amount due to the shareholder was unsecured, interest free and no fixed repayment term.

#### 12. AMOUNTS DUE TO FORMER DIRECTORS/DIRECTORS

The amounts due former directors/directors are unsecured, interest free and repayable on demand.

#### 13. OPERATING LEASE COMMITMENTS

At 30 June 2007, the total future minimum lease payments under non-cancellable operating leases are repayable as follows:

	<b>At 30 June 2007</b>	At 31 December 2006
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Within 1 year	<b>661</b>	—
After 1 year but within 5 years	<b>441</b>	—
	<b>1,102</b>	—

#### 14. RELATED PARTY TRANSACTIONS

##### Non-trading transaction

Save as disclosed above, during the six months ended 30 June 2007, the Group has no related party transaction (2006: rental expenses of HK\$30,000 to a former shareholder of the Group).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overall Review

For the six months ended 30 June 2007, the Group recorded a turnover of approximately HK\$0.6 million as compared with approximately HK\$0.4 million for the same period in 2006. Loss attributable to equity shareholders of the Company was approximately HK\$0.4 million as compared with approximately HK\$3.4 million for the same period in 2006.

#### *Financial Resource and Liquidity*

As at 30 June 2007, the Group had bank balances and cash of approximately HK\$0.7 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 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 30 June 2007, the total asset value of the Group was approximately HK\$25 million whereas the total liabilities were approximately HK\$25 million. The gearing ratio of the Group, calculated as total liabilities over total assets, was 98.3% (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 June 2007, the Group did not have any substantial pledge of assets and contingent liabilities.

## **BUSINESS REVIEW AND PROSPECTS**

During the first half of 2007, 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 compared with the corresponding period last year, 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 half of 2007 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 the advantage 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 let us 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.

### **Employee Information**

As at 30 June 2007, the Group employed 8 staff (2006: 18 staff). The staff cost (including directors' remuneration) was approximately HK\$0.6 million for the period under review (2006: HK\$1.1 million). 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 laws and regulations including the Mandatory Provident Fund Scheme of Hong Kong.

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

As at 30 June 2007, the interests and short positions of the Directors or 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:

### (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 Group Limited	Beneficial owner	1,416	
		Family interest (Note 1)	1,417	
			2,833	28.33%
Mrs. Sana Bakhtiar Ahmed	S&D Holdings Group Limited	Beneficial owner	1,417	
		Family interest (Note 2)	1,417	
			2,834	28.34%

Notes:

1. These shares are held by her spouse Mr. David Cigar Yee in which she is deemed to be interested.
2. 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**

So far as is known to the Directors, as at 30 June 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:

<b>Name</b>	<b>Capacity</b>	<b>Number of Shares (Note 1)</b>	<b>Approximate percentage of shareholding</b>
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 interests 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%, Mrs. Tinna Chan Yee as to 14.16%, Mr. David Cigar Yee as to 14.17%, Mr. Syed Waliuddin Ahmed as to 14.17%, Mrs. 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 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.

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 June 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 30.6.2007
				Granted during the period	Exercised during the period	Lapsed during the period	
<b>Directors</b>							
10.10.2005	10.10.2005 – 29.10.2015	0.14	3,700,000	—	—	(3,700,000)	—
			3,700,000	—	—	(3,700,000)	—
<b>Employees, consultants and others</b>							
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 June 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 interim report for the six months ended 30 June 2007 with the Directors.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

During the six months ended 30 June 2007, the Company had 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 six months ended 30 June 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, 13 August 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.*