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SinoCom
SINOCOM SOFTWARE GROUP LIMITED

中訊軟件集團股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 299)

SUPPLEMENTARY ANNOUNCEMENT
HISTORICAL CONNECTED TRANSACTION

As disclosed in the announcement of the Company dated 30 January 2013, SinoCom Japan entered into various loan agreements with SDI and Falcon, and as disclosed in the announcement of the Company dated 1 March 2013, loans made to SDI and Falcon have been fully repaid.

The Board wishes to disclose that in addition to the loans granted to SDI and Falcon, SinoCom Japan has also granted a loan to King Tech on 17 August 2012, and as at the date of this announcement, the remaining balance of the loan granted to King Tech has also been fully repaid.

During the audit process, new information has been made available to the Board. The Board now has reasons to believe that the SDI Loan, the Falcon Loan and the King Tech Loan on the one hand, and the SJI Loans on the other hand, are related.

The Board therefore considers that SDI, Falcon and King Tech are deemed as connected persons of the Company pursuant to Rule 14A.11(4)(a) of the Listing Rules and the SDI Loan, the Falcon Loan and King Tech Loan constituted connected transactions of the Company.

The Board wishes to inform the shareholders that steps have been taken to ensure compliance with the Listing Rules on the part of the Company going forward.

Trading in the Shares was suspended from 9:00 a.m. on 2 April 2013 and will remain suspended until the release of the announcement of the annual results of the Company for the year ended 31 December 2012.

Reference is made to the announcements of the Company dated 30 January 2013 ("**January Announcement**") and 1 March 2013 ("**March Announcement**", together with January Announcement, the "**Announcements**"). Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the Announcements.

SDI Loan and Falcon Loan

As disclosed in the January Announcement, the Company identified the following past major and discloseable transactions of the Company:

- (i) On 9 July 2012, SinoCom Japan entered into a loan agreement with SDI pursuant to which SinoCom Japan agreed to grant to SDI an unsecured and committed loan facility of up to ¥2,300,000,000 (equivalent to approximately HK\$195,500,000) at an interest rate of 2.0% per annum with maturity date on 28 December 2012 (as at the original maturity date, the SDI Loan remained outstanding and the maturity date was subsequently extended to 28 February 2013)
- (ii) On 15 August 2012, SinoCom Japan entered into a loan agreement with Falcon pursuant to which SinoCom Japan agreed to grant to Falcon an unsecured and committed loan facility of up to ¥1,530,000,000 (equivalent to approximately HK\$130,050,000) at an interest rate of 2.0% per annum with maturity on 28 September 2012, and all outstanding sum (including accrued interests) has been repaid in full at maturity.
- (iii) On 9 October 2012, SinoCom Japan entered into another unsecured and committed loan agreement with Falcon pursuant to which SinoCom Japan agreed to grant a loan facility of up to ¥500,000,000 (equivalent to approximately HK\$42,500,000) at an interest rate of 2.0% per annum with maturity date on 28 December 2012 (as at the original maturity date, the Falcon Loan remained outstanding and the maturity date was subsequently extended to 28 February 2013).

The outstanding balances of the SDI Loan and the Falcon Loan have been repaid in full on 28 February 2013 as disclosed in the March Announcement.

Before the January Announcement was made, the Board was made known to the fact that SJI Inc. ("**SJI**"), a substantial shareholder of the Company, had borrowed various sums of money (the "**SJI Loans**") from each of SDI, Falcon and King Tech (as defined below). However, based on the best information presented before the Board after making due and careful enquiry at the time of the January Announcement, the Board took the view that the SDI Loan, the Falcon Loan and the King Tech Loan (as defined below) and the SJI Loans taken as a whole, did not constitute connected transactions of the Company under the Listing Rules. The SDI Loan and the Falcon Loan were therefore only disclosed as a past major transaction and past disclosable transaction respectively.

Further details of the SDI Loan and Falcon Loan are set out in the January Announcement.

Loan made to King Tech Corporation by SinoCom Japan

On 17 August 2012, SinoCom Japan also entered into a loan agreement with King Tech Corporation ("**King Tech**") pursuant to which SinoCom Japan agreed to grant a loan facility of up to ¥350,000,000 (equivalent to approximately HK\$29,750,000) at an interest rate of 2.0% per annum with maturity date on 28 December 2012 ("**King Tech Loan**"). As at the original maturity date, the King Tech Loan remained outstanding and the maturity date was subsequently extended to 28 February 2013. As at the date of this announcement, the remaining balance of the King Tech Loan has been fully repaid.

While the existence of King Tech Loan was known to the Board at the time the January Announcement, as none of the applicable percentage ratios in respect of King Tech Loan exceeded 5%, the Board took the view that King Tech Loan was exempt from the reporting, announcement and shareholders' approval requirements under the Listing Rules. No disclosure was therefore made in respect of King Tech Loan in the January Announcement.

Update concerning the SDI Loan, the Falcon Loan and the King Tech Loan

Since the publication of the Announcements, the Company continued to work with the auditors of the Company for the auditing of the annual consolidated financial statements of the Company for the financial year ended 31 December 2012. During the audit process, new information has been made available to the Board. The Board now has reasons to believe that (i) Mr. Li Jian and Mr. Kotoi Hirofumi, being the common directors of the Company and SJI, may have knowledge of the existence of some of the SDI Loan, the Falcon Loan and the King Tech Loan as and when the SJI Loans were created; and (ii) they may also have certain material information about the SJI Loans. As a result, the Board concluded that the SDI Loan, the Falcon Loan and the King Tech Loan on the one hand, and the SJI Loans on the other hand, are related.

