
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **SinoCom Software Group Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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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)

PROPOSED SUBDIVISION OF SHARES

A letter from the Board is set out on pages 3 to 8 of this circular.

A notice convening an Extraordinary General Meeting to be held immediately after the forthcoming AGM to be held at Boardroom III, 5th Floor, Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong on 10 May 2006 at 3:30 p.m. and any adjournment thereof at the same place of the AGM is set out on page 9 of this circular.

Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to the Company's Registrar in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong and in any event not less than 48 hours before the time fixed for holding of the Extraordinary General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the Extraordinary General Meeting should you so wish.

24 April 2006

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EXPECTED TIMETABLE

2006

Latest time for lodging forms of proxy for the Extraordinary

General Meeting 3:30 p.m. on Monday, 8 May

Extraordinary General Meeting Wednesday, 10 May *(Note)*

The following events are conditional on the results of the Extraordinary General Meeting and the granting of listing of, and permission to deal in, the Subdivided Shares and the Subdivided Shares to be issued under the Share Option Scheme by the Listing Committee of the Stock Exchange

Effective date of the Share Subdivision Thursday, 11 May

Dealings in the Subdivided Shares commence 9:30 a.m. on Thursday, 11 May

Existing counter for trading in Shares in board lots of 2,000

Shares temporarily closes 9:30 a.m. on Thursday, 11 May

Temporary counter for trading in Subdivided Shares in

board lots of 8,000 Subdivided Shares (in the form of

Existing Share Certificates) opens 9:30 a.m. on Thursday, 11 May

First day of free exchange of certificates

for new certificates for the Subdivided Shares Thursday, 11 May

Existing counter for trading in Subdivided Shares in

board lots of 2,000 Subdivided Shares (in the form of

new certificates for Subdivided Shares) reopens 9:30 a.m. on Thursday, 25 May

Parallel trading in Subdivided Shares

(in the form of new share certificates

for Subdivided Shares and the certificates

for existing Shares) commences 9:30 a.m. on Thursday, 25 May

Temporary counter for trading in Subdivided Shares

in board lots of 8,000 Subdivided Shares

(in the form of certificates for existing Shares) closes 4:00 p.m. on Friday, 16 June

Parallel trading in Subdivided Shares

(in the form of certificates for Subdivided Shares

and the existing certificates for Shares) ends 4:00 p.m. on Friday, 16 June

Last day for free exchange of certificates for

existing Shares for new certificates for Subdivided Shares Thursday, 22 June

Note: The Extraordinary General Meeting will be held immediately after the forthcoming AGM to be held at Boardroom III, 5th Floor, Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong on 10 May 2006 at 3:30 p.m. and any adjournment thereof at the same place of the AGM.

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“AGM”	the annual general meeting of the Company to be held at Boardroom III, 5/F., Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong on Wednesday, 10 May 2006 at 3:30 p.m. or any adjournment thereof, the details of which are set out in the shareholders’ circular dated 11 April 2006 issued by the Company
“Articles of Association”	the existing articles of association of the Company
“Board”	the board of Directors
“business day”	a day, other than a Saturday or a Sunday, on which licensed banks are open for business in Hong Kong and the Stock Exchange is open for the business of dealing in securities
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	SinoCom Software Group Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“Company’s Registrar”	Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Director(s)”	the director(s) of the Company
“Existing Share Certificates”	the blue share certificates for the existing Shares
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held immediately after the forthcoming AGM convened on the same day and at the same place at 3:30 p.m. and any adjournment thereof, the notice of which is set out on page 9 of this circular
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Latest Practicable Date”	18 April 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share Certificates”	the green new share certificates for the Subdivided Shares
“Share(s)”	existing issued and unissued share(s) of HK\$0.10 each in the share capital of the Company
“Share Option Scheme”	the Company’s share option scheme
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subdivided Share(s)”	the share(s) of HK\$0.025 each in the share capital of the Company which will result from the Share Subdivision
“Share Subdivision”	the proposal that each of the Shares be subdivided into four Subdivided Shares

