

## Chairman's Statement



Mr. Wang Xubing  
President

Mr. Wang Zhiqiang  
Chairman



**“The Group will seize this opportunity, continue its past successful strategy, aiming at becoming the most valued company.”**





## Chairman's Statement

On behalf of the board of directors ("Board") of SinoCom Software Group Limited (the "Company"), I am delighted to present the first annual report of the Company and its subsidiaries (collectively the "Group") since its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 April 2004.

For the twelve months ended 31 December 2004 (the "Year"), the Group's turnover and net profit were approximately HK\$178,309,000 and approximately HK\$55,367,000 respectively, representing increases of 55.7% and 63.6% respectively, when compared to the corresponding period of 2003. Earnings per share for the Year was HK\$0.23, representing an increase of 35.3% when compared to last year.

The Board recommended a final dividend of HK10 cents per share so as to reward the support of the shareholders, for which, approximately 48% of the Group's net profit for the Year was proposed to be used for the dividend payment. Subject to approval by the Shareholders of the Company at the annual general meeting, the proposed dividend will be paid about 20 May 2005 to the shareholders whose names appear on the register of members of the Company on 6 May 2005.

### NEW BUSINESS MILESTONE

The continued and steady growth of the PRC economy has always been admired. There was no exception for the year 2004. Although macroeconomic controls implemented by the PRC Government had cooled down some overheated businesses, there was no significant impact on the overall economic growth. On the other hand, some industries even achieved considerable growth under favourable government policies. The PRC outsourcing software industry is one of them. Accordingly, the year 2004 can be considered as the year of outsourcing software for the technology industry in the PRC.

2004 was a fruitful year to the Group in which the shares of the Company successfully listed on the Main Board of the Stock Exchange. Its listing signifies a new business milestone for the Group. Moreover, the Group recorded a satisfactory growth in its results. SinoCom Software is now one of the top players in software exports in Beijing. Furthermore, the Group was also named as one of the 2005 China's Potential 100 (「中國潛力100榜」) by Forbes China at the beginning of this year. The alignment with the objective favourable environment and the support of all staff's dedication and contribution are the two major factors for our remarkable performance.

## Chairman's Statement

### PRC's Recognition on Outsourcing Software Industry

As regards favourable external factors, the outsourcing software industry of the PRC has received increased recognition from Japanese companies. PRC outsourcing software companies have received orders from an increasing number of Japanese companies and thus enlarging the market. The Group believes that this together with the outstanding records of the Group, make the brand name "SinoCom" now well-known amongst big Japanese companies. This has benefited the Group greatly given its strategy to focus on the Japanese market.

Recently, the pace of globalisation of economies and globalisation of information has gradually increased. This has made the tendency of division of labour internationally in the software profession more obvious. The PRC government has placed increased emphasis in the outsourcing software industry in the PRC and has implemented a series of favourable policies. These policies serve to provide assurance in training, funding, sales channel and development platforms. This favourable business environment for the outsourcing software industry provided by the PRC government has helped the growth of the Group.

### Emphasis on Workforce and Training

Good corporate culture, broad-gauge developing strategy and comprehensive management system are the key factors in sustaining the stable growth of the Group. Human capital is the most important asset for the software industry. Accordingly, the Group has always emphasized in human capital investment. The Group values every staff and will provide them with professional training. Besides providing training in professional knowledge and skills, the Group also provides Japanese language and corporation management trainings in order to elevate the professional level of our staff. Last year, the Group further improved the incentive bonus reward system. Senior and middle level staff, depending on their working years and positions, have been rewarded by way of different amounts of share options. The Group is confident that such reward could increase the motivation and cohesion of our workforce.





## Chairman's Statement



### Existing Customers' Relationship Enhancement

Last year, the Group had enhanced its relationship with existing customers and increased the volume of business with them. This strategy can consolidate our customer relationship and increase the dependence and trust from our clients. On the other hand, the Group had also successfully broadened its clientele selectively. To this end, the Group secured a cooperation agreement with a well-known software corporation in Japan last year pursuant to which the Group will engage in their large scale credit card development project.

The Group had also expanded its market from Asia to Europe and the U.S. The Group had entered into agreements with a number well-known international information technology companies. Work under these agreements have commenced officially setting a new stage for our businesses.

### Technical Support Services Scope Expansion

Although technical support services do not account for a significant portion of the Group's turnover, they continued to make stable contributions. During the year, the Group maintained a steady relationship with its existing business partner and increased its service network in six cities. With the continued improvement of its service network and its self-developed technical services management system, the Group has laid a solid foundation for the future expansion of this business sector.

## Chairman's Statement

### LAY SOLID FOUNDATIONS; GROW WITH NEW HEIGHTS

For the year 2005, although the global economy will be affected by some unclear factors, such as high oil prices and increasing interest rates, the Group believes that it can maintain moderate growth. The State Information Center foresees that PRC will attain about 8.5% real economic growth in the year 2005. Therefore, the Group believes that the PRC economy will be able to maintain its growth momentum. The Group also believes that the outsourcing software industry will perform better than the other industries in the PRC under the encouragement and support from the PRC government. The outsourcing software development industry is currently being identified as a strategic industry by the Central Government of the PRC. This will attract increase recognition from the Japanese, European and U.S. companies. The Group believes that the PRC will become the most important outsourcing software country besides India and thus elevating the PRC's position in the industry. As such, more business opportunities will become available to PRC outsourcing software companies and enhance the development and growth of the industry.

The Group will seize this opportunity, continue its past successful strategy, aiming at becoming the most valued company. The Group will also resort to strategic acquisitions to strengthen its business. As such, the Group is in discussion with two companies conducting outsourcing software business overseas. One of them is a Shanghai based outsourcing software development firm which provides outsourcing software to Japanese companies. This company has about 100 staff and a stable business and human capital support. The Group is also considering to acquire a company in Beijing which has solid experience in the provision of outsourcing software services to European and U.S. companies. This company has about 100 staff and has established a stable customer network with development potential. The Group has concluded most of the commercial terms for the acquisition and is currently negotiating on the detailed legal terms and conditions. It is expected that the acquisition will be completed within this year. If these acquisitions materialise, the Group's business will grow rapidly yet steadily.





## Chairman's Statement

In order to build up a solid foundation for the future expansion of business, the Group is setting up an advanced enterprise data management system. Such system will enable the Group to attain an optimal cost-benefit level. To date, the Group has approximately 1,000 staff. The Group will continue to focus on its area of core competence, and to recruit more IT professionals. The Group will also set up companies in those regions where situated the major providers of outsourcing software development service to Japanese companies in order to attract more human resources engaging in such business.

The Group is sincerely thankful to the continuous strong support of all shareholders since its listing. Focused on the interests of our shareholders, we are persistent to our mission "Lay Solid Foundations; Grow with New Heights" so as to continue to strive for greater achievements. Lastly, I, on behalf of the Board, would like to express my heartfelt appreciation to all members of the management and the staff for their commitment throughout the last year. Also, I would like to express my utmost gratitude to the customers of the Group for their confidence and support.

**Wang Zhiqiang**

*Chairman and Chief Executive Officer*

Hong Kong, 30 March 2005