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SINOSOFT
TECHNOLOGY

SINOSOFT TECHNOLOGY GROUP LIMITED

中國擎天軟件科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1297)

CHANGE IN AUDITOR

The Board hereby announces that Deloitte has resigned as the auditor of the Group with effect from 17 February 2017.

Further, the Board has resolved to appoint Baker Tilly as the auditor of the Group with effect from 17 February 2017 to fill the casual vacancy following the resignation of Deloitte and to hold office until the conclusion of the next annual general meeting of the Company.

This announcement is made by Sinosoft Technology Group Limited (the “**Company**”) pursuant to Rule 13.51(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Reference is also made to the announcements of the Company dated 29 December 2016 and 3 January 2017 in relation to, among others, the allegations (the “**Allegations**”) made against the Group in the reports dated 28 December 2016 (the “**First Zhongkui Report**”) and 30 December 2016 (the “**Second Zhongkui Report**”, together with the First Zhongkui Report, the “**Zhongkui Reports**”) by ZhongKui Research.

RESIGNATION OF AUDITOR

The board of directors (the “**Board**”) of the Company (together with its subsidiaries, the “**Group**”) hereby announces that, on 21 February 2017, the Company received a resignation letter (the “**Resignation Letter**”) from Deloitte Touche Tohmatsu (“**Deloitte**”), pursuant to which Deloitte has resigned as the auditor of the Group with effect from 17 February 2017. As stated in the Resignation Letter, Deloitte has previously recommended that an independent investigation (including forensic procedures) be conducted into the allegations (the “**Allegations**”) made in the Zhongkui Reports. While the Company has informed Deloitte that the Company is satisfied that having an independent accounting firm perform certain agreed-upon procedures (the “**Agreed-upon Procedures**”) will provide sufficient evidence to address the Allegations, Deloitte is nonetheless of the view that the Agreed-upon Procedures has a narrower scope of work than an investigation. Accordingly, it takes the view that the Agreed-upon Procedures will not provide sufficient evidence to enable a conclusion to be reached on the Allegations for the purpose of its audit, and has resolved to tender its resignation as auditor of the Company.

Since the Company first became aware of the Allegations, the audit committee of the Company (the “**Audit Committee**”) has been in continuing discussion with Deloitte and other professional advisors to address the Allegations. In order to provide further support for the Company’s responses against the Allegations, the Audit Committee has engaged Baker Tilly Hong Kong Limited (“**Baker Tilly**”) to perform the Agreed-upon Procedures to specifically address the Allegations. The Audit Committee is of the view that the carrying out of the Agreed-upon Procedures would sufficiently address the Allegations as, among others:

- (a) the Allegations relate to subject matters that can be clearly identified, including (i) fabricated financial data that does not tie to the State Administration for Industry and Commerce filing records of the Group; (ii) overstatement of revenue and profits resulting in the need to inflate research and development expenses and procurement; and (iii) early recognition of sales. The truthfulness of the aforesaid Allegations can be verified or refuted by objective evidential information, such as inspection of specific transactions/records/details and random sampling of the supporting documents to perform exception testing, performing cut-off test and reasonableness test etc., which are not open to subjective interpretations; and
- (b) the Audit Committee has assessed the independence and the capabilities of Baker Tilly. Baker Tilly has proven record of experience, the team performing the Agreed-upon Procedures has adequate knowledge and capability to perform the required fieldwork and procedures to address the Allegations. No procedure under the Agreed-upon Procedures would be outside of Baker Tilly’s expertise and which Baker Tilly would not be able to present its views on.

Further, notwithstanding Deloitte's recommendation, the Audit Committee considers that an independent investigation in the form of a forensic audit to be unnecessary at this stage given that, among others:

- (i) under normal circumstances, forensic audit will only be conducted in cases where there are strong suspicions or evidence indicating that fraud was involved in the subject matter. In the present case, the Audit Committee is not aware, and has not been informed by Deloitte of its awareness of any evidence or strong suggestion of fraud relating to matters arising from the Allegations;
- (ii) a forensic investigation can be time consuming and potentially disruptive to the Company's normal business operations, and is not a proportionate and appropriate step to take at this stage; and
- (iii) the Audit Committee has discussed and agreed with Baker Tilly on the work scope of the Agreed-upon Procedures to specifically address each of the Allegations. For the basis set out in the earlier part of this announcement, the Audit Committee is thus of the view that the Agreed-upon Procedures are sufficient to address the Allegations.

The Company understands that Baker Tilley is in currently in the process of finalising its findings based on the Agreed-upon Procedures, and the Company will update shareholders and potential investors of the Company with any material development in this regard in due course.

Save for the matters stated in the Resignation Letter, Deloitte has confirmed that, there are no other matters that need to be brought to the attention of the shareholders of the Company. The Board and the Audit Committee confirm that, save for the foregoing, there is no disagreement between the Company and Deloitte, and are not aware of any matters in respect of the resignation of the auditor that need to be brought to the attention of the shareholders of the Company. The Board would also like to draw to the attention of the shareholders and potential investors of the Company that the operation of the Group remains as usual and its operations are not affected.

The Board would like to take this opportunity to express its sincere gratitude to Deloitte for their professional services rendered to the Company during the past years.

APPOINTMENT OF AUDITOR

The Board hereby further announces that, with the recommendation from the Audit Committee, the Board has resolved to appoint Baker Tilly as the auditor of the Group with effect from 17 February 2017 to fill the casual vacancy following the resignation of Deloitte and to hold office until the conclusion of the next annual general meeting of the Company.

Baker Tilly has confirmed to the Company that they will be able to complete their annual audit work for the year ended 31 December 2016 on or before 31 March 2017 and accordingly, the Board believes that the change of auditor will not have any impact on the annual audit of the Company for the financial year ended 31 December 2016.

By order of the Board
Sinosoft Technology Group Limited
Xin Yingmei
Chairlady

Hong Kong, 21 February 2017

As at the date of this announcement, the executive directors of the Company are Ms. Xin Yingmei and Mr. Yu Yifa, the non-executive Director of the Company is Mr. Hu Xiaoming, Simon, and the independent non-executive directors of the Company are Mr. Kang Choon Kiat, Mr. Kwauk Teh Ming, Walter and Mr. Zong Ping.