

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in SJTU Sunway Software Industry Limited (the "Company"), you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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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)

PROPOSED ALTERATIONS TO THE ARTICLES OF ASSOCIATION AND GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE NEW SHARES

The notice convening the annual general meeting of the Company to be held at Units 2003 and 2005, 20/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on 5th May 2004 at 11:00 a.m. is set out on pages 5 to 14 of this circular.

A form of proxy for use at the annual general meeting is enclosed with this circular.

This circular, for which the directors of the Company (the "Directors") 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 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 circular 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 circular misleading; and (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This circular will remain on the "Latest Company Announcements" page of the GEM website for at least seven days from its date of its posting.

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 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 in order to obtain up-to-date information on GEM-listed issuers.

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LETTER FROM THE CHAIRMAN



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)

Executive Directors:

Sze Wai, Marco (Chairman)

He En Pei

Chu Chi Shing

Chiu Chi Shun, Clarence

Shang Guan Bu Yan

Chen Si Gen

Wang Hui Bo

He Zhan Tao

Chen Cheng Ping

Principal Office:

Units 2003 and 2005, 20th Floor

Great Eagle Centre

No. 23 Harbour Road

Wanchai

Hong Kong

Registered Office:

Century Yard, Cricket Square

Hutchins Drive, P.O. Box 2681GT

George Town, Grand Cayman

British West Indies

Independent non-executive Directors:

Song Jing Sheng

Wang Tian Ye

31st March 2004

To shareholders of SJTU Sunway Software Industry Limited (the "Company")

Dear Sir or Madam,

**PROPOSED ALTERATIONS TO THE
ARTICLES OF ASSOCIATION
AND
GENERAL MANDATES TO REPURCHASE SHARES
AND
TO ISSUE NEW SHARES**

INTRODUCTION

It was announced by the Company on 26th March 2004 that the alterations to the articles of association of the Company (the "**Articles**") adopted on 25th November 2003 would be proposed to the shareholders of the Company (the "**Shareholders**") for approval at the forthcoming annual general meeting of the Company (the "**Annual General Meeting**") to be held on 5th May 2004.

* for identification only

LETTER FROM THE CHAIRMAN

The purpose of this circular is to provide you with further information regarding the proposed alterations to the Articles and to seek your approval of ordinary resolutions to enable the directors (the “Directors”) of the Company to exercise the powers of the Company to repurchase the Company’s fully paid up shares of HK\$0.01 each (the “Shares”) representing up to a maximum of 10% of the existing issued share capital of the Company at the date of passing the resolution, to grant a general mandate to the Directors to issue new shares up to a maximum of 20% of the issued share capital of the Company at the date of passing the resolution and to increase the number of shares which the Directors may issue under their general mandate by the number of shares repurchased. The resolutions will be proposed at the Annual General Meeting.

ALTERATIONS TO THE ARTICLES

As announced by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in its press release dated 30th January 2004, the Stock Exchange has revised the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “**GEM Listing Rules**”) based on the results of the Consultation Conclusions on Proposed Amendments to the Listing Rules relating to Corporate Governance Issues issued in January 2004. Such revisions of the GEM Listing Rules will take effect on 31st March 2004 and include revisions to Appendix 3 to the GEM Listing Rules which sets out the requirements that the articles of association or, as the case may be, the bye-laws of GEM listed issuers or GEM listing applicants shall comply with.

To ensure compliance with the revised Appendix 3 to the GEM Listing Rules, GEM listed issuers must alter their articles of association or, as the case may be, bye-laws at the earliest opportunity and, in any event, no later than the conclusion of their next annual general meeting after 31st March 2004.

