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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 —  
ACQUISITION OF 8% OF THE ISSUED SHARE INTERESTS IN  
SINOCOM JAPAN CORPORATION  
AND  
FURTHER DELAY IN DESPATCH OF CIRCULAR**

**THE ACQUISITION**

Reference is made to the announcement of the Company dated 17 June 2015 in relation to the Disposal. Capitalized terms used herein shall have the same meanings as those defined in the Announcement unless defined herein otherwise.

As set out in the Announcement, on 17 June 2015, the Company, SinoCom Holdings and NRI entered into, among others, the Japan SPA in relation to the disposal of the Japan Sale Shares representing the entire issued share capital of SinoCom Japan. The Japan Sale Shares Completion is conditional upon the fulfillment or waiver of the Japan SPA Conditions Precedent on or before the Long Stop Date, one of which is the entering into of a legally binding agreement in respect of the Acquisition.

The Board is pleased to announce that on 1 September 2015 (after trading hours), SinoCom Holdings entered into the Minority Interest SPA with Dr. Shi in relation to the Acquisition. The Acquisition is conducted for the purpose of facilitating the sale of the entire issued share capital in SinoCom Japan to NRI. The Disposal and the Acquisition are inter-conditional upon each other.

## **IMPLICATIONS UNDER THE LISTING RULES**

As Dr. Shi is a director of SinoCom Japan, Dr. Shi is a connected person of the Company by virtue of Rule 14A.07(1) of the Listing Rules. The Acquisition constitutes a connected transaction of the Company under Rule 14A.25 of the Listing Rules.

Pursuant to Rule 14.24 of the Listing Rules, since the Acquisition and the Disposal are inter-conditional, the Acquisition and the Disposal will be regarded as one transaction involving both an acquisition and disposal. The Transactions will be classified by reference to the larger of the percentage ratios of the Acquisition or the Disposal, being a major transaction, and subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules applicable to the major transaction. In relation to the circular of the Company, each of the Acquisition and the Disposal will be subject to the content requirements applicable to their respective transaction classification.

The EGM will be convened for the purpose of, among other matters, considering, and if thought fit, approving the Minority Interest SPA and the Agreements and the Transactions contemplated thereunder. The voting in respect of the Transactions at the EGM will be conducted by way of a poll. As at the date of this announcement, NRI and its associates together hold 88,356,100 shares in the Company, representing 6.67% of the issued share capital of the Company. As NRI has material interest in the Transactions, NRI and its associates or any other shareholders who have material interest in the Transactions shall abstain from voting on the resolution approving the Transactions at the EGM under Chapter 14 of the Listing Rules.

## **FURTHER DELAY IN DESPATCH OF CIRCULAR**

Reference is also made to the announcement of the Company dated 31 July 2015 in relation to the delay in despatch of the circular which contains further details of the Disposal. As disclosed in the said announcement, the said circular was expected to be despatched to the Shareholders on or before 4 September 2015.

As additional time is required to finalize the content of the same, the date of dispatch of a circular containing, amongst other things, details of each of the Acquisition and the Disposal and a notice convening the EGM will be postponed to a date falling on or before 29 September 2015.

**Completion is subject to the Conditions Precedent having been satisfied, including (amongst other things) the approval of the Transactions by the Independent Shareholders. As such, the Transactions may or may not materialize. Shareholders and potential investors should therefore exercise caution when dealing in the shares of the Company.**

## **THE ACQUISITION**

Reference is made to the announcement of the Company dated 17 June 2015 in relation to the Disposal. Capitalized terms used herein shall have the same meanings as those defined in the Announcement unless defined herein otherwise.

As set out in the Announcement, on 17 June 2015, the Company, SinoCom Holdings and NRI entered into:

- (a) the Japan SPA in relation to the disposal of the Japan Sale Shares representing the entire issued share capital of SinoCom Japan; and
- (b) the BVI SPA in relation to the disposal of the BVI Sale Shares representing the entire issued share capital of SinoCom BVI.

