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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)

### **CONNECTED TRANSACTION**

#### **The Transactions**

The Board announces that on 15 June 2009, 1 July 2009 and 1 September 2009, SinoCom Beijing, an indirect wholly-owned subsidiary of the Company, entered into the Technology Development Agreements with Beijing Rier, pursuant to which Beijing Rier engaged SinoCom Beijing to provide services in connection with the design and development of the Projects at the Contract Fees.

#### **Listing Rules Implications**

Beijing Rier is held as to 59% by Mr. Wang and as to 41% by three individuals who are independent third parties not connected with the Company. Mr. Wang is a Director of the Company and has a 49% shareholding in China Way International Limited which, in turn, has a 50.50% shareholding in the Company. Mr. Wang and Beijing Rier (being his associate) are both connected persons of the Company under the Listing Rules and the Technology Development Agreements entered into between SinoCom Beijing and Beijing Rier constitute connected transactions of the Company under the Listing Rules.

As each of the applicable percentage ratios in respect of the Technology Development Agreements is more than 0.1% but less than 2.5%, the Technology Development Agreements are subject to the reporting and announcement requirements applicable to connected transactions under Chapter 14A of the Listing Rules but are exempt from the requirement for independent Shareholders' approval.

Due to misunderstanding on the part of Mr. Wang of the reporting requirements applicable to the Technology Development Agreements under Chapter 14A of the Listing Rules, the entering into of the Technology Development Agreements was not reported to the Board at the time. As a result, the Company failed to notify the Stock Exchange and make an announcement in relation to the Technology Development Agreements as required under Chapter 14A of the Listing Rules, which constitutes a breach of Rule 14A.47 of the Listing Rules. Regarding preventive measure for any potential breaches in the future, the Board recommended the Company to implement reporting and monitoring procedures for any possible transactions which may constitute notifiable transactions, connected transactions and/or other disclosures under the Listing Rules.

## I. THE TRANSACTIONS

### 1. The Technology Development Agreements

The Board announces that on 15 June 2009, 1 July 2009 and 1 September 2009, SinoCom Beijing, an indirect wholly-owned subsidiary of the Company, entered into the Technology Development Agreements, with Beijing Rier, pursuant to which Beijing Rier engaged SinoCom Beijing to provide services in connection with the design and development of the Projects at the Contract Fees pursuant to the terms of the Technology Development Agreements.

#### (a) The First Technology Development Agreement

Date:	15 June 2009
Parties:	SinoCom Beijing and Beijing Rier.
Term:	15 June 2009 to 31 December 2009
First Contract Fees:	RMB1,750,000 (equivalent to approximately HK\$1,988,636)
Service provided:	the design and development of the monitoring and auditing systems for CD burning (光盤刻錄監控與審計系統)

#### (b) The Second Technology Development Agreement

Date:	1 July 2009
Parties:	SinoCom Beijing and Beijing Rier.
Term:	1 July 2009 to 31 December 2009
Second Contract Fees:	RMB1,450,000 (equivalent to approximately HK\$1,647,727)
Service provided:	the design and development of the network access control systems (網絡接入控制系統)

#### (c) The Third Technology Development Agreement

Date:	1 September 2009
Parties:	SinoCom Beijing and Beijing Rier.
Term:	1 September 2009 to 31 December 2009
Third Contract Fees:	RMB300,000 (equivalent to approximately HK\$340,909)
Service provided:	project in relation to the design and development of the RierFAC document integrated hierarchical storage management systems (RierFAC 文件集中存儲分級管理)

The Contract Fees of the above Technology Development Agreements have been determined after arm's length negotiations with reference to the market value of similar development services rendered. On 8 January 2010 and on March 24 2010, RMB500,000 and RMB3,000,000 out of the total Contract Fees of RMB3,500,000 had been paid in cash by Beijing Rier to SinoCom Beijing respectively for full settlement.

## **2. Information on the Group, SinoCom Beijing and Beijing Rier**

The Group is principally engaged in the provision of outsourced software development services.

SinoCom Beijing is principally engaged in the provision of outsourced software development and technical support services and an indirect wholly-owned subsidiary of the Company.

Beijing Rier is a company established in PRC with limited liability on 9 December 2003 and is principally engaged in manufacturing software products.

## **3. Reasons and benefits for entering into the Technology Development Agreements**

The entry into of the Technology Development Agreements helped SinoCom Beijing utilize spare capacity of its staff at the time.

The Directors (including the independent non-executive Directors but except Mr. Wang) consider that the terms of the Technology Development Agreements are normal commercial terms, which are fair and reasonable and in the best interests of the Group and the Shareholders as a whole.

