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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)

**MAJOR TRANSACTIONS —
DISPOSAL OF THE ENTIRE ISSUED SHARE INTERESTS IN
SINOCOM DEVELOPMENT HOLDINGS LIMITED
AND SINOCOM JAPAN CORPORATION**

Financial Adviser

MIZUHO

Mizuho Securities Asia Limited

INTRODUCTION

Reference is made to the announcements of the Company dated 23 April 2015 and 12 June 2015 in which the Company announced that SinoCom Holdings as vendor, NRI as purchaser and the Company as guarantor had entered into the memorandum of understanding (as amended and/or supplemented by an amendment dated 12 June 2015) pursuant to which SinoCom Holdings will sell to NRI its information technology outsourcing business concerning NRI group customers by way of share disposal of the relevant holding companies within the Group.

DISPOSAL OF THE BVI SALE SHARES

The Board is pleased to announce that on 17 June 2015 (after trading hours), the Company, SinoCom Holdings and NRI entered into the BVI SPA. Pursuant to the terms and conditions of the BVI SPA, subject to the fulfillment or waiver (as the case may be) of BVI SPA Conditions Precedents, SinoCom Holdings has agreed to sell and NRI has agreed to purchase the BVI Sale Shares, representing the entire issued share interests of SinoCom Holdings in SinoCom BVI, for the BVI Sale Shares Consideration in the amount of HK\$98,000,000, subject to adjustment. The BVI Sale Shares Consideration shall be satisfied by cash.

DISPOSAL OF THE JAPAN SALE SHARES

The Board is pleased to announce that on 17 June 2015 (after trading hours), the Company, SinoCom Holdings and NRI entered into the Japan SPA. Pursuant to the terms and conditions of the Japan SPA, subject to the fulfillment or waiver (as the case may be) of the Japan SPA Conditions Precedents, SinoCom Holdings has agreed to sell and NRI has agreed to purchase the Japan Sale Shares, representing the entire issued share interests of SinoCom Holdings in SinoCom Japan, for the Japan Sale Shares Consideration in the amount of HK\$92,000,000, subject to adjustment. The Japan Sale Shares Consideration shall be satisfied by cash.

The Target Companies are principally engaged in the provision of software outsourcing development and technical support services. Immediately after Completion, SinoCom Holdings and the Company will cease to hold, directly or indirectly, any equity interest in each of the Target Companies. The BVI Restructuring and the Japan Restructuring shall be conducted and completed prior to Completion. The Group shall be able to conduct its Reserved Business.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major disposal of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The EGM will be convened for the purpose of, among other matters, considering, and if thought fit, approving the Agreements and the Disposal contemplated thereunder. The voting in respect of the Disposal 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 6.71% of the issued share capital of the Company. As NRI has material interest in the Disposal, NRI and its associates shall abstain from voting on the resolution approving the Disposal at the EGM under Chapter 14 of the Listing Rules.

A circular containing, amongst other things, details of the Disposal and a notice convening the EGM is expected to be despatched to the Shareholders on or before 31 July 2015.

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

THE DISPOSAL

Reference is made to the announcement of the Company dated 23 April 2015 and 12 June 2015 in which the Company announced that SinoCom Holdings as vendor, NRI as purchaser and the Company as guarantor had entered into the memorandum of understanding (as amended and/or supplemented by an amendment dated 12 June 2015) pursuant to which SinoCom Holdings will sell to NRI its information technology outsourcing business concerning NRI group customers by way of share disposal of the relevant holding companies within the Group.

The Board is pleased to announce that on 17 June 2015 (after trading hours), the Company, SinoCom Holdings and NRI entered into:

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

(The BVI SPA and the Japan SPA, collectively, are defined as the “**Agreements**”.)

THE BVI SPA

Date

17 June 2015

Parties

- (a) the Company as the guarantor;
- (b) SinoCom Holdings as the vendor; and
- (c) NRI as the purchaser.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, NRI and its associates (as defined under the Listing Rules) in aggregate hold approximately 6.71% shareholding of the Company as at the date of this announcement and is independent of the Company and its connected persons (as defined in the Listing Rules).

