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SINO-i TECHNOLOGY LIMITED

中國數碼信息有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 250)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

INTERIM RESULTS

The board of directors (the “Board”) of Sino-i Technology Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021 together with the comparative figures for 2020 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	5(a)	445,208	414,831
Cost of sales and services provided		<u>(90,707)</u>	<u>(55,849)</u>
Gross profit		354,501	358,982
Other operating income	5(b)	64,547	73,699
Selling and marketing expenses		(329,775)	(261,470)
Administrative expenses		(35,550)	(28,790)
Other operating expenses		(80,683)	(84,272)
Finance costs		(3,719)	(2,682)
Share of results of associates		(1,791)	(628)
Impairment on interests in associates		—	(2,543)
(Loss)/Profit before income tax	6	<u>(32,470)</u>	52,296
Income tax expense	7	<u>(2,543)</u>	<u>(2,583)</u>
(Loss)/Profit for the period and attributable to owners of the Company		<u>(35,013)</u>	<u>49,713</u>
		<i>HK cent</i>	<i>HK cent</i>
(Loss)/Earnings per share for (loss)/profit attributable to the owners of the Company for the period	9		
— Basic		<u>(0.18)</u>	<u>0.25</u>
— Diluted		<u>(0.18)</u>	<u>0.25</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
(Loss)/Profit for the period	(35,013)	49,713
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of foreign operations	(820)	(1,670)
Exchange difference on translation of interests in associates	(21)	321
	(841)	(1,349)
Total comprehensive income for the period and attributable to owners of the Company	(35,854)	48,364

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		30 June 2021	31 December 2020
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		94,147	95,821
Financial assets at fair value through other comprehensive income		324	324
Interests in associates		25,569	22,961
Goodwill		80,156	79,515
Other intangible assets		84,548	75,248
Loans to immediate holding company		1,349,336	–
		1,634,080	273,869
Current assets			
Trade receivables	10	36,868	36,303
Deposits, prepayments and other receivables		289,581	198,092
Loans to immediate holding company		–	1,504,957
Cash and cash equivalents		416,039	265,080
		742,488	2,004,432
Current liabilities			
Trade payables	11	30,429	32,493
Other payables and accruals		49,591	88,698
Dividend payables		13,400	13,400
Contract liabilities		355,028	274,694
Provision for tax		176,945	173,922
Amount due to a director		532	532
Amount due to immediate holding company		20,097	16,683
Amounts due to associates		4,969	2,944
Bank borrowings, secured		120,062	37,200
Other employee benefits		27,598	24,383
Lease liabilities		25,657	23,983
		824,308	688,932
Net current (liabilities)/assets		(81,820)	1,315,500
Total assets less current liabilities		1,552,260	1,589,369

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 30 June 2021*

		30 June 2021	31 December 2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
ASSETS AND LIABILITIES			
Non-current liabilities			
Other employee benefits		2,984	5,771
Lease liabilities		25,155	24,238
Deferred tax liabilities		2,319	2,771
		<u>30,458</u>	<u>32,780</u>
Net assets		<u>1,521,802</u>	<u>1,556,589</u>
EQUITY			
Share capital	<i>12</i>	240,597	240,597
Reserves		1,281,205	1,315,992
Total equity		<u>1,521,802</u>	<u>1,556,589</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL INFORMATION

The Company is a limited liability company incorporated and domiciled in Hong Kong. The address of its registered office and its principal place of business is located at 12/F., The Octagon, No. 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The Group is principally engaged in the provision of enterprise cloud services.

The immediate holding company of the Company is Nan Hai Corporation Limited ("Nan Hai"), a company incorporated and domiciled in Bermuda and its shares are listed on the Main Board of the Hong Kong Stock Exchange. The directors of the Company consider the ultimate holding company of the Company is Dadi Holdings Limited, a limited liability company incorporated in Hong Kong.

These condensed consolidated interim financial statements are presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

These condensed consolidated interim financial statements are unaudited, but have been reviewed by the audit committee of the Company and approved and authorised for issue by the Board on 26 August 2021.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34, Interim Financial Reporting ("HKAS 34"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2020 annual consolidated financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2021 as disclosed in note 3.

The preparation of these condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual consolidated financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and should be read in conjunction with the 2020 annual consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2021

2. BASIS OF PREPARATION (Continued)

The financial information relating to the year ended 31 December 2020 that is included in the condensed consolidated interim financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) (the "Companies Ordinance") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

These condensed consolidated interim financial statements have been prepared on the going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that the Group had net current liabilities of approximately HK\$81,820,000 as at 30 June 2021. The Board is of the opinion that the Group will have sufficient resource to satisfy its working capital and other financing requirement in the foreseeable future on the basis that the Board foresees that the Group is able to generate positive cash flows from operation for the next twelve months.

In the view of the above, the Board is of the opinion that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, these condensed consolidated interim financial statements have been prepared on a going concern basis.

3. CHANGES IN HKFRSs

The HKICPA has issued a number of amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKAS 39, HKFRS 4, HKFRS 7, Interest Rate Benchmark Reform — Phase 2
HKFRS 9 and HKFRS 16

In addition, the Group has elected to early adopt the Amendment to HKFRS 16 Leases on Covid-19-Related Rent Concessions beyond 30 June 2021 on 1 January 2021. This amendment provides lessees with practical relief during the COVID-19 pandemic and are effective for annual reporting periods beginning on or after 1 June 2021.

The application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2021

4. SEGMENT INFORMATION

The Board has identified the enterprise cloud services as the only business component in internal reporting for their decisions about resources allocation and performance review.