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Wang Zhiqiang (*Chairman*)

Mr. Wang Xubing

Dr. Shi Chongming

Mr. Siu Kwok Leung

Non-executive Director:

Mr. Wang Nengguang

Independent non-executive Directors:

Mr. Pang Chor Fu

Professor Li Weian

Mr. Lee Kit Wah

Registered office:

Century Yard

Cricket Square

Hutchins Drive

P.O. Box 2681 GT

George Town

Grand Cayman

British West Indies

*Principal place of business
in Hong Kong:*

Units 1713-18

17th Floor

Shui On Centre

6-8 Harbour Road

Wanchai

Hong Kong

24 April 2006

To the Shareholders,

Dear Sir/Madam,

PROPOSED SUBDIVISION OF SHARES

Introduction

The purpose of this circular is to provide you with information regarding the proposed Share Subdivision to enable you to make decision on whether to vote for or against the resolution in connection with the Share Subdivision to be proposed at the Extraordinary General Meeting.

The information provided on the proposed Share Subdivision in this circular is provided to Shareholders in accordance with the Listing Rules.

LETTER FROM THE BOARD

Proposed Subdivision of Shares

By an announcement dated 10 April 2006, the Board announced that the Company would put to its Shareholders a proposal that every existing issued and unissued shares of HK\$0.10 each in the capital of the Company be subdivided into four shares of HK\$0.025 each. The size of the existing board lot of 2,000 Shares each will remain unchanged upon the Share Subdivision becoming effective.

The Share Subdivision is intended to improve the liquidity of the Subdivided Shares and widen the Shareholder base. Accordingly, the Board considers the Share Subdivision to be in the interests of the Company and its Shareholders as a whole given the prevailing market conditions.

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$100,000,000 divided into 1,000,000,000 Shares, of which 270,167,782 Shares are in issue and fully paid. Immediately upon the Share Subdivision becoming effective, the authorised share capital of the Company will be HK\$100,000,000 divided into 4,000,000,000 Subdivided Shares, of which 1,080,671,128 Subdivided Shares will be in issue and fully paid assuming that no further Shares are issued or repurchased prior to the Share Subdivision becoming effective.

The Subdivided Shares will rank *pari passu* with each other in all respects and the rights attaching to the Subdivided Shares will not be affected by the Share Subdivision.

Save for the costs incurred by the Company in implementing the Share Subdivision, the Share Subdivision will not alter the underlying assets, business operations, management or financial position of the Company or the proportional interests of the Shareholders. The Board considers that the Share Subdivision will not have any adverse effect in the financial position of the Company.

Board Lot Size

The Shares currently trade in board lots of 2,000 Shares. Upon the Share Subdivision becoming effective, the Subdivided Shares will be traded in board lots of 2,000 Subdivided Shares. The Share Subdivision will not result in any odd board lots other than those which already exist.

Share Option Scheme

As at the Latest Practicable Date, the total number of Shares which would be issued by the Company upon the exercise of the outstanding options granted by the Company pursuant to the Share Option Scheme amount to 18,258,000 Shares. The terms of the outstanding options granted by the Company pursuant to the Share Option Scheme will be adjusted in such manner as the Company's auditors shall certify to the Board is, in their opinion, fair and reasonable to take into account of the Share Subdivision. The Board anticipates that

LETTER FROM THE BOARD

upon the Share Subdivision becoming effective the terms of each such outstanding option will be adjusted as follows:

- (a) each option to subscribe for one Share shall be adjusted to an option to subscribe for four Subdivided Shares (thereby increasing the number of shares of the Company which would be issued upon the exercise of all the outstanding options from 18,258,000 Shares to 73,032,000 Subdivided Shares);
- (b) the existing subscription price of HK\$2.50 payable for each Share to be issued upon the exercise of an option granted on 10 November 2004 shall be adjusted such that the subscription price payable for each Subdivided Share to be issued upon the exercise of an option would be HK\$0.625; and
- (c) the existing subscription price of HK\$5.55 payable for each Share to be issued upon the exercise of an option granted on 24 January 2006 shall be adjusted such that the subscription price payable for each Subdivided Share to be issued upon the exercise of an option would be HK\$1.3875.