Assets to be disposed

Pursuant to the terms and conditions of the BVI SPA, subject to the fulfillment or waiver (as the case may be) of BVI SPA Conditions Precedents, SinoCom Holdings has agreed to sell and NRI has agreed to purchase the BVI Sale Shares, representing the entire issued share interests of SinoCom Holdings in SinoCom BVI.

BVI Restructuring

Pursuant to the BVI SPA, SinoCom Holdings undertakes to complete the BVI Restructuring by 31 August 2015. The BVI Restructuring shall be conducted by way of the transfer of certain assets, the assignment and novation of rights and benefits under certain contracts (including but not limited to the subsisting tenancy agreement(s) entered into by each of the Operating PRC Subsidiaries) and the termination of employment of certain employees of each of the Operating PRC Subsidiaries and the employment of them by the relevant New PRC Subsidiaries.

Consideration for the BVI Sale Shares and payment terms

The BVI Sale Shares Consideration shall be HK\$98,000,000 less the BVI Adjustment Amount.

The BVI Adjustment Amount shall be calculated as follows:

$(\text{BVI Rental Increase} + \text{BVI Salary Increase}) \times 12 \text{ months} \times 3 \text{ years} = \text{BVI Adjustment Amount}$

Where:

- (a) BVI Rental Increase means the amount of increase in monthly rental of the properties leased by the New PRC Subsidiaries due to the entering into a new lease agreement in connection with the BVI Restructuring excluding any increase which is not exceeding 5% of the existing rentals; and
- (b) BVI Salary Increase means the increase in monthly salary of any employee of the New PRC Subsidiaries solely due to the entering into of the new employment contracts in connection with the BVI Restructuring not including any regular salary increase which is in line with such employee's past three years record of the Operating PRC Subsidiaries.

The BVI Sale Shares Consideration was determined after arm's length negotiations between SinoCom Holdings and NRI on normal commercial terms taking into account various factors including the prevailing market conditions and with reference to the prevailing commercial and business conditions in which each of SinoCom BVI and its subsidiaries operates and the adjusted net assets value of SinoCom BVI and its subsidiaries as at 31 December 2014 on the basis of the completion of the BVI Restructuring.

The BVI Sale Shares Consideration shall be settled in the following manner:

- (a) an amount of HK\$98,000,000 shall be payable in cash by NRI to SinoCom Holdings at BVI Sale Shares Completion; and
- (b) in the event there is any BVI Adjustment Amount, NRI shall submit to SinoCom Holdings a notice stating the BVI Adjustment Amount within 2 months after the Completion. The BVI Adjustment Amount shall be payable by SinoCom Holdings

within 15 Business Days after the receipt of NRI's notice by SinoCom Holdings of the BVI Adjustment Amount, if there shall be no dispute in relation to the same. Any such dispute shall be resolved in accordance with the terms of the BVI SPA.

Conditions Precedent

The BVI Sale Shares Completion is conditional upon the fulfillment or waiver of, as the case may be, the following BVI SPA Conditions Precedent on or before the Long Stop Date:

- (a) the completion of the BVI Restructuring;
- (b) the settlement of all outstanding inter-company loans between the Remaining Group and SinoCom BVI and its subsidiaries);
- (c) the passing of ordinary resolution(s) at the EGM by the Independent Shareholders to approve the BVI SPA, the Japan SPA and the Acquisition;
- (d) the listing status of the Company not being affected in connection with the disposal of the BVI Sale Shares;
- (e) satisfaction or the waiver of all the Japan SPA Conditions Precedent;
- (f) all requisite consents and approvals in connection with the entering into and performance of the terms of the BVI SPA having been obtained by the respective parties to the BVI SPA;
- (g) there having been no material adverse effect to SinoCom BVI and its subsidiaries; and
- (h) none of the warranty is misleading in any material respect or none of the pre-completion undertakings made by SinoCom Holdings having been breached in any material respect.