To align the Articles with the requirements of the revised Appendix 3 to the GEM Listing Rules, the Directors wishes to propose a special resolution at the Annual General Meeting to alter the Articles. In general, the proposed alterations to the Articles are to be made to conform to the following in relation to corporate governance:

- (a) the minimum seven-day period of lodgment by the Shareholders of notice to nominate a Director shall commence no earlier than the date after the despatch of the notice of the meeting appointed for such election and end no later than seven days before the date of such meeting;
- (b) a Director shall abstain from voting at the meeting of the Board on any matter in which he or any of his associates has a material interest and not to be counted towards the quorum of the relevant meeting of the Board; and
- (c) where any Shareholder is, under the revised GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or against any particular resolution, any vote cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

LETTER FROM THE CHAIRMAN

A full text of the proposed alterations to the Articles is set out in resolution number 7 in the notice of convening the Annual General Meeting (“AGM Notice”).

GENERAL MANDATE FOR REPURCHASE OF SHARES

The GEM Listing Rules contain provisions to regulate the repurchase by companies with primary listing on the Growth Enterprise Market (“GEM”) operated by the Stock Exchange of their own shares (the “Share Buy Back Rules”). In accordance with the Share Buy Back Rules, this circular contains an explanatory statement to provide you with requisite information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolution set out as Resolution 5 in the AGM Notice. For the purpose of this circular, the term “shares” shall have the meaning ascribed thereto under the Code on Share Repurchases, which mean shares of all classes and securities which carry a right to subscribe for or purchase shares.

GENERAL MANDATE TO ISSUE SHARES

The proposed resolution set out as Resolution 4 in the Notice will be considered at the Annual General Meeting for the granting of a general mandate to the Directors to allot, issue and deal with new Shares up to a maximum of 20% of the issued share capital of the Company at the date of passing the resolution; in addition, subject to the shareholders’ approval of the resolution set out as Resolution 6 in the AGM Notice, the number of Shares purchased by the Company under the repurchase mandate will also be added to the 20% general mandate as mentioned above.

The proposed resolution set out as Resolution 6 in the AGM Notice relates to the extension of the general mandate to be granted to the Directors to issue new Shares during the relevant period by adding to it the number of Shares purchased (if any) under the repurchase mandate.

PROXY ARRANGEMENT

A form of proxy for use at the Annual General Meeting is enclosed with this circular. To be valid, the form of proxy must be completed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority, at the Company’s branch share registrar and transfer office in Hong Kong, Tengis Limited, G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting.

LETTER FROM THE CHAIRMAN

RECOMMENDATION

The Directors consider that the alterations to the Articles and the granting of the repurchase mandate and the granting and the extension of the general mandate to issue new Shares are in the best interests of the Company and its shareholders and accordingly recommend all shareholders to vote in favour of the ordinary/special resolutions set out as Resolutions 4 to 7 in the AGM Notice to be proposed at the Annual General Meeting.

Yours faithfully,
On behalf of the Board of
SJTU Sunway Software Industry Limited
Sze Wai, Marco
Chairman

NOTICE OF ANNUAL GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the shareholders of the Company will be held at Units 2003 and 2005, 20/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Wednesday, 5th May 2004 at 11:00 a.m. for the following purposes:

1. To receive and approve the audited financial statements and the reports of the Directors and auditors for the year ended 31st December 2003;
2. To re-elect the retiring Directors and to authorize the Board of Directors to fix their remuneration;
3. To re-appoint auditors of the Company and to authorise the Board of Directors to fix their remuneration; and
4. To consider and, if thought fit, pass with or without amendments, the following resolutions as an ordinary resolution:

“THAT:

- (a) subject to paragraph (c) of this Resolution, and pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue or otherwise deal with additional shares in the share capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such powers, be and the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than by way of (i) a Rights Issue (as hereinafter defined); or (ii) the exercise of

* for identification only

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or the grant of any option under any share option scheme of the Company or similar arrangement for the time being adopted for the issue or grant to officers and/or employees of the Company and/or any of its subsidiaries of shares or options to subscribe for or rights to acquire shares of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares in accordance with the Articles of Association of the Company in force from time to time, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution and the said approval be limited accordingly; and

- (d) for the purpose of this Resolution:
- a. “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held; or
 - (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders in general meeting.”
 - b. “Rights Issue” means an offer of shares in the share capital of the Company or an offer or issue of warrants or options or similar instruments to subscribe for shares in the share capital of the Company open for a period fixed by the Directors of the Company to holders of shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares in the Company (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognised regulatory body or any stock exchange applicable to the Company).”

