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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)

**CLARIFICATION ANNOUNCEMENT
IN RELATION TO THE SECOND ZHONGKUI REPORT**

The board of directors (the “**Board**”) of Sinosoft Technology Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) has noted that, subsequent to the Company’s clarification announcement dated 29 December 2016 (the “**Clarification Announcement**”), ZhongKui Research released a second report on the Company on 30 December 2016 (the “**Second ZhongKui Report**”).

The Second ZhongKui Report has made further allegations which again are groundless and contains various misrepresentations, malicious and false allegations and obvious factual errors of the Group. The Company wishes to clarify those new allegations in the Second ZhongKui Report and the allegation relating to the Group’s software procurement cost and research and development (“**R&D**”) cost in the ZhongKui Report and the Second ZhongKui Report as below.

Based on the Company’s understanding, ZhongKui Research is not an institution registered with the Securities and Futures Commission of Hong Kong and its website does not contain any information indicating the registration of the website with the Ministry of Industry and Information Technology of the PRC (中國工業和信息化部). The Company does not rule out the possibility that ZhongKui Research or a third party will use ZhongKui Research’s reports on the Company and the information obtained/to be obtained from the Company’s responses to such reports to benefit from an ongoing litigation between the Company’s subsidiary, Nanjing Skytech and a third party. As such, the Company has determined not to publicly disclose any detailed information (but to disclose them directly to the Stock Exchange) in order to avoid any impact of such disclosure on the said litigation.

Capitalised terms used herein shall have the same meanings as defined in the Clarification Announcement unless the context requires otherwise.

1. HISTORICAL FINANCIAL DATA

The allegation

The Second ZhongKui Report alleges that the revenue and profit of all subsidiaries of the Group appearing in the AIC record, especially those for financial years 2011 and 2012, when added up, are significantly less than the revenue and profit of the Group as stated in other publicly available documents of the Company including its Listing prospectus.

The Company's response

The Company will submit all the AIC filing information of the relevant subsidiaries of the Group for the period from 2006 to 2015 (the “**Relevant AIC Filing Information**”) to the Stock Exchange. The information contained in the Second ZhongKui Report is not consistent with the Relevant AIC Filing Information. As AIC filing information is not publicly available, the Company questions the source and authenticity of the AIC filing information contained in the Second ZhongKui Report.

During the Company's Listing process, the relevant professional parties involved in the Listing performed due diligence on the AIC filing information of the relevant subsidiaries of the Group for the financial reporting period for the Listing, which was between 2010 and 2012, and confirmed that such information was consistent with the financial information set out in the management accounts provided by the Group and for the preparation of the financial information in the Listing prospectus.

The Company's financial information is based on the statutory records maintained by the AIC, with adjustments and reclassifications recorded for the purpose of a fair presentation of the information in accordance with IFRS. The Company will submit detailed explanations on the adjustments to the Stock Exchange.

2. REVENUE FROM E-GOVERNMENT AND CARBON MANAGEMENT BUSINESSES

The allegation

The Second ZhongKui Report alleges that during a conference call held by the Company on 28 December 2016, the management of the Company claimed that projects won by the Company through public tendering channel accounted for 22% of the Company's e-government business revenue. However, the total value of contracts for publicly tendered projects earned by the Company in 2015 and the first half of 2016 tracked through public channels was only RMB10.59 million and RMB11.89 million, respectively, which implies that the Company's e-government revenue for 2015 and the first half of 2016 is only approximately RMB48.14 million and RMB54.05 million, respectively given that the e-government business of the Company earned through public tendering channel contributed to 22% of its total e-government revenue. These revenue numbers are significantly less than the Company's e-government business revenue as stated in its financial reports, which was approximately RMB183.3 million for 2015 and RMB103.5 million for the first half of 2016. The Second ZhongKui Report also alleges that during the said conference call, the management of the Company did not even bother to disclose the channel mix of the Company's carbon management business because the inflated figures for this business are too big.

The Company's response

The Company would like to clarify that, in 2015 and the first half of 2016, the aggregate value of e-government solutions and carbon management solutions contracts obtained by the Company through participation in public tenders amounted to RMB72.21 million and RMB29.74 million, respectively. Given that in 2015 and the first half of 2016, the Group's aggregate revenue from e-government solutions and carbon management solutions was approximately RMB269.9 million and RMB125.9 million, respectively, relevant business won by the Group through participation in public tenders accounted for approximately 27% and 24%, respectively, of the Group's revenue in 2015 and the first half of 2016.