All the BVI SPA Conditions Precedent above (save and except for paragraphs (c) and (d) above) may be waived by NRI in writing.

If the BVI SPA Conditions Precedent are not fulfilled or (where applicable) waived in accordance with the BVI SPA by the Long Stop Date and if any of SinoCom Holdings or NRI terminates the BVI SPA, the BVI SPA shall cease to be of any effect except certain clauses including but not limited to confidentiality clause and save in respect of any claims arising out of any antecedent breach of the BVI SPA provided that the maximum liability of the defaulting party shall not exceed the actual cost and expenses incurred by the innocent party.

The Directors confirm that as at the date of this announcement, the listing status of the Company is not affected in connection with the disposal of the BVI Sale Shares referred to in clause (d) of the above BVI SPA Conditions Precedents and none of the other BVI SPA Conditions Precedent has been fulfilled or waived.

BVI Sale Shares Completion

Subject to the fulfillment or waiver (as the case may be) of the BVI SPA Conditions Precedent and other terms under the BVI SPA, the BVI Sale Shares Completion is expected to take place on the Completion Date.

Upon the BVI Sale Shares Completion, the Company will cease to hold any equity interest in SinoCom BVI and SinoCom BVI will cease to be a subsidiary of the Company.

Completion under the BVI SPA shall be inter-conditional upon and simultaneous with the completion under the Japan SPA made between the same parties on the same date as the BVI SPA. Details of the Japan SPA shall be set out in the paragraphs headed “THE JAPAN SPA” in this announcement.

Non Competition Undertakings

Pursuant to the BVI SPA, for a period of one (1) year after the BVI Sale Shares Completion, neither SinoCom Holdings and SinoCom Holdings will procure that none of the companies in the Remaining Group will (without the prior written consent of NRI):

- (a) compete with the Business;
- (b) solicit or entice away from the SinoCom BVI and its subsidiaries any person, company or other entity who is, or was, in the two (2) years immediately prior to the Completion Date, a sub-contractor of SinoCom BVI and its subsidiaries in connection with the Business; or
- (c) solicit or entice away from SinoCom BVI and its subsidiaries any individual who is employed by SinoCom BVI and its subsidiaries in connection with the Business as a director or in a managerial, executive or technical capacity.

Notwithstanding the above, the Remaining Group shall have the right to continue to carry on any business (other than the Business) including for the avoidance of doubt, the Reserved Business.

Guarantee and Indemnity

In consideration of NRI entering into the BVI SPA, the Company irrecoverably and unconditionally guarantees to NRI the due performance of all obligations by SinoCom Holdings and the due and punctual payment of all amounts payable by SinoCom Holdings under the BVI SPA and the transactions contemplated therein.

SinoCom Holdings undertakes to indemnify NRI and/or any of SinoCom BVI and its subsidiaries against any and all losses which have been actually suffered by NRI and/or any of SinoCom BVI and its subsidiaries arising in respect of (a) any losses suffered by SinoCom BVI and its subsidiaries arising from or in respect of the BVI Restructuring caused by the Group (if any) and (b) any losses suffered by NRI and/or SinoCom BVI and its subsidiaries arising from SinoCom Holdings’ failure to declare or settle taxation relating to the disposal of the BVI Sale Shares contemplated under the BVI SPA.

THE JAPAN SPA

Date

17 June 2015

Parties

- (a) the Company as the guarantor;
- (b) SinoCom Holdings as the vendor; and
- (c) NRI as the purchaser.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, NRI and its associates (as defined under the Listing Rules) in aggregate hold approximately 6.71% shareholding of the Company as at the date of this announcement and is independent of the Company and its connected persons (as defined in the Listing Rules).

