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If you have sold or transferred all your shares in **SinoCom Software Group Limited**, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser or 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)

CONTINUING CONNECTED TRANSACTIONS

**Independent Financial Adviser to
the Independent Board Committee and the independent Shareholders**

 **SOMERLEY LIMITED**

A letter from the Board is set out on pages 4 to 8 of this circular. A letter of opinion from the Independent Board Committee to the independent Shareholders is set out on page 9 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders is set out on pages 10 to 14 of this circular.

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DEFINITIONS

In this circular, unless the context requires otherwise, the expressions as stated below will have the following meanings:

“Annual Caps”	the maximum aggregate annual value to be adopted for the Continuing Connected Transactions for each of the three years ending 31 December 2011, 2012 and 2013
“associate”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“China Way”	China Way International Limited, the controlling Shareholder which was interested in approximately 50.54% of the issued share capital of the Company as at the Latest Practicable Date
“Company”	SinoCom Software Group Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the continuing transactions between the Group and the DIR-BI Group contemplated under the Master Service Agreement
“DIR-BI”	Daiwa Institute of Research Business Innovation Ltd., a corporation incorporated under the laws of Japan
“DIR-BI Group”	DIR-BI and its associates, namely Daiwa Institute of Research Ltd. and DIR Information Systems Co., Ltd.
“Directors”	the directors of the Company
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held on 27 April 2011 for the purpose of approving the transactions contemplated under the Subscription Agreement and the Shareholders’ Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely, Mr. Pang Chor Fu, Professor Liang Neng and Mr. Lee Kit Wah

DEFINITIONS

“Independent Financial Adviser”	Somerley Limited, a corporation licensed under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the independent Shareholders in relation to the Continuing Connected Transactions and the Annual Caps
“JPY”	Japanese Yen, the lawful currency of Japan
“JV Company”	SinoCom DIR Business Innovation Co., Limited, a company incorporated in Hong Kong with limited liability
“Latest Practicable Date”	8 April 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Service Agreement”	the conditional master service agreement dated 21 March 2011 and entered into between the Company and DIR-BI in relation to the provision of the Services by members of the Group to members of the DIR-BI Group
“Percentage Ratios”	any of the five ratios (except the profits ratio) set out in Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Services”	(a) system engineering services; (b) programming services; (c) system consulting services; (d) operation services for computer utilization systems; and (e) other services ancillary to or relating to the foregoing
“SFO”	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	holders of the Shares

DEFINITIONS

“Shareholders’ Agreement”	the shareholders’ agreement dated 28 February 2011 and entered into between the Company, SinoCom BVI and DIR-BI in relation to the JV Company
“Shares”	ordinary shares of HK\$0.025 each in the share capital of the Company
“SinoCom BVI”	SinoCom Holdings (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability
“SinoCom Japan”	日本中訊株式會社 (SinoCom Japan Corporation), a company incorporated in Japan with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	subscription of the Subscription Shares by DIR-BI pursuant to the Subscription Agreement
“Subscription Agreement”	the share subscription agreement dated 28 February 2011 and entered into between DIR-BI and JV Company
“Subscription Shares”	4,000 new shares of JV Company to be subscribed by DIR-BI pursuant to the Subscription Agreement
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the same meaning ascribed thereto under the Listing Rules
“%”	per cent.

For the purposes of this circular, unless otherwise indicated, amounts denominated in JPY have been converted into HK\$ at the rate of JPY1,000: HK\$94.18.. This is for illustration purposes only and does not constitute a representation that any amounts in HK\$ or JPY have been, could have been, or may be converted, at these or such other rates.

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 Liang Neng
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:
Unit 1601
16/F Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

12 April 2011

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

On 21 March 2011, the Board announced that the Company and DIR-BI entered into the Master Service Agreement, pursuant to which the Company has conditionally agreed to, on request and subject to availability of resources, provide and procure members of the Group to provide the Services to members of the DIR-BI Group.