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5. To consider and, if thought fit, pass with or without amendments, the following resolutions as an ordinary resolution:

“THAT:

- (a) subject to paragraph (b) of this Resolution, the exercise by the Directors of the Company during the Relevant Period as defined in Resolution 4 (d)(a) of all powers of the Company to repurchase issued shares in the share capital of the Company on the Growth Enterprise Market of the Stock Exchange or any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission of Hong Kong, the Stock Exchange or of any other stock exchange as amended from time to time and all applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of issued shares of the Company which may be repurchased by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution and the said approval shall be limited accordingly; and
- (c) for the purpose of this Resolution, “Relevant Period” shall have the same meaning as in Resolution 4(d)(a).”
6. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“THAT:

conditional upon Resolutions No. 4 and 5 above being passed, the general mandate granted to the Directors of the Company to allot, issue or otherwise deal with additional shares pursuant to Resolution No. 4 be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares repurchased by the Company under the authority granted pursuant to Resolution No. 5.”

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7. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as a special resolution:

SPECIAL RESOLUTION

“THAT the articles of association of the Company be and they are altered in the following manner:

- (a) Article 1(A) be amended by:

- a. deletion of the definition of “associates” and insertion of the following in its place:

““associates”, in relation to any Director, shall have the meaning as ascribed to it in the Listing Rules;”

- b. insertion of the following definitions immediately before the definition of “month”:

““Hong Kong” shall mean the Hong Kong Special Administrative Region of the People’s Republic of China;

“Listing Rules” shall mean the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited;”

- (b) Article 84 be deleted in its entirety and replaced with the following:

“84. (A) Subject to paragraph (B) of this Article 84, no objection shall be raised to the qualification of any person exercising or purporting to exercise a vote or the admissibility of any vote except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman, whose decision shall be final and conclusive.

(B) At all times during the Relevant Period (but not otherwise), where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder (whether by way of proxy or, as the case may be, corporate representative) in contravention of such requirement or restriction shall not be counted.”

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- (c) Article 107 be amended by:
- a. insertion of the words “or the appointment of any of his associates” immediately after the word “appointment” on the third line in paragraph (D);
 - b. insertion of the words “or any of the associate(s) of any such Director(s)” immediately after the word “Directors” on the fourth line in paragraph (E);
 - c. insertion of the words “or, as the case may be, the associate(s) of such Director” immediately after the words “in relation to each Director” on the seventh line in paragraph (E);
 - d. insertion of the words “or the appointment of any of his associates” immediately after the words “except that concerning his own appointment” on the tenth line in paragraph (E);
 - e. deletion of the words “together with any of” and insertion of the word “and” in their place on the fourteenth line in paragraph (E);
 - f. insertion of the words “in aggregate” immediately after the words “his associates” on the fourteenth line in paragraph (E);
 - g. deletion of paragraph (G) in its entirety and insertion of the following in its place:

“(G) If to the knowledge of a Director, he or any of his associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, he shall declare the nature of his or, as the case may be, his associate(s)’ interest at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his associate(s) then exists, or in any other case at the first meeting of the Directors after he knows that he or his associate(s) is or has become so interested. For the purposes of this Article, a general notice to the Directors by a Director to the effect that (a) he or his associate(s) is a shareholder of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with that company or firm or (b) he or his associate(s) is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with a specified person who is connected with him or any of his associate(s), shall be deemed to be a sufficient

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declaration of interest under this Article in relation to any such contract or arrangement; provided that no such notice shall be effective unless either it is given at a meeting of the Directors or the Director takes reasonable steps to secure that it is brought up and read at the next meeting of the Directors after it is given.”;