Assets to be disposed

Pursuant to the terms and conditions of the Japan SPA, subject to the fulfillment or waiver (as the case may be) of the Japan SPA Conditions Precedents, SinoCom Holdings has agreed to sell and NRI has agreed to purchase the Japan Sale Shares, representing the entire issued share interests of SinoCom Holdings in SinoCom Japan.

Japan Restructuring

Pursuant to the Japan SPA, SinoCom Holdings undertakes to complete the Japan Restructuring by 31 August 2015. The Japan Restructuring shall be conducted by way of revision of certain existing employment contracts and the repayment of the JP Loan.

Consideration for the Japan Sale Shares and payment terms

The Japan Sale Shares Consideration shall be HK\$92,000,000 less the Japan Adjustment Amount.

The Japan Adjustment Amount shall be calculated as follows:

$(\text{Japan Salary Increase}) \times 12 \text{ months} \times 3 \text{ years} = \text{Japan Adjustment Amount}$

Where:

Japan Salary Increase means the increase in monthly salary of any employee of SinoCom Japan solely due to entering into of a revised employment contract, not including any regular salary increase which is in line with such employee's past three years record of SinoCom Japan.

The Japan Sale Shares Consideration was determined after arm's length negotiations between SinoCom Holdings and NRI on normal commercial terms taking into account various factors including the prevailing market conditions and with reference to the prevailing commercial and business conditions in which SinoCom Japan operates and the adjusted net assets value of SinoCom Japan as at 31 December 2014.

The Japan Sale Shares Consideration shall be settled in the following manner:

- (a) an amount of HK\$92,000,000 shall be payable in cash by NRI to SinoCom Holdings at Japan Sale Shares Completion; and
- (b) in the event there is any Japan Adjustment Amount, NRI shall submit to SinoCom Holdings a notice stating the Japan Adjustment Amount within 2 months after the Completion. The Japan Adjustment Amount shall be payable by SinoCom Holdings within 15 Business Days after the receipt of NRI's notice by SinoCom Holdings of the Japan Adjustment Amount, if there shall be no dispute in relation to the same. Any such dispute shall be resolved in accordance with the terms of the Japan SPA.

Conditions Precedent

The Japan Sale Shares Completion is conditional upon the fulfillment or waiver of, as the case may be, the following Japan SPA Conditions Precedent on or before the Long Stop Date:

- (a) the completion of the Japan Restructuring;
- (b) the written confirmation of a previous shareholder of SinoCom Japan confirming that he has no rights or interests whatsoever in SinoCom Japan;
- (c) the settlement of all outstanding intercompany loans between the Remaining Group and SinoCom Japan;
- (d) the passing of ordinary resolution(s) at the EGM by the Independent Shareholders to approve the Japan SPA, the BVI SPA and the Acquisition;
- (e) the listing status of the Company not being affected in connection with the disposal of the Japan Sale Shares;
- (f) satisfaction or the waiver of all the BVI SPA Conditions Precedent;
- (g) all requisite consents and approvals in connection with the entering into and performance of the terms of the Japan SPA having been obtained by the respective parties to the Japan SPA;
- (h) there having been no material adverse effect to SinoCom Japan;
- (i) none of the warranty is misleading in any material respect or none of the material pre-completion undertakings made by SinoCom Holdings having been breached in any material respect; and
- (j) the entering into of a legally binding agreement in respect of the Acquisition.

All the Japan SPA Conditions Precedent above (save and except for paragraphs (d) and (e) above) may be waived by NRI in writing.

If the Japan SPA Conditions Precedent are not fulfilled or (where applicable) waived in accordance with the Japan SPA by the Long Stop Date and if any of SinoCom Holdings or NRI terminates the Japan SPA, the Japan SPA shall cease to be of any effect except certain clauses including but not limited to confidentiality clause and save in respect of any claims arising out of any antecedent breach of the Japan SPA provided that the maximum liability shall not exceed the actual cost and expenses incurred by the innocent party.

The Directors confirm that as at the date of this announcement, the listing status of the Company is not affected in connection with the disposal of the Japan Sale Shares referred to in clause (e) of the above Japan SPA Conditions Precedents and none of the other Japan SPA Conditions Precedent has been fulfilled or waived.