## **4. Listing Rules implications**

Beijing Rier is held as to 59% by Mr. Wang and as to 41% by three individuals who are independent third parties not connected with the Company. Mr. Wang is a Director of the Company and has a 49% shareholding in China Way International Limited which, in turn, has a 50.50% shareholding in the Company. Mr. Wang and Beijing Rier (being his associate) are both connected persons of the Company under the Listing Rules and the Technology Development Agreements entered into between SinoCom Beijing and Beijing Rier constitute connected transactions of the Company under the Listing Rules.

As each of the applicable percentage ratios in respect of the Technology Development Agreements is more than 0.1% but less than 2.5%, the Technology Development Agreements are subject to the reporting and announcement requirements applicable to connected transactions under Chapter 14A of the Listing Rules but are exempt from the requirement for independent Shareholders' approval.

Due to misunderstanding on the part of Mr. Wang of the reporting requirements applicable to the Technology Development Agreements under Chapter 14A of the Listing Rules, the entering into of the Technology Development Agreements was not reported to the Board at the time. As a result, the Company failed to notify the Stock Exchange and make an announcement in relation to the Technology Development Agreements as required under Chapter 14A of the Listing Rules, which constitutes a breach of Rule 14A.47 of the Listing Rules. This announcement is made as soon as the facts of the Transactions were ascertained and discovered by the Board. Regarding preventive measure for any potential breaches in the future, the Board recommended the Company to implement reporting and monitoring procedures for any possible transactions which may constitute notifiable transactions, connected transactions and/or other disclosures under the Listing Rules.

## **II. DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Beijing Rier”

Sinocom Rier Technology (Beijing) Co., Ltd., 北京中訊銳爾科技有限公司, a company established in PRC with limited liability on 9 December 2003 and a

	connected person of the Company;
“Board”	the board of Directors;
“Company”	SinoCom Software Group Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange;
“Contract Fees”	the aggregate fee of RMB3,500,000 (equivalent to approximately HK\$3,977,272), being the aggregate of the First Contract Fees, the Second Contract Fees and the Third Contract Fees;
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“First Contract Fees”	the amount of RMB1,750,000 (equivalent to approximately HK\$1,988,636) paid by Beijing Rier to SinoCom Beijing pursuant to the terms of the First Technology Development Agreement;
“First Technology Development Agreement”	the agreement dated 15 June 2009 entered into by SinoCom Beijing and Beijing Rier in connection with Project A;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Mr. Wang”	Mr. Wang Zhiqiang, a Director of the Company, a director and Controlling Shareholder of Beijing Rier;
“PRC”	The People's Republic of China;
“Project A”	project in relation to the design and development of the monitoring and auditing systems for CD burning (光盤刻錄監控與審計系統);
“Project B”	project in relation to the design and development of the network access control systems (網絡接入控制系統);
“Project C”	project in relation to the design and development of the RierFAC document integrated hierarchical storage management systems (RierFAC 文件集中存儲分級管理);
“Projects”	means Project A, Project B and Project C collectively;

“RMB”	Reminbi, the lawful currency of PRC;
“Second Contract Fees”	the amount of RMB1,450,000 (equivalent to approximately HK\$1,647,727) paid by Beijing Rier to SinoCom Beijing pursuant to the terms of the Second Technology Development Agreement;
“Second Technology Development Agreement”	the agreement dated 1 July 2009 entered into by SinoCom Beijing and Beijing Rier in connection with Project B;
“Shareholder(s)”	holder(s) of shares of the Company;
“SinoCom Beijing”	中訊計算機系統（北京）有限公司 (Zhongxun Computer System (Beijing) Co., Ltd.), a wholly foreign-owned enterprise established in the PRC on 29 August 1995 and an indirect wholly-owned subsidiary of the Company held through SinoCom BVI;
“SinoCom BVI”	SinoCom Holdings (BVI) Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Technology Development Agreements”	means the First Technology Development Agreement, Second Technology Development Agreement and Third Technology Development Agreement collectively;
“Third Contract Fees”	the amount of RMB300,000 (equivalent to approximately HK\$340,909) paid by Beijing Rier to SinoCom Beijing pursuant to the terms of the Third Technology Development Agreement;
“Third Technology Development Agreement”	the agreement dated 1 September 2009 entered into by SinoCom Beijing and Beijing Rier in connection with Project C; and
“Transactions”	the engagements of SinoCom Beijing by Beijing Rier in the design and development of the Projects pursuant to the terms and conditions of the Technology Development Agreements.

For the purpose of this announcement, the transaction rate of RMB1=HK\$1.14 has been used.

By order of the Board  
**SinoCom Software Group Limited**  
**Wang Zhiqiang**  
*Chairman*

Hong Kong, 25 March 2010

As at the date of this announcement, the Board comprises Mr. Wang Zhiqiang, Mr. Wang Xubing, Dr. Shi Chongming and Mr. Siu Kwok Leung as executive Directors, Mr. Wang Nengguang as a non-executive Director and Mr. Pang Chor Fu, Mr. Lee Kit Wah and Professor. Liang Neng as independent non-executive Directors.