- h. deletion of paragraph (H) in its entirety and insertion of the following in its place:

“(H) A Director shall not vote (nor be counted in the quorum) on any resolution of the Directors approving any contract or arrangement or proposal in which he or any of his associate (s) is to his knowledge materially interested, and if he shall do so his vote shall not be counted (nor is he counted in the quorum for that resolution), but this prohibition shall not apply to any of the following matters namely:

- (i) any contract or arrangement for the giving by the Company of any security or indemnity to the Director or his associate(s) in respect of money lent or obligation undertaken by him or any of them at the request of or for the benefit of the Company or any company in which the Company has interest;
- (ii) any contract or arrangement for the giving by the Company of any security or indemnity to a third party in respect of a debt or obligation of the Company or any company in which the Company has interest for which the Director or his associate(s) has himself/ themselves guaranteed or secured or otherwise assumed responsibility in whole or in part and whether alone or jointly under a guarantee or by the giving of security;
- (iii) any contract or arrangement by the Director or his associate(s) to subscribe for shares or debentures or other securities of the Company to be issued pursuant to any offer or invitation to the shareholders or debenture or securities holders of the Company or to the public which does not provide the Director and his associate(s) any privilege not accorded to any other shareholders or debenture or securities holders of the Company or to the public;

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- (iv) any contract or arrangement concerning an offer of the shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;
- (v) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their respective interest in shares or debentures or other securities of the Company and/or his/their being the offeror or one of the offerors or is interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;
- (vi) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly or as an officer or an executive or a shareholder in which the Director or his associate(s) is/are beneficially interested in shares of that company provided that, such Director and any of his associates are not in aggregate beneficially interested in five (5) per cent. or more of the issued shares of any class of the voting equity share capital of such company or of the voting rights of any class of shares of such company (other than shares which carry no voting rights at general meetings and no or nugatory dividend and return of capital rights);
- (vii) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his associate(s) and employees of the Company or of any of its subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant taxing authorities for taxation purposes or relates to Directors, associate(s) of

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Directors and employees of the Company or of any of its subsidiaries and does not give the Director or his associate(s) any privilege not accorded to the class of persons to whom such scheme or fund relates;

- (viii) any proposal concerning the adoption, modification or operation of any employees' share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of the employees of the Company or its subsidiaries under which the Director or his associate(s) may benefit; and
 - (ix) any contract, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his associate(s), officer or employee pursuant to these Articles.”
- i. deletion of paragraph (l) in its entirety and insertion of the following in its place:
- “(l) A company shall be deemed to be a company in which a Director and his associates in aggregate own five (5) per cent. or more of any class of the voting equity share capital of such company or of the voting rights of any class of shares of such company if and so long as (but only if and so long as) he and his associates are (either directly or indirectly) the holder of or beneficially interested in five (5) per cent. or more of any class of the issued voting equity share capital of such company (or of any third company, other than the Company or any of its subsidiaries, through which his interest is derived) or of the voting rights of any class of shares of the company. For the purpose of this paragraph there shall be disregarded any shares held by a Director or any of his associate(s) as bare or custodian trustee and in which he or such associate(s) has/have no beneficial interest, any shares comprised in a trust in which the interest of the Director or any of his associates is in reversion or remainder if and so long as some other person is entitled to receive the income thereof, any shares comprised in an authorised unit trust scheme in which the Director or any of his associates is interested only as a unit holder, and shares which carry no voting right at general meetings and no or nugatory dividend and return of capital rights.”;