As stated in the Clarification Announcement, in addition to participation in public tender, the Company secures e-governance business contracts through a number of other channels, including competing with others through negotiations, conducting one to one negotiations and participation in biddings for key projects that are opened to a limited number of market participants. In 2015 and the first half of 2016, the Group also derived revenue from contracts obtained through these channels whose aggregate numbers are consistent with those appearing in the Group's financial reports.

3. SOFTWARE PROCUREMENT COST AND R&D EXPENSES

The allegation

The ZhongKui Report and the Second ZhongKui Report allege that the Company has fabricated its software procurement cost and R&D cost and has capitalised a large amount of such costs in order to fill the cash flow gap caused by inflated revenue.

The Company's response

In 2015, the Company developed a total of 32 new products, details of which are set out in the table below.

Software Certificate Number (Note 1)	Product Name (Note 2)	Intellectual Property Right of	Registration Number	Certificate Issued Date
0920018	Qingtian Public Service Industry Cloud Platform Software [Abbreviation: Public Service Cloud Platform] V1.0	Nanjing Skytech	2015SR032940	15 February 2015
0920047	Qingtian Emancipists Resettlement & Assistant System for Judicial Administration [Abbreviation: Resettlement & Assistant System] V1.0	Nanjing Skytech	2015SR032969	15 February 2015
0920055	Qingtian Populace Dispute Online Resolution System for Judicial Administration [Abbreviation: Dispute Resolution System] V1.0	Nanjing Skytech	2015SR032977	15 February 2015
0954560	Qingtian Proposal Processing System [Abbreviation: Proposal Processing System] V1.0	Nanjing Skytech	2015SR067474	23 April 2015
0963548	Qingtian Lawyer Management System for Judicial Administration [Abbreviation: Lawyer Management System] V1.0	Nanjing Skytech	2015SR076462	7 May 2015
0976185	Qingtian Regional Ecological Civilization Management Cloud Platform [Abbreviation: Regional Ecological Management Cloud Platform] V1.0	Nanjing Skytech	2015SR089099	23 May 2015
1007005	Qingtian Regional Greenhouse Gas Emission Inventory System [Abbreviation: Regional Greenhouse Gas Emission Inventory System] V1.0	Nanjing Skytech	2015SR119919	30 June 2015
1043498	Qingtian Mobile Big data Analysis & Decision Support System V1.0	Nanjing Skytech	2015SR156412	13 August 2015
1043548	Qingtian Major Project Management Public Service Cloud platform V1.0	Nanjing Skytech	2015SR156462	13 August 2015
1043520	Qingtian Industrial Economic Monitoring Public Service Cloud Platform V1.0	Nanjing Skytech	2015SR156434	13 August 2015
1043553	Qingtian Service Enterprises Cluster Public Service Cloud Platform V1.0	Nanjing Skytech	2015SR156467	13 August 2015
1149996	Qingtian Disciplinary Inspection Integrated Management Platform V1.0	Nanjing Skytech	2015SR262910	16 December 2015
1150005	Qingtian Political, Legal and Security Monitoring Platform V1.0	Nanjing Skytech	2015SR262919	16 December 2015
1150311	Qingtian Judicial Administrative Affairs Management Platform V1.0	Nanjing Skytech	2015SR263225	16 December 2015
1150318	Qingtian Judicial Authentication Platform for Judicial Administration V1.0	Nanjing Skytech	2015SR263232	16 December 2015

Notes:

1. The English translation of the certificate numbers are for identification purpose only.
2. The English translation of the product names are for reference only.