The purpose of this circular is to provide you with further details on the Master Service Agreement and the Continuing Connected Transactions, a letter from the Independent Board Committee containing its recommendation to the independent Shareholders and a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the independent Shareholders.

LETTER FROM THE BOARD

BACKGROUND

On 28 February 2011, the Board announced that, among others, DIR-BI and JV Company entered into the Subscription Agreement in respect of the subscription of new shares in JV Company by DIR-BI.

Pursuant to the Subscription Agreement, DIR-BI has conditionally agreed to subscribe for, and JV Company has conditionally agreed to allot and issue to DIR-BI, the Subscription Shares. Completion of the Subscription is conditional on the Subscription Agreement and the Shareholders' Agreement having been approved at the Extraordinary General Meeting. Upon completion of the Subscription, JV Company will be owned as to 60% by SinoCom BVI, a wholly-owned subsidiary of the Company, and as to 40% by DIR-BI, and DIR-BI will become a substantial shareholder of JV Company and hence a connected person of the Company under Chapter 14A of the Listing Rules. Any continuing transactions between DIR-BI or any of its associates and any member of the Group will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Members of the DIR-BI Group have been entrusting software development and other related activities to SinoCom Japan, a subsidiary of the Company, which in turn entrusted such activities to other members of the Group including SinoCom Jinan. It is expected that upon the completion of the Subscription, members of the Group, including members of the JV Group and SinoCom Japan, will provide or continue to provide the Services to members of the DIR-BI Group. As such, the Company and DIR-BI entered into the Master Service Agreement on 21 March 2011 to set out the principal terms for the provision of the Services.

THE MASTER SERVICE AGREEMENT

Date

21 March 2011

Parties

- (a) the Company
- (b) DIR-BI

Conditions Precedent

The Master Service Agreement will take effect upon: (a) the Company having complied with all applicable rules and regulations including, without limitation, the disclosure and independent shareholders' approval requirements under the Listing Rules in respect of the Master Service Agreement and the Continuing Connected Transactions; and (b) the completion of the Subscription.

Term

From the date on which the Master Service Agreement takes effect pursuant to its terms until 31 December 2013.

LETTER FROM THE BOARD

Provision of the Services

The Company conditionally agreed to, on request and subject to availability of resources, provide and procure members of the Group to provide the following services to members of the DIR-BI Group:

- (a) system engineering services;
- (b) programming services;
- (c) system consulting services;
- (d) operation services for computer utilization systems; and
- (e) other services ancillary to or relating to the foregoing.

Individual contract will be entered into between the relevant member of the Group and the DIR-BI Group, respectively, in respect of the Services to be provided setting out the specific terms and conditions and such contract will be subject to the terms of the Master Service Agreement and in the form and content acceptable to the Company and DIR-BI.

Pricing mechanism

The price of the Services will be determined by the relevant parties to each individual contract on an arm's length negotiation having regard to the quantity, specifications and/or other conditions of the Services to be provided on the basis of (a) the price at which the relevant member of the Group provides the same or similar service to independent third parties; (b) the price at which any independent third party in the relevant market provides the same or similar service to other independent third parties; or (c) the price determined with reference to industry standards or market practices of the market of the same or similar services.

Payment

The relevant member of the DIR-BI Group will, by the last day of the month following the month in which the Services are performed or such other day which the parties may separately agree in writing, pay the relevant member of the Group the price of the Services.