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- j. deletion of the words “together with” and insertion of the word “and” in their place on the fifth and sixth lines in paragraph (J);
 - k. insertion of the words “in aggregate” immediately after the words “his associates” on the sixth line in paragraph (J);
 - l. insertion of the words “or any of his associates” immediately after the words “interest of a Director” on the second line in paragraph (K);
 - m. insertion of the words “or his associates” immediately after the word “concerned” on the tenth line in paragraph (K) and the word “Chairman” on the seventeenth line in paragraph (K); and
 - n. insertion of the words “or any of his associates” immediately after the words “notwithstanding that he” on the sixth line in paragraph (L);
- (d) Article 113 be amended by:
- a. deletion of the words “at least seven (7) clear days” and insertion of the following in their place on the seventh line:

“for at least seven days commencing no earlier than the day immediately after the despatch of the notice of the general meeting and ending no later than seven days”; and
 - b. deletion of the word “the” and insertion of the word “such” in its place on the eighth line.
- (e) Article 175 be amended by deletion of the word “Accounting” and insertion of the words “Financial Reporting” in its place on the ninth line in paragraph (A); and
- (f) Article 180 be amended by insertion of the words “, interim report (and where applicable, a summary interim report)” immediately after the words “auditors’ report” on the fourth line in sub-paragraph (B)(iii).”

By Order of the Board
SJTU Sunway Software Industry Limited
Sze Wai, Marco
Chairman

Hong Kong, 31st March 2004

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. Any member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more than one proxy to attend and vote on his behalf. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. The Register of Members will be closed from Monday, 3rd May 2004 to Wednesday, 5th May 2004, both days inclusive, during which period no transfer of shares can be registered.

The following is the explanatory statement which is required to be sent to shareholders under the Share Buy Back Rules in connection with the proposed general mandate for repurchase of shares.

1. GEM Listing Rules

The GEM Listing Rules permit companies with a primary listing on GEM to purchase their securities subject to certain restrictions. Repurchases must be funded out of funds legally available for the purpose and in accordance with the company's constitutional documents and the applicable laws of the jurisdiction in which the company is incorporated or otherwise established. Any repurchase will be made out of funds of the company legally permitted to be utilized in this connection, including out of the profits of the company or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase or, if so authorised by its articles of association and subject always to the Companies Law of the Cayman Islands, out of capital. Any premium payable on a repurchase over the par value of the shares to be purchased must be provided for out of the profits of the Company or out of the Company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law of the Cayman Islands, out of capital.

2. The Repurchase Proposal

The proposed resolution set out as Resolution 5 in the AGM Notice which will be considered at the Annual General Meeting relates to the granting of a general and unconditional mandate (the "Repurchase Mandate") to the Directors to repurchase, on GEM or any other stock exchange on which the shares of the Company may be listed and recognized by the Securities and Futures Commission of Hong Kong, up to a maximum of 20,000,000 Shares, representing 10% of the issued share capital of the Company at the date of passing the resolution (the "Repurchase Proposal").

The Repurchase Mandate would continue in force until the conclusion of the next annual general meeting of the Company or until revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting prior to the next annual general meeting of the Company, whichever occurs first.

3. Reasons for Repurchase

Although the Directors have no present intention of repurchasing the Shares, they believe that it is in the best interests of the Company and its shareholders for the Directors to have a general authority from the shareholders to enable the Company to repurchase Shares in the market. Such repurchase may, depending on the market conditions and funding arrangement at the time, lead to an enhancement of the net assets value of the Company and/or its earnings per Share and will only be made when the Directors believe that such a repurchase will benefit the Company and its shareholders.

4. Share Capital

As at 26th March 2004, being the latest practicable date prior to the printing of this circular (the "Latest Practicable Date"), the issued share capital of the Company comprised 200,000,000 Shares.

Subject to the passing of the Repurchase Mandate, the Company would be allowed under the Repurchase Proposal to repurchase Shares up to a maximum of 20,000,000 Shares on the basis that no further Shares will be issued whether as a result of the exercise of any options granted under the share option scheme adopted by the Company pursuant to a written resolution passed by the Company's shareholders on 25th November 2003 or otherwise repurchased prior to the date of the Annual General Meeting.