Japan Sale Shares Completion

Subject to the fulfillment or waiver (as the case may be) of the Japan SPA Conditions Precedent and other terms under the Japan SPA, the Japan Sale Shares Completion is expected to take place on the Completion Date.

Upon the Japan Sale Shares Completion, the Company will cease to hold any equity interest in SinoCom Japan and SinoCom Japan will cease to be a subsidiary of the Company.

Completion under the Japan SPA shall be simultaneous with the completion of the Acquisition, and shall be inter-conditional upon and simultaneous with the Completion under the BVI SPA made between the same parties on the same date as the Japan SPA.

Details of the BVI SPA shall be set out in the paragraphs headed “THE BVI SPA” in this announcement. Currently, neither the Company nor any of its subsidiaries have entered into any legally binding agreement in respect of the Acquisition. As SinoCom Holdings currently only holds 92% issued capital in SinoCom Japan, following the signing of the Japan SPA, SinoCom Holdings will endeavour to negotiate with the owner of the remaining 8% issued capital in SinoCom Japan with a view to entering into a legally binding agreement to acquire such interest. The Company will comply with the applicable Listing Rules in respect of the Acquisition if and when the Acquisition materializes.

Non Competition Undertakings

Pursuant to the Japan SPA, for a period of one (1) year after Japan Sale Shares Completion, neither SinoCom Holdings and SinoCom Holdings will procure that none of the Group will (without the prior written consent of NRI):

- (a) compete with the Business;
- (b) solicit or entice away from SinoCom Japan any person, firm, company or other entity who is, or was, in the two (2) years immediately prior to the Japan Sale Shares Completion Date, a sub-contractor of the SinoCom Japan and its subsidiaries in connection with the Business; or

- (c) solicit or entice away from SinoCom Japan any individual who is employed by SinoCom Japan in connection with the Business as a director or in a managerial, executive or technical capacity.

Notwithstanding the above, the Remaining Group shall have the right to continue to carry on any business (other than the Business) including for the avoidance of doubt, the Reserved Business.

Guarantee and Indemnity

In consideration of NRI entering into the Japan SPA, the Company irrevocably and unconditionally guarantees to NRI the due performance of all obligations by SinoCom Holdings and the due and punctual payment of all amounts payable by SinoCom Holdings under the Japan SPA and the transactions contemplated therein.

SinoCom Holdings will indemnify NRI and/or SinoCom Japan against any and all losses which have been actually suffered by NRI and/or SinoCom Japan arising in respect of (a) any losses suffered by SinoCom Japan arising from or in respect of the Japan Restructuring caused by the Group (if any); and (b) any losses suffered by NRI and/or SinoCom Japan arising from SinoCom Holdings' failure to comply with any tax related obligation of SinoCom Japan.

INFORMATION OF THE TARGET COMPANIES

Upon completion of the BVI Restructuring and the Japan Restructuring, the Target Companies are principally engaged in the Business. The New PRC Subsidiaries are established for the purpose of conducting the BVI Restructuring pursuant to which certain assets, rights and benefits of certain contracts and certain employees of the Operating PRC Subsidiaries relating to the Business will be transferred to the relevant New PRC Subsidiaries. The current clients of the Group include NRI (and its related companies) and other Japanese and PRC companies. After Completion, the Remaining Group shall be able to continue to run its Reserved Business with non-NRI-related clients.