HISTORICAL TRANSACTION AMOUNTS

SinoCom Japan has been providing the Services to members of the DIR-BI Group. For the three years ended 31 December 2008, 2009 and 2010, the aggregate amount paid by members of the DIR-BI Group to SinoCom Japan for the provision of the Services are set out below:

	For the year ended 31 December 2008	For the year ended 31 December 2009	For the year ended 31 December 2010
Provision of the Services	JPY2,710 million (equivalent to approximately HK\$255 million)	JPY2,081 million (equivalent to approximately HK\$196 million)	JPY2,292 million (equivalent to approximately HK\$216 million)

For the three years ended 31 December 2008, 2009 and 2010, the price charged by SinoCom Japan to members of the DIR-BI Group for the provision of the Services was comparable to that offered by the

LETTER FROM THE BOARD

Group to independent third parties in respect of services similar to the Services. The Directors consider that the Services had been provided by SinoCom Japan to members of the DIR-BI Group during the three years ended 31 December 2008, 2009 and 2010 in the ordinary and usual course of business of the Group and on normal commercial terms which were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

ANNUAL CAPS

The Company proposes the following Annual Caps with respect to the provision of the Services to members of the DIR-BI Group for each of the three years ending 31 December 2011, 2012 and 2013:

	Annual Cap		
	For the year ending 31 December 2011	For the year ending 31 December 2012	For the year ending 31 December 2013
Provision of the Services	JPY2,600 million (equivalent to approximately HK\$245 million)	JPY3,100 million (equivalent to approximately HK\$292 million)	JPY3,900 million (equivalent to approximately HK\$367 million)

The Annual Caps have been determined with reference to (i) the historical income derived from the provision of the Services to members of the DIR-BI Group; (ii) the expected increase in orders from members of the DIR-BI Group as a result of the establishment of the joint venture between the Company and DIR-BI through the JV Company; and (iii) the historical prices of the Services offered to members of the DIR-BI Group.

On the basis of the above factors, the Directors are of the view that the Annual Caps are fair and reasonable.

INFORMATION ABOUT DIR-BI AND THE GROUP

The Group (including SinoCom Japan) is principally engaged in the provision of outsourcing software development services.

DIR-BI is a Japanese corporation which, together with other members of the DIR-BI Group, is principally engaged in the business of computer system consulting and integration.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

DIR-BI is a key client of the Group. Members of the DIR-BI Group have been entrusting SinoCom Japan with the provision of the Services. Members of the Group including members of the JV Group and SinoCom Japan are expected to provide or continue to provide the Services to members of the DIR-BI Group following the completion of the Subscription on a regular and continuing basis and in the ordinary and usual course of business of the Group.

The Directors, each of whom has confirmed that he has no material interest in the Continuing Connected Transactions, consider that the Continuing Connected Transactions will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms which will be fair and reasonable and in the interests of the Company and Shareholders as a whole.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

Based on the Annual Caps, one or more of the applicable Percentage Ratios for the Continuing Connected Transactions is expected to exceed 25%. Hence, the Continuing Connected Transactions are subject to the reporting, announcement, independent shareholders' approval and annual review requirements as prescribed under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Continuing Connected Transactions and the Annual Caps. The Company has obtained a written approval from China Way, the controlling Shareholder which was, as at the Latest Practicable Date, interested in 563,000,000 Shares, representing approximately 50.54% of the issued share capital of the Company, of the Continuing Connected Transactions and the Annual Caps in lieu of holding a general meeting of the Company. The Company has applied for, and the Stock Exchange has granted, a waiver from the requirement to hold a general meeting pursuant to Rule 14A.43 of the Listing Rules.

The Independent Board Committee has been established to advise the independent Shareholders in relation to the Continuing Connected Transactions and the Annual Caps. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the independent Shareholders in relation to the Continuing Connected Transactions and the Annual Caps.

RECOMMENDATIONS

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Master Service Agreement and the Continuing Connected Transactions and the Annual Caps are fair and reasonable so far as the independent Shareholders are concerned and the entering into of the Continuing Connected Transactions is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee would recommend the independent Shareholders to vote in favour of the resolution to approve the Master Service Agreement, the Continuing Connected Transactions and the Annual Caps if a general meeting of the Company were to be held for such purpose.