5. Funding of Repurchases

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the memorandum and articles of association of the Company and the applicable laws of the Cayman Islands.

If the Repurchase Mandate were to be exercised in full at the currently prevailing market value, it would not have a material adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in its most recent Audited Combined Results for the year ended 31st December 2003.

6. Share Prices

The highest and lowest prices at which the Shares have been traded on the Stock Exchange from 9th January 2004 (commencement date of dealings in the Company's Shares on GEM) to 26th March 2004 (the Latest Practicable Date) were as follows:

	Share prices	
	Highest HK\$	Lowest HK\$
2004		
January (from 9th January 2004)	0.600	0.425
February	0.600	0.500
March (up to 26th March 2004)	0.540	0.480

7. Takeovers Code Consequences

If the Repurchase Mandate were exercised in full, the percentage shareholding of the substantial shareholders of the Company before and after such repurchase would be as follows:

Substantial Shareholder	Number of Share held	Approximate percentage of voting power (%)	Approximate percentage of voting power if the Company exercised in full the power to repurchase (%)
Futart Industry Company Limited ("Futart") (Note 1)	64,355,828	32.18	35.76
Hongkong Sunway Technology Development Limited ("HK Sunway") (Note 2)	20,157,757	10.08	11.20
Simplex Technology Investment (Hongkong) Co. Limited ("Simplex") (Note 3)	22,528,484	11.26	12.51

Notes:

- Futart is a wholly owned subsidiary of Start Technology Company Limited ("Start Technology"), a company whose shares are listed on the Main Board of the Stock Exchange. As at the Latest Practicable Date, the issued share capital of Start Technology was owned as to approximately 30.05% by Leading Value Industrial Limited which is in turn owned as to 50% by Mr. Sze Wai, Marco, an executive Director and 50% by Mr. Li Kwong Keung.
- The shareholding structure of HK Sunway is as follows:

Name of shareholders	Percentage of shareholding (%)
Mr. He En Pei	25.36
Mr. He Zhan Tao	16.94
Mr. Niu Jie	13.17
Mr. Wang Yong	12.23
Mr. Liu Jian Guo	11.76
Ms. Yan Li Li	11.29
Mr. Bao Wei	4.85
Mr. Guo Rui	2.00
Mr. Li Ya Ping	2.00
Mr. Shou Ying Hua	0.40
	100.00

3. The entire issued share capital of Simplex is beneficially owned by Shanghai Jiaoda Industrial Investment Management (Group) Limited (“Jiaoda Industrial Group”), a limited company established in the PRC. The registered capital of Jiaoda Industrial Group is owned as to 96.735% by Shanghai Jiao Tong University (a state-owned institution subordinate to the Ministry of Education of the PRC) 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.

8. Share Repurchases by the Company

The Company had not purchased any of its shares since 9th January 2004 (being the commencement date of dealings in the Company’s Shares on GEM) prior to the date of this circular.

9. General Information

- (a) None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the GEM Listing Rules), has any present intention to sell any Shares to the Company or any of its subsidiaries, if the Repurchase Mandate is approved and exercised.
- (b) The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.
- (c) If as a result of a repurchase of Shares, a shareholder’s proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (“Takeover Code”) issued by the Securities and Futures Commission of Hong Kong. As a result, a shareholder, or group of shareholders acting in concert, depending on the level of increase of the shareholders’ interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeover Code. Exercise in full of the Repurchase Mandate would result in an increase in the percentage of the Shares held by Futart from approximately 32.18% to approximately 35.76% and Futart would be obliged to make a mandatory offer under Rule 26 of the Takeovers Code. However, the Directors have no intention to exercise the Repurchase Mandate to such an extent that will result in a requirement of Futart to make a mandatory offer under the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences under the Takeover Code as a result of the exercise of the Repurchase Mandate.
- (d) No connected person (as defined in the GEM Listing Rules) has notified the Company that he has a present intention to sell Shares to approved and the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.