As amended by a supplemental agreement to each of the Japan SPA and the BVI SPA, each of (i) the date by which the Japan Restructuring and the BVI Restructuring must be finished, (ii) the Long Stop Date and (iii) the Completion Date has been extended to (i) 30 September 2015, (ii) 20 October 2015 and (iii) 28 October 2015 respectively.

The Japan Sale Shares Completion is conditional upon the fulfillment or waiver of the Japan SPA Conditions Precedent on or before the Long Stop Date, one of which is the entering into of a legally binding agreement in respect of the Acquisition.

The Board is pleased to announce that on 1 September 2015 (after trading hours), SinoCom Holdings entered into the Minority Interest SPA with Dr. Shi in relation to the Acquisition. The Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The principal terms of the Minority Interest SPA are set out below.

## **THE MINORITY INTEREST SPA**

### **Date**

1 September 2015 (after trading hours)

### **Parties**

- (a) Dr. Shi as the vendor; and
- (b) SinoCom Holdings as the purchaser.

SinoCom Japan is a non-wholly owned subsidiary of the Company immediately prior to the entering into of the Minority Interest SPA. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Dr. Shi is a director of SinoCom Japan, and therefore is a connected person of the Company by virtue of Rule 14A.07(1) of the Listing Rules.

## **Assets to be acquired**

Pursuant to the terms and conditions of the Minority Interest SPA, Dr. Shi has conditionally agreed to sell and SinoCom Holdings has conditionally agreed to purchase the Minority Interest, representing 8% of the issued share capital in SinoCom Japan.

## **Consideration for the Minority Interest and payment terms**

The Minority Interest Consideration for the Minority Interest to be paid by SinoCom Holdings to Dr. Shi shall be a sum of HK\$6,800,000 less the Unaccounted Dividend (if any), to be paid by SinoCom Holdings to Dr. Shi at Minority Interest Completion.

The Consideration was determined after arm's length negotiations between Dr. Shi and SinoCom Holdings on normal commercial terms with reference to the unaudited net assets value of SinoCom Japan as at 30 June 2015.

## **Completion**

Subject to and conditional upon (1) the shareholders' approval in respect of the Minority Interest Acquisition and the Disposal having been obtained, and (2) the Japan SPA becoming Unconditional, the Minority Interest Completion is expected to take place on the Completion Date simultaneous with but in any event preceding the Japan Sale Shares Completion.

Immediately upon the Minority Interest Completion but before the Japan Sale Share Completion which is expected to take place on the same day, the Company will hold the entire issued share capital in SinoCom Japan and SinoCom Japan will become a wholly owned subsidiary of the Company. The Company will, however, cease to hold any equity interests in SinoCom Japan upon the Japan Sale Shares Completion.

## **Dr. Shi's Undertakings**

Pursuant to the Minority Interest SPA, Dr. Shi shall procure each of the following:

- (a) not to do or omit to do any act which cause SinoCom Holdings to be in breach of any provisions under the Japan SPA;
- (b) the Japan Restructuring to be conducted and completed in accordance with the terms of the Japan SPA;
- (c) declaring or paying dividends as contemplated under the Japan SPA if and when SinoCom Holdings considers necessary; and
- (d) accounting to SinoCom Holdings all the dividends paid by SinoCom Japan to Dr. Shi after the date of the Minority Interest SPA to SinoCom Holdings as soon as practicable.

## **Indemnity**

Dr. Shi will pay to SinoCom Holdings in cash for any and all losses suffered by SinoCom Holdings arising in respect of any breach of any terms, warranties, undertakings, covenants of the Minority Interest SPA.

## INFORMATION OF SINOCOM JAPAN

SinoCom Japan, which is incorporated in Japan, is principally engaged in software outsourcing development and technical support services primarily for Japanese clients. Prior to completion of the Transactions, the equity interests of SinoCom Japan is owned as to 92% by the Group and 8% by Dr. Shi.