Financial Information of the Target Companies

The table below sets out (i) the total turnover of the Group and the turnover attributable to the Business and (ii) the adjusted sum of the loss before and after taxation of SinoCom BVI and SinoCom Japan derived from their respective unaudited management accounts, on the basis that the BVI Restructuring were completed before the commencement of the relevant financial year for each of the two financial years ended 31 December 2013 and 2014. Except for the total turnover amounts of the Group, all other amounts are unaudited:

| | For the financial year ended 31 December 2013 (HK\$'000) | For the financial year ended 31 December 2014 (HK\$'000) |
|---|---|---|
| Turnover of the Group (audited) | <u>481,115</u> | <u>582,892</u> |
| of which attributable to the Business | <u>293,088</u> | <u>364,099</u> |
| Adjusted sum of the loss before tax (on the basis described above) | <u>(23,901)</u> | <u>(15,940)</u> |
| Adjusted sum of the loss after tax (on the basis described above) | <u>(29,050)</u> | <u>(23,858)</u> |

As at 31 December 2014, the audited net assets of the Group amounted to approximately HK\$643,464,000, and the unaudited attributable net assets value of the Target Companies (as if the BVI Restructuring was completed on 31 December 2014) was approximately HK\$80,076,000.

INFORMATION OF NRI

NRI, a company incorporated in Japan with limited liability, is principally engaged in the business of providing consulting services, information technology solutions and system solutions globally. Its principal clients for financial IT solutions include investment banks, asset managers, banks and insurance providers. NRI is listed on the Tokyo Stock Exchange. It and its related companies have been clients of the Group on software outsourcing development and technical services for a number of years.

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.

EXPECTED GAIN FOR THE DISPOSAL AND USE OF PROCEEDS

Upon the Completion, the Company will cease to hold any direct or indirect 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 into the accounts of the Company.

Upon the Completion, the Group expects to book a net gain of approximately HK\$92,932,000 which is estimated taking into account the considerations for the Disposal, and the book values of SinoCom BVI and SinoCom Japan (adjusted as if the BVI Restructuring was completed), after netting off estimated expenses for the Disposal. Such amount of estimated net gain is subject to the audit of the financial statements of the Group for the financial year ending 31 December 2015.

Following the Completion, the Group will receive net proceeds of approximately HK\$180,000,000. The Group currently intends to use 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 DISPOSAL

The Group's business in relation to the provision of software outsourcing development and technical support services has been generating steadily growing turnover for the Group in recent years. However, such business is loss making for the financial years ended 31 December 2013 and 2014. The depreciating Japanese yen currency, particularly in the past 12 months, has substantially increased the exposure of the Group to currency risks, as all revenue of the Group derived from Japanese clients are payable in Japanese yen while the operating costs of the Group which principally arise in the PRC are payable in RMB. Against such background, the Disposal shall enable the Group to depart from the segment of Business which is exposed to increasing currency risks, and to focus its resources on its PRC software outsourcing development business, as well as its mobile and web-game business on which the Group has currently been putting emphasis.

The terms of the Agreements were determined after arm's length negotiations between the parties thereto. Having considered the reasons for and benefits of the Disposal as mentioned above, the Board is of the view that the terms of the Agreements are fair and reasonable and the Disposal is in the interest of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major disposal of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The EGM will be convened for the purpose of, among other matters, considering, and if thought fit, approving the Agreements and the Disposal contemplated thereunder. The voting in respect of the Disposal 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 6.71% of the issued share capital of the Company. As NRI has material interest in the Disposal, NRI and its associates shall abstain from voting on the resolution approving the Disposal at the EGM under Chapter 14 of 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 Agreements and the Disposal contemplated thereunder and no Directors are required to abstain from voting in the board resolutions approving the Agreements and the Disposal contemplated thereunder.

A circular containing, amongst other things, details of the Disposal and a notice convening the EGM is expected to be despatched to the Shareholders on or before 31 July 2015.