As at the Latest Practicable Date, save as the outstanding options granted by the Company under the Share Option Scheme mentioned above, the Company had no other outstanding securities which carried rights or options to convert into or subscribe for new shares of the Company.

Conditions of the Share Subdivision

The Share Subdivision is conditional upon:

- (a) the passing of the ordinary resolution by the Shareholders at the Extraordinary General Meeting; and
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subdivided Shares and the Subdivided Shares to be issued pursuant to the exercise of options in accordance with the Share Option Scheme.

Listing and Dealing

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subdivided Shares and the Subdivided Shares to be issued pursuant to the exercise of options in accordance with the Share Option Scheme.

Subject to the granting of the listing of, and permission to deal in, the Subdivided Shares on the Stock Exchange, the Subdivided Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Subdivided Shares on the Stock Exchange or such other date as may be determined by HKSCC. Settlement of transactions between participants

LETTER FROM THE BOARD

of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Exchange of Share Certificates

Subject to fulfilment of the conditions set out under the paragraph headed “Conditions of the Share Subdivision” above and the Share Subdivision taking effect, it is expected that, as from Thursday, 11 May 2006, New Share Certificates will be issued in board lots of 2,000 Subdivided Shares. After the Share Subdivision has become effective, Shareholders may submit their share certificates for existing Shares to the Company’s Registrar in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, during the business hours of the Company’s Registrar from 11 May to 22 June 2006 both dates inclusive), in exchange for new share certificates for Subdivided Shares at the expense of the Company. Thereafter, certificates for existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such amount as may from time to time be determined by the Stock Exchange) for each Existing Share Certificate or New Share Certificate, whichever number of certificates is higher and such certificates for existing Shares will cease to be marketable and will not be acceptable for trading and settlement purposes. However, Existing Share Certificates will continue to be good and valid evidence of the legal title to the existing Shares.

It is expected that the New Share Certificates will be available for collection within a period of 10 business days after the submission of the Existing Share Certificates to the Company’s Registrars for exchange.

The New Share Certificates for the Subdivided Shares will be green in colour in order to distinguish them from the Existing Share Certificates which are blue in colour.

Trading Arrangements for Subdivided Shares

Subject to the Share Subdivision becoming effective on Thursday, 11 May 2006, the trading arrangement for the Subdivided Shares will be as follows:

- (a) from 9:30 a.m. on Thursday, 11 May 2006, the existing counter for trading in Shares in board lots of 2,000 Shares will be temporarily closed;
- (b) from 9:30 a.m. on Thursday, 11 May 2006, a temporary counter for trading in Subdivided Shares in board lots of 8,000 Subdivided Shares, in the form of the Existing Share Certificates for the Shares, will be opened, and for the purposes of the settlement and delivery for trading at this temporary counter, every one Share will be deemed to represent four Subdivided Shares. Only Existing Share Certificates for existing Shares (blue in colour) can be traded in this temporary counter;

LETTER FROM THE BOARD

- (c) from 9:30 a.m. on Thursday, 25 May 2006, the existing counter will be re-opened for trading in Subdivided Shares in board lots of 2,000 Subdivided Shares. Only New Share Certificates for Subdivided Shares (green in colour) can be traded at this counter;
- (d) during the period from 9:30 a.m. on Thursday, 25 May 2006 to 4:00 p.m. on Friday, 16 June 2006 (both days inclusive), parallel trading will be permitted at the above two counters;
- (e) the temporary counter for trading in the Existing Share Certificates in board lots of 8,000 Subdivided Shares will be removed after the close of trading at 4:00 p.m. on Friday, 16 June 2006; and
- (f) from 9:30 a.m. on Monday, 19 June 2006, trading will be carried out only in Subdivided Shares in board lots of 2,000 Subdivided Shares (in the form of New Share Certificates that are green in colour). Existing Share Certificates (blue in colour) will only be valid for delivery and settlement in respect of dealings for the period up to and including 4:00 p.m. on Friday, 16 June 2006 and thereafter will cease to be marketable and will not be acceptable for trading and settlement purposes. However, Existing Share Certificates for existing Shares (blue in colour) will continue to be good and valid evidence of legal title to existing Shares and may be exchanged for New Share Certificates for Subdivided Shares (green in colour) at the Company's Registrar on payment of a prescribed fee.