Set out below is the unaudited consolidated financial information of SinoCom Japan for each of the financial year ended 31 December 2013 and 2014 and the six months ended 30 June 2015 which is extracted from the management accounts of SinoCom Japan:

	<b>For the financial year ended 31 December 2013 HK\$'000</b>	<b>For the financial year ended 31 December 2014 HK\$'000</b>	<b>For the six months ended 30 June 2015 HK\$'000</b>
Turnover	458,915	548,101	251,183
Net profit before tax	10,192	15,286	10,442
Net profit after tax	2,079	6,269	6,072

As at 30 June 2015, the unaudited net assets of SinoCom Japan amounted to approximately HK\$58,507,000. Dr. Shi acquired the Minority Interest on 27 November 2009 at a price of approximately JPY28,500,000.

## INFORMATION OF DR. SHI

Dr. Shi is currently a minority shareholder and holds 8% of the issued share capital in SinoCom Japan. He acquired his interest in SinoCom Japan on 27 November 2009 at a consideration of JPY28,500,000. Dr. Shi is currently a director of SinoCom Japan.

## INFORMATION OF THE GROUP

The Group is principally engaged in the provision of software outsourcing development and technical support services, and the design, development and operation of the mobile and web-games. In view of the operational performance of the software outsourcing development and technical support services business, the Group has currently been putting emphasis on the development of its mobile and web-game business. Information regarding the latest business developments and prospects of the Group is contained in the interim results announcement of the Group dated 20 August 2015.

## FINANCIAL EFFECT OF THE TRANSACTIONS AND USE OF THE PROCEEDS FROM THE TRANSACTIONS

The Minority Interest Completion is expected to take place on the Completion Date simultaneous with but in any event preceding the Japan Sale Shares Completion.

Upon the Completion, the Company will cease to hold any equity interest in the Target Companies and each of the Target Companies will cease to be a subsidiary of the Company, and the financial results of the Target Companies will no longer be consolidated in the accounts of the Group.

Following the Minority Interest Completion and the Completion, the Group will receive net proceeds of approximately HK\$180,000,000 after deducting the Minority Interest Consideration. The Group intends to apply the net proceeds for general working capital and potential acquisitions and investments, particularly relating to its mobile and web-game business, as and when opportunities arise.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Acquisition is conducted for the purpose of facilitating the sale of the entire issued share capital in SinoCom Japan to NRI. The Disposal and the Acquisition are inter-conditional upon each other.

The terms of the Minority Interest SPA were determined after arm's length negotiations between the parties thereto. Having considered the reasons for and benefits of the Acquisition and the fact that the Minority Interest Consideration is determined with reference to the unaudited net assets value of SinoCom Japan as at 30 June 2015, the Board is of the view that the terms of the Minority Interest SPA are fair and reasonable and the Acquisition is in the interest of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Directors have a material interest in the Minority Interest SPA and the transaction contemplated thereunder and no Directors are required to abstain from voting in the board resolutions approving the Minority Interest SPA and the transaction contemplated thereunder.

As Dr. Shi is a director of SinoCom Japan, Dr. Shi is a connected person of the Company by virtue of Rule 14A.07(1) of the Listing Rules. The Acquisition constitutes a connected transaction of the Company under Rule 14A.25 of the Listing Rules. The Board (including the independent non-executive Directors) has confirmed that the terms of the Minority Interest SPA are fair and reasonable and the transaction contemplated thereunder is on normal commercial terms and that entering into of the Minority Interest SPA is in the interests of the listed issuer and its shareholders as a whole. As the applicable percentage ratios (as defined under the Listing Rules) exceed 1% but are less than 5%, according to Rule 14A.76 of the Listing Rules, the Acquisition will, subject to the paragraphs below, be subject to the reporting and announcement requirements but will be exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14.24 of the Listing Rules, since the Acquisition and the Disposal are inter-conditional, the Acquisition and the Disposal will be regarded as one transaction involving both an acquisition and disposal. Notwithstanding the paragraph above, the Transactions will be classified by reference to the larger of the percentage ratios of the Acquisition or the Disposal, being a major transaction, and subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing

Rules applicable to the major transaction. In relation to the circular of the Company, each of the Acquisition and the Disposal will be subject to the content requirements applicable to their respective transaction classification.