Listing Rules implications

Based on the new information presented to the Board as described above, the Board considers that the SDI Loan, the Falcon Loan and the King Tech Loan on the one hand, and the SJI Loans on the other hand, are related. SDI, Falcon and King Tech are therefore deemed as connected persons of the Company pursuant to Rule 14A.11(4)(a) of the Listing Rules and the SDI Loan, the Falcon Loan and the King Tech Loan constituted connected transactions of the Company.

Based on the maximum limit of the facilities provided to SDI and Falcon, the applicable percentage ratios in respect of each of the SDI Loan and the Falcon Loan exceeded 5%. Therefore, the grant of the facility to SDI and Falcon each constituted a non-exempt connected transaction of the Company and should have been subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Based on the maximum limit of the facility provided to King Tech, the applicable percentage ratios in respect of the King Tech Loan exceeded 0.1% (but below 5%). Therefore, the grant of

the facility to King Tech constituted a connected transaction of the Company and should have been subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Given that the SDI Loan, the Falcon Loan and the King Tech Loan were not disclosed or approved as connected transactions in accordance with the requirements of Chapter 14A of the Listing Rules, the Company was in breach of the disclosure and shareholders' approval requirements in Chapter 14A of the Listing Rules.

Information on the Company, SJI, SinoCom Japan, SDI, Falcon and King Tech

The principal activity of the Company is investment holding. The Company's subsidiaries (including SinoCom Japan) are principally engaged in the provision of outsourcing software development services and technical support services.

SJI is the controlling shareholder of the Company (through its interests in SJI (Hong Kong) Limited), SJI is incorporated in Japan, the principal activity of SJI and its subsidiaries are IT systems development, software products, and information related products, as well as petrochemicals engineering services, and SJI Inc. has engaged in IT systems development business in the PRC and Japan for over 20 years.

As at the date of this announcement, SJI is owned as to 4.08% and 3.31% by Mr. Li Jian and Mr. Kotoi Hirofumi (each a Director), respectively.

SinoCom Japan is a company incorporated in Japan, its main business is the provision of outsourcing software development services and technical support services.

As at the date of this announcement, SinoCom Japan is indirectly owned as to 92% by the Company and directly owned as to 8% by Dr. Shi Chongming (who is a Director).

SDI is a company incorporated in Japan engaged in investment management.

Falcon is a company incorporated in Japan engaged in software development and manpower outsourcing agency.

King Tech is a company incorporated in Japan engaged in businesses relating to information technology hardware.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries subject to findings that may be revealed otherwise from further investigations after the date of this announcement, save as disclosed above, each of SDI, Falcon and King Tech and their respective ultimate beneficial owners is an Independent Third Party.

Reasons for and benefits of the SDI Loan, the Falcon Loan and the King Tech Loan

As disclosed in the January Announcement, at the time the SDI Loan, the Falcon Loan and the King Tech Loan were approved, the Board held the view that it was not uncommon for companies in Japan to extend loans to their existing or potential business partners for business development purposes, the SDI Loan, the Falcon Loan and the King Tech Loan were made by

SinoCom Japan with a view to build rapport and broaden the Group's customer base. SinoCom Japan believed that SDI (which has invested in various IT companies), Falcon (which is engaged in manpower outsourcing agency), and King Tech (which is engaged in a related line of business that is related to the business of SinoCom Japan, namely information technology related hardware business) will bring in and introduce new customers to the Group.

In addition, given the prevailing historic low rate of interest, the SDI Loan, the Falcon Loan and the King Tech Loan also provided the Group with a higher rate of return than the rate generated from short-term bank deposits with financial institutions.

The Company is conducting further investigations into the matters relating to the SDI Loan, the Falcon Loan, the King Tech Loan and the SJI Loans. The Board may update its views on the SDI Loan, the Falcon Loan and the King Tech Loan upon completion of the investigation.

Preventative measures

The Board wishes to inform the shareholders that the Board has taken steps to ensure that all the remedial actions listed in the January Announcement will be implemented. Remedial actions that have been implemented include, inter alia:

- (i) Baker Tilly has been engaged to conduct a thorough review of and make recommendations to further improve the Company's internal controls and corporate governance procedures; and
- (ii) re-training of the Listing Rules has been given to the directors and other senior management staff of the Company, SinoCom Japan and other subsidiaries of the Group.

The Board would like to reassure the shareholders that the Company is firmly committed to ensure compliance with the Listing Rules going forward.

Suspension of trading

Trading in the Shares was suspended from 9:00 a.m. on 2 April 2013 and will remain suspended until the release of the announcement of the annual results of the Company for the year ended 31 December 2012.

Notes

In this announcement, amounts expressed in Japanese Yen (¥) have been translated into Hong Kong dollar (HK\$) at the rate used in the January Announcement (¥100 = HK\$8.5) for illustrative purpose only.

The English translation of the company name for SJI, Falcon, SDI and King Tech is for reference only. The official names of these companies are in Japanese.

By order of the Board
SinoCom Software Group Limited
Wang Zhiqiang Zuo Jian Zhong
Co-Chairman Co-Chairman

Hong Kong, 23 April 2013

As at the date of this announcement, the executive Directors are Mr. Wang Zhiqiang, Mr. Li Jian, Mr. Kotoi Hirofumi and Mr. Zuo Jian Zhong, the non-executive Directors are Mr. Wang Xubing and Dr. Shi Chongming, and the independent non-executive Directors are Professor Liang Neng, Mr. Lee Kit Wah and Mr. Yamamoto Yoshimasa.