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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)

CONNECTED TRANSACTION

On 22 March 2004, SJTU Sunway (Beijing) and Xiamen Start entered into the Articles for the establishment of Fujian MLTS, a limited liability company to be established in the PRC. Upon the issue of business licence (營業執照) by the relevant Administration for Industry and Commerce (工商行政管理局) in the PRC, Fujian MLTS will be formally established.

The registered capital of Fujian MLTS is RMB5,000,000 (equivalent to approximately HK\$4,716,981). SJTU Sunway (Beijing) will be responsible for contributing RMB3,750,000 (equivalent to approximately HK\$3,537,736) to (representing 75% of) Fujian MLTS's registered capital and Xiamen Start will be responsible for contributing RMB1,250,000 (equivalent to approximately HK\$1,179,245) to (representing 25% of) Fujian MLTS's registered capital. The contribution to the registered capital of Fujian MLTS by SJTU Sunway (Beijing) will be financed by the internal resources of the Group.

SJTU Sunway (Beijing) is an indirect wholly owned subsidiary of the Company. Xiamen Start is a subsidiary of Start Technology and indirectly owned as to 81.7% by Start Technology and as to 18.3% by an independent third party. Start Technology is an initial management shareholder (as defined in the GEM Listing Rules) of the Company. Given that Xiamen Start is an associate (as defined in the GEM Listing Rules) of Start Technology, it falls under the definition of a connected person of the Company. The establishment of Fujian MLTS by SJTU Sunway (Beijing) together with Xiamen Start constitutes a connected transaction for the Company under Rule 20.12(6) of the GEM Listing Rules.

Since the amount attributable to SJTU Sunway (Beijing) in Fujian MLTS is less than HK\$10,000,000, the establishment of Fujian MLTS constitutes a connected transaction for the Company, which falls under Rule 20.24 of the GEM Listing Rules and is only subject to reporting and announcement requirements. Appropriate disclosure of the above transaction will be made in the Company's published annual report and accounts for the year ending 31 December 2004.

* For identification purpose only

BACKGROUND INFORMATION OF FUJIAN MLTS

Date of the Articles	:	22 March 2004
Parties	:	(a) SJTU Sunway (Beijing); and (b) Xiamen Start
Registered capital	:	RMB5,000,000 (equivalent to approximately HK\$4,716,981) in cash, of which SJTU Sunway (Beijing) will contribute RMB3,750,000 (equivalent to approximately HK\$3,537,736) (representing 75% thereof) and Xiamen Start will contribute RMB1,250,000 (equivalent to approximately HK\$1,179,245) (representing 25% thereof) within 30 working days from the date of signing of the Articles SJTU Sunway (Beijing) will finance its contribution to Fujian MLTS's registered capital by the internal resources of the Group. Apart from that, there is no further capital commitment from the Group in Fujian MLTS as provided in the Articles or otherwise.
Term of operation	:	An initial term of 15 years from the date of issue of the business licence (營業執照) of Fujian MLTS. If the shareholders agree to extend the term of operation of Fujian MLTS, application may be made to the relevant PRC approving authority for an extension six months in advance of the expiry of the term.
Business scope	:	Translation service, consultancy and related business, development of computer software and design of websites.
Board of directors	:	Three directors (including chairman of the board) and shall be appointed by the shareholders in general meeting of Fujian MLTS. SJTU Sunway (Beijing) and Xiamen Start are entitled to exercise their voting rights in proportion to their respective shareholdings in the general meeting.
Profit sharing	:	Profits will be shared by SJTU Sunway (Beijing) and Xiamen Start in proportion to their shareholdings in Fujian MLTS.

Right of first refusal : Any shareholder (“**Transferring Shareholder**”) who intends to transfer its interest in Fujian MLTS to a third party shall obtain consent from the other shareholder of such intention, save for such transfer is made to its associated companies for the purposes of reorganisation. If the other shareholder does not consent to such transfer, it shall acquire such part of interest from the Transferring Shareholder at a consideration equal to the offer price to the third party. If the other shareholder refuses to acquire such part of interest, he will be deemed to have consented to the transfer to the third party from the Transferring Shareholder.

ESTABLISHMENT AND PRINCIPAL BUSINESSES OF FUJIAN MLTS

SJTU Sunway (Beijing) and Xiamen Start commenced their negotiation in relation to the establishment of Fujian MLTS in February 2004. Fujian MLTS will be formally established upon the issue of the business licence by the relevant Administration for Industry and Commerce (工商行政管理局) in the PRC. Fujian MLTS, upon establishment, will be principally engaged in the provision of translation service, consultancy and related business, development of computer software and design of websites. SJTU Sunway (Beijing) will be interested in 75% of the registered capital of Fujian MLTS upon the establishment of Fujian MLTS and, accordingly, Fujian MLTS will be treated as a subsidiary of the Company for accounting purpose.