Completion is subject to the Conditions Precedent having been satisfied, including (amongst other things) the approval of the Disposal by the Independent Shareholders. As such, the Disposal 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:

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|-------------------------|---|
| “Acquisition” | means the proposed acquisition by SinoCom Holdings in relation to 8% issued capital in SinoCom Japan from Dr. Shi Chongming |
| “Agreements” | collectively means the BVI SPA and the Japan SPA |
| “associates” | has the meaning ascribed thereto under the Listing Rules |
| “Board” | means the board of Directors |
| “Business” | means the business carried on by and on behalf of each of SinoCom BVI and the Operating PRC Subsidiaries as at the date of this announcement, with NRI and its subsidiaries as customers which is sourced by SinoCom Japan and which is to be transferred to SinoCom BVI and its subsidiaries pursuant to the BVI Restructuring, including but not limited to the manufacturing of computer related products, provision of software development services, provision of computer software testing services, system integration and product consultation services |
| “Business Day” | means a day (other than Saturdays and Sundays) on which banks in Hong Kong, the PRC and Japan are generally open for business |
| “BVI Adjustment Amount” | has the meaning given to it in the paragraphs headed “Consideration for the BVI Sale Shares and payment terms” |

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| “BVI Rental Increase” | has the meaning given to it in the paragraphs headed “Consideration for the BVI Sale Shares and payment terms” |
| “BVI Restructuring” | means the restructuring of SinoCom BVI and its subsidiaries prior to Completion as more particularly set out in the paragraph headed “BVI Restructuring” |
| “BVI Salary Increase” | has the meaning given to it in the paragraphs headed “Consideration for the BVI Sale Shares and payment terms” |
| “BVI Sale Shares” | means 474,671 shares of SinoCom BVI to be sold by SinoCom Holdings to NRI pursuant to the BVI SPA, representing the entire issued shares of SinoCom BVI |
| “BVI Sale Shares Completion” | means completion of the sale and purchase of the BVI Sale Shares in accordance with the BVI SPA |
| “BVI Sale Shares Consideration” | means the consideration payable by NRI to SinoCom Holdings for the disposal of BVI Sale Shares as described in the paragraph headed “Consideration for the BVI Sale Shares and payment terms” above |
| “BVI SPA” | means the sale and purchase agreement dated 17 June 2015 entered into between SinoCom Holdings, the Company and NRI in relation to the disposal of the BVI Sale Shares |
| “BVI SPA Conditions Precedent” | means the condition(s) precedent to completion as set out in the BVI SPA |
| “Company” | means SinoCom Software Group Limited, a limited liability company incorporated in the Cayman Islands whose registered office is at Cricket Square Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and whose shares are listed on the main board of the Stock Exchange (stock code: 299) |
| “Completion” | means the completion of the sale and purchase of the BVI Sale Shares and the Japan Sale Shares in accordance with the Agreements |
| “Completion Date” | means 5 Business Days after all the Conditions Precedent are fulfilled or waived and in any event by 30 September 2015, or such other date as the parties thereto may agree in writing |
| “Condition(s)” or “Condition(s) Precedent” | means the condition(s) precedent to Completion as set out in the Agreements, collectively the BVI SPA Conditions Precedent and the Japan SPA Conditions Precedent |
| “connected person(s)” | has the meaning ascribed thereto under the Listing Rules |

| | |
|-----------------------------------|---|
| “Directors” | means the directors of the Company |
| “Disposal” | means the disposal by SinoCom Holdings of the BVI Sale Shares and the Japan Sale Shares pursuant to the terms and conditions of the Agreements |
| “EGM” | means the extraordinary general meeting of the Company to be held for considering, and if thought fit, approving, among others, the Agreements and the Disposal thereunder |
| “Group” | means the Company and its subsidiaries |
| “HK\$” | means Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | means the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Shareholders” | means the Shareholders other than NRI and its associates |
| “Japan Adjustment Amount” | has the meaning given to it in the paragraphs headed “Consideration for the Japan Sale Shares and payment terms” |
| “Japan Restructuring” | means the restructuring of SinoCom Japan prior to Completion as more particularly set out in the paragraph headed “Japan Restructuring” |
| “Japan Salary Increase” | has the meaning given to it in the paragraphs headed “Consideration for the Japan Sale Shares and payment terms” |
| “Japan Sale Shares” | means 800 shares of SinoCom Japan to be sold by SinoCom Holdings to NRI pursuant to the Japan SPA, representing the entire issued shares of SinoCom Japan |
| “Japan Sale Shares Completion” | means completion of the sale and purchase of the Japan Sale Shares in accordance with the Japan SPA |
| “Japan Sale Shares Consideration” | means the consideration payable by NRI to SinoCom Holdings for the disposal of Japan Sale Shares as described in the paragraph headed “Consideration for the Japan Sale Shares and payment terms” above |
| “Japan SPA” | means the sale and purchase agreement dated 17 June 2015 entered into between SinoCom Holdings, the Company and NRI in relation to the disposal of the Japan Sale Shares |
| “Japan SPA Conditions Precedent” | means the condition(s) precedent to completion as set out in the Japan SPA |