Your attention is drawn to (a) the letter from the Independent Board Committee set out in this circular which contains the opinion of the Independent Board Committee to the independent Shareholders regarding the Master Service Agreement, the Continuing Connected Transactions and the Annual Caps; and (a) the letter of advice from the Independent Financial Adviser set out in this circular which contains its recommendation to the Independent Board Committee and the independent Shareholders regarding the Master Service Agreement, the Continuing Connected Transactions and the Annual Caps and the principal factors considered by the Independent Financial Adviser in arriving at its recommendation.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix to this circular.

By Order of the Board
SinoCom Software Group Limited
Wang Zhiqiang
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

12 April 2011

To the independent Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders dated 12 April 2011 (the “Circular”), of which this letter forms part. Unless the context requires otherwise, capitalized terms defined in the Circular shall have the same meanings when used herein.

We have been appointed to form the Independent Board Committee and advise you in respect of the Master Service Agreement and the Continuing Connected Transactions and the Annual Caps. Somerley Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders in this regard. The text of the letter of advice from the Independent Financial Adviser containing its recommendation and the principal factors it has taken into account in arriving at its recommendation is set out on pages 10 to 14 of this circular.

Having considered the terms and conditions of the Master Service Agreement and the Continuing Connected Transactions and the Annual Caps, and the advice of the Independent Financial Adviser in relation thereto, we are of the opinion that the terms of the Master Service Agreement and the Continuing Connected Transactions and the Annual Caps are fair and reasonable so far as the independent Shareholders are concerned and the entering into of the Continuing Connected Transactions is in the interests of the Company and the Shareholders as a whole. We would therefore recommend you to vote in favour of the resolution to approve the Master Service Agreement, the Continuing Connected Transactions and the Annual Caps if a general meeting of the Company were to be held for such purpose.

Yours faithfully,

For and on behalf of

Independent Board Committee

Mr. Pang Chor Fu
*Independent non-executive
Director*

Professor Liang Neng
*Independent non-executive
Director*

Mr. Lee Kit Wah
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from Somerley Limited, the Independent Financial Adviser, to the Independent Board Committee and the independent Shareholders in respect of the Master Service Agreement, the Continuing Connected Transactions and the Annual Caps, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY LIMITED

10th Floor
The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

12 April 2011

*To: the Independent Board Committee and the independent Shareholders of
SinoCom Software Group Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the independent Shareholders in relation to the Master Service Agreement and the transactions contemplated thereunder. Details of the terms of the Master Service Agreement are set out in the letter from the Board contained in the circular (the “**Circular**”) of the Company to the Shareholders dated 12 April 2011, of which this letter forms part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As explained in the Circular, in the event that DIR-BI was to become a connected person of the Company, any future on-going transactions or arrangements between the Group and DIR-BI or any of its associates would constitute connected transactions for the Company for the purposes of the Listing Rules and would therefore have to be carried out in compliance with the Listing Rules.

As a result of the Subscription, DIR-BI will hold 40% interests in JV Company and will therefore become a substantial shareholder of a subsidiary of the Company for the purposes of the Listing Rules. DIR-BI and its associates will be regarded as connected persons of the Company and any future on-going transactions or arrangements between the Group and DIR-BI or any of its associates will be continuing connected transactions. In order to comply with the requirements of the Listing Rules, and to regulate their future business relationship, the Company and DIR-BI have entered into the Master Service Agreement to record the principles governing, and the principal terms of, such continuing connected transactions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Pang Chor Fu, Professor Liang Neng and Mr. Lee Kit Wah, has been established to make a recommendation to the independent Shareholders as to the Master Service Agreement and the transactions contemplated thereunder. We, Somerley Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders in the same regard.

We are not associated with the Company, DIR-BI, or their respective substantial shareholders or associates, and accordingly, are considered eligible to give independent advice on the Master Service Agreement and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, DIR-BI, or their substantial shareholders or associates.