Extraordinary General Meeting

A notice of the Extraordinary General Meeting to be held immediately after the forthcoming AGM convened on the same day and at the same place at 3:30 p.m. and any adjournment thereof, is set out on page 9 of this circular.

Whether or not you are able to attend the Extraordinary General Meeting in person, you are requested to complete and return the form of proxy attached to this circular in accordance with the instructions printed thereon as soon as possible to the Company's Registrar in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong but in any event not less than 48 hours before the time fixed for the holding of the Extraordinary General Meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the Extraordinary General Meeting should you so wish.

Procedure to Demand a Poll

Pursuant to Article 66 of the Articles of Association, a resolution put to the vote of a general meeting of the Company (including the Extraordinary General Meeting) shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the Chairman of such meeting; or

LETTER FROM THE BOARD

- (b) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring such right; or
- (e) by any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing 5% or more of the total voting rights at such meeting.

Recommendation

The Board considers that the Share Subdivision is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that the Shareholders vote in favour of the ordinary resolution to be proposed at the Extraordinary General Meeting to approve the Share Subdivision.

Yours faithfully,
For and on behalf of the Board
SINOCOM SOFTWARE GROUP LIMITED
Wang Zhiqiang
Chairman

NOTICE OF EXTRAORDINARY GENERAL MEETING



SinoCom

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中訊軟件集團股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 299)

Executive Directors:

Mr. Wang Zhiqiang (*Chairman*)

Mr. Wang Xubing

Dr. Shi Chongming

Mr. Siu Kwok Leung

Non-executive Director:

Mr. Wang Nengguang

Independent non-executive Directors:

Mr. Pang Chor Fu

Professor Li Weian

Mr. Lee Kit Wah

Registered office:

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P.O. Box 2681 GT

George Town

Grand Cayman

British West Indies

*Principal place of business
in Hong Kong:*

Units 1713-18

17th Floor

Shui On Centre

6-8 Harbour Road

Wanchai

Hong Kong

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of SinoCom Software Group Limited (the “Company”) will be held immediately after the forthcoming Annual General Meeting of the Company to be held at Boardroom III, 5th Floor, Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong on 10 May 2006 at 3:30 p.m. and any adjournment thereof at the same place of the Annual General Meeting for the purpose of considering and if thought fit, passing, with or without modification, the following resolution as an Ordinary Resolution:

ORDINARY RESOLUTION

“THAT:

subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in the shares of the Company in their subdivided form and the subdivided shares to be issued pursuant to the exercise of options in accordance with the Company’s share option scheme, every issued and unissued share forming part of the authorised share capital of HK\$100,000,000 of the Company comprising 1,000,000,000 shares of HK\$0.10 be

NOTICE OF EXTRAORDINARY GENERAL MEETING

subdivided into four shares of HK\$0.025 each with effect from the next day following the day on which this resolution is passed (being 11 May 2006, assuming that the date of passing of this resolution is 10 May 2006) and that the board of directors of the Company be authorised generally to do all things and execute all documents in connection with or incidental to such share subdivision.”

By Order of the Board

Siu Kwok Leung

Executive Director and Company Secretary

24 April 2006

Notes:—

- (a) Any shareholder of the Company entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Extraordinary General Meeting. A proxy need not be a shareholder of the Company.
- (b) To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of that power of attorney or authority) must be deposited with the Company's Registrar in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the Extraordinary General Meeting or any adjournment thereof. The completion and deposit of a form of proxy will not preclude any shareholder from attending and voting at the Extraordinary General Meeting.