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| “JP Loan” | means the loan made by the representative director of SinoCom Japan on behalf of SinoCom Japan to SinoCom Holdings under the credit line agreement made between SinoCom Japan and SinoCom Holdings dated 24 February 2014 |
| “Listing Rules” | means the Rules Governing the Listing of Securities on the Stock Exchange |
| “Long Stop Date” | means 23 September 2015 (or such other date as the Company, SinoCom Holdings and NRI may agree in writing) |
| “New PRC Subsidiaries” | collectively means SinoCom Innovative Technology Software Limited, and certain subsidiaries to be incorporated under the laws of the PRC, each being a subsidiary of SinoCom BVI upon its successful incorporation and registration |
| “NRI” | means Nomura Research Institute, Ltd., a limited liability company incorporated in Japan whose registered office is at 1-6-5 Marunouchi, Chiyoda-ku, Tokyo, 100-0005, Japan |
| “Operating PRC Subsidiaries” | collectively means 大連中訊高科軟件有限公司 Dalian SinoCom High Technology Software Co., Ltd., 中訊申軟計算機技術（上海）有限公司 SinoCom Shensoft Computer Technology (Shanghai) Co., Ltd., 中訊計算機系統（北京）有限公司 SinoCom Computer System (Beijing) Co., Ltd, 無錫中訊高科軟件有限公司 Wuxi SinoCom High Technology Software Co., Ltd., 吉林中訊創新軟件有限公司 Jilin SinoCom Innovative Software Co., Ltd., together with branch offices in Chengdu and Hangzhou |
| “PRC” | means the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan) |
| “Remaining Group” | means the Company and its subsidiaries excluding the Target Companies |

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| “Reserved Business” | the business activities, including but not limited to the manufacturing of computer related products, provision of software development services, provision of computer software testing services, system integration and product consultation services, which Operating PRC Subsidiaries may continue to conduct after the Completion (i) not sourced from SinoCom Japan or, (ii) if sourced from SinoCom Japan with person(s) or entities other than NRI or its subsidiaries as customers |
| “RMB” | means Renminbi, the lawful currency of the PRC |
| “Shareholders” | means the holders of the ordinary shares in the issued share capital of the Company |
| “SinoCom BVI” | means SinoCom Development Holdings Limited, a limited liability company incorporated in the British Virgin Islands whose registered office is at NovaSage Chambers, P.O. Box 4389, Road Town, Tortola, the British Virgin Islands |
| “SinoCom Holdings” | means SinoCom Holdings (BVI) Limited, a wholly-owned subsidiary of the Company and a limited liability company incorporated in the British Virgin Islands whose registered office is at NovaSage Chambers, P.O. Box 4389, Road Town, Tortola, the British Virgin Islands |
| “SinoCom Japan” | means SinoCom Japan Corporation, a limited liability company incorporated in Japan whose registered office is at 5F, Across Shinkawa Building Annex, 1-16-14 Shinkawa, Chuo-ku, Tokyo |
| “Target Companies” | collectively means SinoCom BVI, the New PRC Subsidiaries and SinoCom Japan |
| “%” | means per cent |

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

Hong Kong, 17 June 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 are Mr. Chui Man Lung Everett, Mr. Han Chu and Mr. Wu Hong.