In formulating our opinion and recommendation, we have reviewed, among other things, the Master Service Agreement, the annual reports (the “**Annual Report(s)**”) of the Company for the two years ended 31 December 2009, the annual results announcement of the Company for the year ended 31 December 2010 and the interim report (the “**Interim Report**”) of the Company for the six months ended 30 June 2010. We have also discussed with the Company regarding the business of the Group.

In addition, we have relied on the information and facts supplied, and the opinions expressed, by the Company and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and will remain true, accurate and complete up to the date of the Circular. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied by them and that their opinions expressed to us are not misleading in any material respect. We consider that the information we have received is sufficient for us to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been withheld, nor to doubt the truth or accuracy of the information provided to us. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Master Service Agreement and the transactions contemplated thereunder, we have taken into account the following principal factors and reasons:

1. Reasons for entering into the Master Service Agreement

The Group is principally engaged in the provision of outsourcing software development services. The DIR-BI Group is principally engaged in the business of computer system consulting and integration. As set out in the letter from the Board, members of the DIR-BI Group having been entrusting SinoCom Japan with the provision of the Services (i.e. system engineering services, programming services, system consulting services, operation services for computer utilization systems and other services ancillary to or relating to the foregoing), which are an integral part of the ordinary and usual course of business of the Group and have been conducted on normal commercial terms and on an arm’s length basis. It is expected that upon completion of the Subscription, members of the Group, including members of the JV Group and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

SinoCom Japan, will provide or continue to provide the Services to members of the DIR-BI Group. As DIR-BI will become a connected person of the Company, the Directors consider that the Master Service Agreement will allow the Company to continue to provide Services at market price to DIR-BI and its associates and to maintain an important existing relationship.

Based on the above, we consider that the entering into of the Master Service Agreement is in the ordinary and usual course of the business of the Company and is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Master Service Agreement

Pursuant to the Master Service Agreement, the Company has agreed to, on request and subject to availability of resources, provide and procure members of the Group to provide the Services to members of the DIR-BI Group.

The Master Service Agreement will take effect upon: (a) the Company having complied with all applicable rules and regulations including, without limitation, the disclosure and independent shareholders' approval requirements under the Listing Rules in respect of the Master Service Agreement and the Continuing Connected Transactions; and (b) the completion of the Subscription. It shall continue in force until 31 December 2013.

Individual contract shall be entered into between the relevant member of the Group and the DIR-BI Group in respect of the Services to be provided setting out the specific terms and conditions and such contract shall be subject to the terms of the Master Service Agreement and in the form and content acceptable to the Company and DIR-BI.

The contract price for the Services shall be determined by the relevant parties to each individual contract on an arm's length negotiation having regard to the quantity, specifications and/or other conditions of the Services to be provided on the basis of market price, which shall be (a) the price at which the relevant member of the Group provides the same or similar service to independent third parties; (b) the price at which any independent third party in the relevant market provides the same or similar service to other independent third parties; or (c) the price determined with reference to industry standards or market practices of the market of the same or similar services ("**Market Price**").

Based on the above and given (i) the pricing will be determined based on normal commercial terms, (ii) the independent non-executive Directors will, pursuant to Rule 14A.37 of the Listing Rules, review, amongst other things, whether the transactions contemplated under the Master Service Agreement are conducted on normal terms; and (iii) the auditors of the Company will for the purpose of Rule 14A.38 of the Listing Rules review, amongst other things, whether the transactions contemplated under the Master Service Agreement are conducted in accordance with the terms thereunder, we are of the view that (i) the terms under the Master Service Agreement are on normal commercial terms and are fairly and reasonably determined; and (ii) adequate measures have been put in place, as required under the Listing Rules mentioned above, to monitor the transactions contemplated under the Master Service Agreement in order to protect the interests of the Company and the independent Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Annual Caps

Set out below is a summary of the Annual Caps covering the period for three years ending 31 December 2013:

	For the year ending 31 December		
	2011	2012	2013
	JPY'million	JPY'million	JPY'million
Annual Caps	2,600	3,100	3,900
	(equivalent to approximately HK\$245 million)	(equivalent to approximately HK\$292 million)	(equivalent to approximately HK\$367 million)
Growth rate ("Projected Growth Rate")	+13%	+19%	+26%
	(Note)		

Note: The growth rate is calculated based on the proposed Annual Cap for the year ending 31 December 2011 as compared to the actual revenue derived from the provision of Services to DIR-BI and its associates for the year ended 31 December 2010.