Software Certificate		Intellectual	Registration	Certificate
Number (Note 1)	Product Name (Note 2)	Property Right of	Number	Issued Date
1150367	Qingtian 12348 Public Legal Service Platform V1.0	Nanjing Skytech	2015SR263281	16 December 2015
0895909	Qingtian Investigation of Duty Crime Information Application Platform [Abbreviation: Investigation of Duty Crime Information Application Platform] V1.0	Jiangsu Skyinformation	2015SR008827	15 January 2015
0932183	Qingtian Statistical Topics Database Software V1.0	Jiangsu Skyinformation	2015SR045097	13 March 2015
1043470	Greenhouse Gas Emission Statistics Database Software V1.0	Jiangsu Skyinformation	2015SR156384	13 August 2015
1100889	Energy Topics Database System V1.0	Jiangsu Skyinformation	2015SR213803	5 November 2015
1100930	Firm Requirements Artifact Repository V1.0	Jiangsu Skyinformation	2015SR213844	5 November 2015
1100990	Enterprises Carbon Audit System V1.0	Jiangsu Skyinformation	2015SR213904	5 November 2015
1102457	Qingtian Integrated Big Data Analyzing System V1.0	Jiangsu Skyinformation	2015SR215371	6 November 2015
1102533	Qingtian Big Data Processing System V1.0	Jiangsu Skyinformation	2015SR215447	6 November 2015
1117102	Qingtian Social Relationship Analysis Cloud Platform V1.0	Jiangsu Skyinformation	2015SR230016	23 November 2015
0952241	Qingtian Overseas Visitors Sales Tax Refund Information Management System V1.0	Nanjing Skytech, Nanjing Skytech Quan Shui Tong Information Technology Co., Limited (南京擎天全税通 信息科技有限公司) ("Quan Shui Tong")	2015SR065155	20 April 2015
0954611	Qingtian Intelligent Export Tax Rebate Assistant System for Manufacturing Enterprises V1.0	Nanjing Skytech, Quan Shui Tong	2015SR067525	23 April 2015
0983205	Qingtian Export Tax Refund (or Exemption) Certificates Management System V1.0	Nanjing Skytech, Quan Shui Tong	2015SR096119	2 June 2015
1024132	Tianshang Mobile Smart Data Acquisition Software (For Agencies) V1.0	Nanjing Skytech, Quan Shui Tong	2015SR137046	17 July 2015
1024133	Tianshang Mobile Smart Data Acquisition Software V1.0	Nanjing Skytech, Quan Shui Tong	2015SR137047	17 July 2015
1043496	Qingtian Value-added Tax Invoicing Assistant Software V1.0	Nanjing Skytech, Quan Shui Tong	2015SR156410	13 August 2015
1092594	Tianshang Zhijie Invoicing Management Software V1.0	Nanjing Skytech, Quan Shui Tong	2015SR205508	24 October 2015

The Group's R&D cost is divided into two parts, namely R&D staff's salaries and cost for procuring suitable software from third parties according to the characteristics of different products of the Company. As a company specialised in software development, the Company's investments in R&D and the amortisation of such investments are effected on an on-going basis, and the amount of the Company's R&D investments for a particular financial year does not correspond to the revenue for that year. The capitalised software procurement cost and R&D cost for a particular financial year does not necessarily result in revenue being generated in that year. It is therefore misleading to compare the capitalised software procurement cost and R&D cost for a particular financial year with the revenue of that year.

The Company has formulated transparent accounting policies for its intangible assets, which have been disclosed in the Company's annual reports. Intangible assets will only be recognised when all of the following has been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives.

The Board would like to emphasise that, the financial information of the Company contained in the Listing prospectus of the Company as well as the annual financial statements of the Company published since the Listing have been audited by an external independent auditor who has issued unqualified audit opinion in respect of all such financial information and annual financial statements.

Having made such enquiry with respect to the Company as is reasonable in the circumstances, the Company confirms that, save for matters as disclosed in this announcement, it is not aware of any other information which must be announced to avoid a false market in the Company's securities or of any inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance.

This announcement is made by the order of the Board, of which the directors of the Company individually and jointly accept responsibility for the accuracy of the information contained in this announcement.

As indicated in the ZhongKui Report, ZhongKui Research is a short seller and therefore stands to realize significant gains in the event that the price of the Shares decline. In view of this, shareholders and investors should exercise extreme caution in reading and using the information in the ZhongKui Report. As explained above, the ZhongKui Report contains factual errors, misleading statements and unfounded speculation which the Company believes are combined in the ZhongKui Report with a view to manipulating the price of the Shares and to undermining the Company's reputation. Shareholders and investors are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 3 January 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.