REASONS FOR THE ESTABLISHMENT OF FUJIAN MLTS

One of the Group’s business strategies is to increase the market coverage in the PRC for its products and services. The Directors are of the view that the establishment of Fujian MLTS is the first step of the Group to increase the market coverage of translation softwares and services in the PRC.

The Group is principally engaged in the research, development and sale of four major lines of software products, comprising the translation software, information security software, internet application software and entertainment software targeting at enterprises and individual consumers in the PRC. Xiamen Start is principally engaged in the provision of software development and system integration services.

The Directors (including the independent non-executive Directors) are of the view that the establishment of Fujian MLTS with Xiamen Start is on normal commercial terms and in the ordinary and usual course of business of the Company, and the terms of the Articles are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONNECTED TRANSACTIONS

The registered capital of Fujian MLTS is RMB5,000,000. SJTU Sunway (Beijing) will be responsible for contributing RMB3,750,000 to (representing 75% of) Fujian MLTS’s registered capital and Xiamen Start will be responsible for contributing RMB1,250,000 to (representing 25% of) Fujian MLTS’s registered capital.

The contribution to the registered capital of Fujian MLTS by SJTU Sunway (Beijing) will be financed by the internal resources of the Group. Such contribution represents approximately 5.2% of the adjusted unaudited consolidated net tangible assets of the Group as disclosed in the Company's prospectus dated 30 December 2003. The amount of contribution of SJTU Sunway (Beijing) and Xiamen Start were determined after arm's length negotiation between SJTU Sunway (Beijing) and Xiamen Start.

SJTU Sunway (Beijing) is an indirect wholly owned subsidiary of the Company. Xiamen Start is a subsidiary of Start Technology and indirectly owned as to 81.7% by Start Technology and as to 18.3% by an independent third party. Start Technology is an initial management shareholder (as defined in the GEM Listing Rules) of the Company. Given that Xiamen Start is an associate (as defined in the GEM Listing Rules) of Start Technology, it falls under the definition of a connected person of the Company. The establishment of Fujian MLTS by SJTU Sunway (Beijing) together with Xiamen Start constitutes a connected transaction for the Company under Rule 20.12(6) of the GEM Listing Rules.

Since the amount attributable to SJTU Sunway (Beijing) in Fujian MLTS is less than HK\$10,000,000, the establishment of Fujian MLTS constitutes a connected transaction for the Company, which falls under Rule 20.24 of the GEM Listing Rules and is only subject to reporting and announcement requirements. Appropriate disclosure of the above transaction will be made in the Company's published annual report and accounts for the year ending 31 December 2004.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Articles”	the articles of association of dated 22 March 2004 and entered into between SJTU Sunway (Beijing) and Xiamen Start
“Company”	SJTU Sunway Software Industry Limited (交大銘泰軟件實業有限公司*), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM
“Directors”	the directors of the Company
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Fujian MLTS”	福建多語翻譯服務有限公司 (Fujian Multi Language Translation Service Company Limited*), a limited liability company to be established in the PRC by SJTU Sunway (Beijing) and Xiamen Start

“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM and continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“PRC”	the People’s Republic of China
“RMB”	Renminbi yuan, the lawful currency of the PRC
“SJTU Sunway (Beijing)”	交大銘泰(北京)軟件有限公司(SJTU Sunway Software Company Limited*), a wholly foreign owned enterprise established in the PRC in August 1998 and an indirect wholly owned subsidiary of the Company
“Start Technology”	Start Technology Company Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board, and an initial management shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xiamen Start”	廈門實達巨龍信息技術有限公司(Xiamen Start Dragon Information Technology Company Limited*), a sino-foreign equity joint venture established in the PRC
“%”	per cent.

In this announcement, for purpose of illustration only, amount quoted in RMB have been converted into HK dollars at the rate of RMB1.06 to HK\$1.00. Such exchange rates have been used, where applicable, for purposes of illustration only and do not constitute a representation that any amounts were or may have been exchanged at these or any other rates or at all.

By order of the board of Directors
Sze Wai, Marco
 Chairman

Hong Kong, 22 March 2004

This announcement, for which 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 of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to SJTU Sunway Software Industry Limited. The directors of SJTU Sunway Software Industry Limited, 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.

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