As set out in the letter from the Board, the Annual Caps are determined with reference to (i) the historical income derived from the provision of services to members of the DIR-BI Group; (ii) an expected increase in orders from members of the DIR-BI Group as a result of the establishment of the joint venture between the Company and DIR-BI; and (iii) the historical prices of Services offered to the DIR-BI Group.

In assessing the fairness and reasonableness of the Annual Caps, we have reviewed the followings:

a) Projected service income from DIR-BI and its associates

Revenue derived from the provision of Services by the Group to DIR-BI and its associates in the past three years are set out as follows:

	For the year ended 31 December		
	2008	2009	2010
	JPY'million	JPY'million	JPY'million
Provision of Services to DIR-BI and its associates by the Group	2,710	2,081	2,292
	(equivalent to approximately HK\$255 million)	(equivalent to approximately HK\$196 million)	(equivalent to approximately HK\$216 million)

As stated in the letter from the Board, for the three years ended 31 December 2008, 2009 and 2010, the price charged by SinoCom Japan to members of the DIR-BI Group for the provision of Services was comparable to that offered by the Group to independent third parties in respect of services similar to the Services. Revenue derived from the provision of Services to DIR-BI and its associates dropped 23% on year-on-year basis for the year ended 31 December 2009 and rose 10% ("Historical growth rate") for the year ended 31 December 2010. As stated in the 2009 Annual Report, the Group's business was inevitably impacted by the financial tsunami, which can explain the significant drop in service income from the DIR-BI and its associates during the period. As

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

shown in the above table, service income from the DIR-BI Group resumed its uptrend in 2010 but yet to reach the 2008 level. In order to foster the relationship with DIR-BI, the Company entered into the Subscription Agreement and the Shareholders' Agreement with DIR-BI whereupon JV Company will be owned as to 60% by SinoCom BVI and 40% by DIR-BI. It is intended that DIR-BI may entrust future software development and other related activities to members of the JV Group after completion of the Subscription. As advised by the management of the Group, the difference between the Historical Growth Rate and the Projected Growth Rates is mainly attributable to (i) the gradual shift of orders by DIR-BI and its associates from other PRC service providers to the JV Group after its formation; (ii) the increase in market competitiveness following the JV Group's staff skill-set is enhanced by sharing of know-how, project management skills and quality assurance control possessed by DIR-BI and training provided by the DIR-BI Group; and (iii) the anticipated increase in demand for the Services resulting from the possible large-scale software development in the Japan insurance sector in 2012 or 2013.

We consider it reasonable to take into account the historical service income from the DIR-BI Group and the projected orders as advised by DIR-BI in assessing the fairness and reasonableness of the Annual Caps.

b) Unit price of Services

The unit prices of Services are determined based on the Market Price. In the projection as to the provision of Services by members of the Group to members of the DIR-BI Group, they are based on the historical prices and assumed to be unchanged for the three years ending 31 December 2013. Based on our review of the unit price of Services, we note that the estimation of unit price is generally in line with the prevailing market price in the past transactions between the Group and independent third parties.

Having considered the basis on which the Annual Caps were determined as described above, we are of the view that the Annual Caps are fair and reasonable as far as the independent Shareholders are concerned.