The EGM will be convened for the purpose of, among other matters, considering, and if thought fit, approving the Minority Interest SPA and the Agreements and the Transactions contemplated thereunder. The voting in respect of the Transactions at the EGM will be conducted by way of a poll. As at the date of this announcement, NRI and its associates together hold 88,356,100 shares in the Company, representing 6.67% of the issued share capital of the Company. As NRI has material interest in the Transactions, NRI and its associates or any other shareholders who have material interest in the Transactions shall abstain from voting on the resolution approving the Transactions at the EGM under Chapter 14 of the Listing Rules.

### **FURTHER DELAY IN DESPATCH OF CIRCULAR**

Reference is made to the announcement of the Company dated 31 July 2015 in relation to the delay in despatch of the circular which contains further details of the Disposal. As disclosed in the said announcement, the said circular was expected to be despatched to the Shareholders on or before 4 September 2015.

As additional time is required to finalize the content of the same, the date of dispatch of a circular containing, amongst other things, details of each of the Acquisition and the Disposal and a notice convening the EGM will be postponed to a date falling on or before 29 September 2015.

**Completion is subject to the Conditions Precedent having been satisfied, including (amongst other things) the approval of the Transactions by the Independent Shareholders. As such, the Transactions may or may not materialize. Shareholders and potential investors should therefore exercise caution when dealing in the shares of the Company.**

### **DEFINITIONS**

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

“Acquisition”	means the proposed acquisition by SinoCom Holdings of the Minority Interest from Dr. Shi
“Announcement”	means the announcement of the Company dated 17 June 2015
“Dr. Shi”	Dr. Shi Chongming, a director and a minority shareholder of SinoCom Japan as at the date of this announcement
“EGM”	means the extraordinary general meeting of the Company to be held for considering, and if thought fit, approving the Minority Interest SPA, the Agreements and the transactions contemplated thereunder respectively

“JPY”	means Japanese yen, the lawful currency in Japan
“Minority Interest”	means 64 shares of SinoCom Japan held by Dr. Shi at the date of this announcement and to be sold by Dr. Shi to SinoCom Holdings pursuant to the Minority Interest SPA, representing 8% of the entire issued shares of SinoCom Japan
“Minority Interest Completion”	means completion of the sale and purchase of the Minority Interest in accordance with the Minority Interest SPA
“Minority Interest Consideration”	means the sum of HK\$6,800,000 less the Unaccounted Dividend (if any)
“Minority Interest SPA”	means the sale and purchase agreement dated 1 September 2015 entered into between SinoCom Holdings and Dr. Shi in relation to the Minority Interest Acquisition
“Transactions”	the Acquisition and the Disposal
“Unaccounted Dividends”	means the amount of dividend or distribution to be paid or made by the Company after the date of Minority Interest SPA and prior to Minority Interest Completion which the Vendor has failed to account to the Purchaser in accordance with Minority Interest SPA
“Unconditional”	means SinoCom Holdings as vendor and NRI as purchaser proceed to Japan Sale Shares Completion in accordance with the Japan SPA on the Completion Date after all the Japan SPA Conditions Precedent having been satisfied or waived in accordance with the Japan SPA

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

Hong Kong, 1 September 2015

*As at the date of this announcement, the Company's executive directors are Mr. Wang Zhiqiang, Mr. Zuo Jian Zhong, Mr. Tang Yau Sing, Mr. Zhang Zhige and Mr. Liu Wei; and the independent non-executive directors of the Company are Mr. Chui Man Lung Everett, Mr. Han Chu and Mr. Wu Hong.*