OPINION AND RECOMMENDATION

Based on the above principal factors and reasons, we consider the entering into of the Master Service Agreement and the Continuing Connected Transactions is in the ordinary and usual course of business of the Company and in the interests of the Company and the independent Shareholders as a whole. We also consider the terms of the Master Service Agreement, the Continuing Connected Transactions and the relevant annual caps are on normal commercial terms and fair and reasonable as far as the independent Shareholders are concerned. Accordingly, we recommend the independent Board Committee to recommend, and we ourselves recommend, the independent Shareholders, to vote in favor of the ordinary resolution to approve the Master Service Agreement, the Continuing Connected Transactions and the Annual Caps if a general meeting of the Company were to be held for such purpose.

Yours faithfully
For and on behalf of
SOMERLEY LIMITED
Jenny Leung
Director – Corporate Finance

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

(a) Interests in the Company and associated corporations of the Company

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

(i) Interests in the Company

Name of Director	Capacity/Nature of interest	No. of Shares (Note 3)	Note	Approximate percentage of shareholding
Mr. Wang Xubing	Interest of a controlled corporation	563,000,000 (L)	1	50.54%
Mr. Wang Zhiqiang	Interest of a controlled corporation	563,000,000 (L)	2	50.54%
Dr. Shi Chongming	Beneficial owner	4,043,200 (L)		0.36%
Mr. Siu Kwok Leung	Beneficial owner	4,280,000 (L)		0.38%

Notes:

- These Shares are beneficially owned by China Way International Limited ("China Way"). By virtue of his 51% shareholding interest in China Way, Mr Wang Xubing is deemed or taken to be interested in the 563,000,000 Shares owned by China Way for the purpose of the SFO.
- These Shares are beneficially owned by China Way. By virtue of his 49% shareholding interest in China Way, Mr Wang Zhiqiang is deemed or taken to be interested in the 563,000,000 Shares owned by China Way for the purpose of the SFO.
- The letter "L" denotes a long position in shares.

(ii) *Interests in associated corporations of the Company*

Name of associated corporation	Name of director	Capacity/ Nature of interest	No. of ordinary shares of US\$1.00 each (Note 2)	Percentage of shareholding
China Way	Mr. Wang Xubing (Note 1)	Beneficial owner	51 (L)	51%
China Way	Mr. Wang Zhiqiang (Note 1)	Beneficial owner	49 (L)	49%

Notes:

1. Mr. Wang Zhiqiang and Mr. Wang Xubing, each being a Director, are directors of China Way.
2. The letter "L" denotes a long position in shares.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code to be notified to the Company and the Stock Exchange.

(b) Other interests

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2010, being the date to which the latest published audited consolidated accounts of the Group were made up.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company or any of its subsidiaries which was not determinable by the Group within one year without payment of compensation, other than statutory compensation.

4. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

5. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinions or advice which is contained in this circular:

Name	Qualification
Somerley Limited	Licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

Somerley Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Somerley Limited was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Somerley Limited had no direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2010, being the date to which the latest published audited consolidated accounts of the Group were made up.

6. MATERIAL ADVERSE CHANGE

Upon completion of the Subscription, the Group will lose control over the JV Group as DIR-BI will have significant veto rights in certain of the key financial and operating matters of the JV Group. As such, the Group will account for its 60% equity interest in the JV Group using equity method of accounting.

Save as disclosed above, the Directors confirm that they are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010, being the date to which the latest published audited financial statements of the Group were made up, and up to and including the Latest Practicable Date.

7. MISCELLANEOUS

- (a) The qualified accountant and secretary of the Company is Mr. Siu Kwok Leung, an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.
- (b) The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies. The head office and principal place of business of the Company in Hong Kong is located at Unit 1601, 16/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.
- (c) The branch share registrar of the Company in Hong Kong is Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (public holidays excepted) at the head office of the Company at Unit 1601, 16/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including 26 April 2011:

- (i) the Master Service Agreement;
- (ii) the letter from Somerley Limited to the Independent Board Committee and the independent Shareholders dated 12 April 2011, the text of which is set out on pages 10 to 14 of this circular; and
- (iii) the letter of consent from Somerley Limited referred to in the paragraph headed "Qualification and consent of expert" in this appendix.