	For the six months ended 30 June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Reportable segment revenue	<u>445,208</u>	<u>414,831</u>
Reportable segment loss before income tax	(75,863)	(1,514)
Bank interest income	51	9
Other interest income on financial assets measured at amortised cost	53,566	53,787
Exchange (loss)/gain, net	(2,993)	7,129
Depreciation and amortisation	(14)	(81)
Depreciation of right-of-use assets	–	(1,015)
Finance costs	–	(27)
Unallocated corporate expenses	<u>(7,217)</u>	<u>(5,992)</u>
(Loss)/Profit before income tax	<u>(32,470)</u>	<u>52,296</u>

For the six months ended 30 June 2021, approximately HK\$13,692,000 (six months ended 30 June 2020: HK\$15,572,000) was recognised by point in the time and approximately HK\$431,516,000 (six months ended 30 June 2020: HK\$399,259,000) was recognised by over time respectively.

	30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
Reportable segment assets	<u>995,407</u>	<u>728,126</u>
Reportable segment liabilities	<u>(628,867)</u>	<u>(502,257)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2021

5. REVENUE AND OTHER OPERATING INCOME

(a) The Group's revenue represents revenue from enterprise cloud services.

(b) Other operating income:

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	213	125
Other interest income on financial assets measured at amortised cost	53,566	53,787
Government grants	2,814	1,027
Refund of value-added tax	7,693	11,542
Exchange gain	–	7,124
Sundry income	261	94
	<u>64,547</u>	<u>73,699</u>

6. (LOSS)/PROFIT BEFORE INCOME TAX

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
The Group's (loss)/profit before income tax is arrived at after charging/(crediting):		
Amortisation of intangible assets other than goodwill*	12,559	12,392
Covid-19-Related rent concessions	–	(10)
Depreciation of property, plant and equipment		
— owned assets*	6,679	6,505
— right-of-use assets*	18,421	18,818
	<u>18,421</u>	<u>18,818</u>

* included in other operating expenses

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2021

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax charge for the period		
— The People's Republic of China (the "PRC")		
Enterprise Income Tax ("EIT")	3,023	3,023
Deferred tax	(480)	(440)
	<hr/>	<hr/>
Income tax expense	<u>2,543</u>	<u>2,583</u>

There is no estimated assessable profit subject to Hong Kong profits tax for the six months ended 30 June 2021 and 2020.

For the six months ended 30 June 2021 and 2020, PRC EIT has been provided on the estimated assessable profits of subsidiaries operating in Mainland China at 25%, unless preferential rates are applicable in the cities where the subsidiaries are located.

8. DIVIDEND

No dividend was paid and declared by the Company during the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share for the six months ended 30 June 2021 is based on the loss attributable to the owners of the Company of approximately HK\$35,013,000 (six months ended 30 June 2020: profit of HK\$49,713,000) and on the weighted average number of approximately 19,914,505,000 ordinary shares in issue during the period after deducting the number of shares held by a custodian under the restricted share award scheme.

For the six months ended 30 June 2021, the computation of diluted loss per share does not assume the deemed vesting of share award as they would decrease the loss per share attributable to the owners of the Company and have anti-dilutive effect.

For the six months ended 30 June 2020, diluted earnings per share is equal to the basic earnings per share as the performance-based targets of the share awards does not meet as at period end date.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2021

10. TRADE RECEIVABLES

Trade receivables are due on presentation of invoices. Based on the invoice dates, the ageing analysis of the trade receivables is as follows:

	30 June 2021	31 December 2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0–90 days	13,883	12,825
91–180 days	1,910	9,589
181–270 days	8,395	6,133
271–360 days	4,583	4,627
Over 360 days	21,961	16,853
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Trade receivables, gross	50,732	50,027
Less: Provision for impairment of trade receivables	(13,864)	(13,724)
	<hr/>	<hr/>
Trade receivables, net	36,868	36,303
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11. TRADE PAYABLES

Based on the invoice dates, the ageing analysis of the trade payables is as follows:

	30 June 2021	31 December 2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0–90 days	11,974	17,184
91–180 days	7,249	4,134
181–270 days	1,465	1,187
271–360 days	1,308	950
Over 360 days	8,433	9,038
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	30,429	32,493
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12. SHARE CAPITAL

	30 June 2021		31 December 2020	
	(Unaudited)		(Audited)	
	<i>No. of shares</i>	<i>HK\$'000</i>	<i>No. of shares</i>	<i>HK\$'000</i>
Issued and fully paid:				
Ordinary shares				
At beginning and end of the period/year	21,720,504,877	240,597	21,720,504,877	240,597
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2021

13. EVENT AFTER REPORTING DATE

On 22 December 2020, the Company entered into an agreement with Nan Hai, pursuant to which the Company has conditionally agreed to purchase (or procure the purchase) and Nan Hai has conditionally agreed to sell (or procure the sale) 100% equity interest in 數碼辰星科技發展(北京)有限公司 (Digicine Oristar Technology Development (Beijing) Company Limited*, (“Oristar”)) at the consideration of RMB488 million. The core business of Oristar is to provide complete digital solutions for cinemas, supporting cinema business operations and cinema operation decision-making support. The acquisition was completed on 26 July 2021. At the completion of the acquisition (“Completion”), the Company paid a total of RMB488 million as the consideration of acquisition, of which RMB448 million was paid in cash and RMB40 million (equivalent to HK\$48,024,000) was applied to set off the loan in the principal amount advanced by the Company to Nan Hai pursuant to a loan agreement dated 29 May 2009 which was amended and supplemented by agreements dated 20 May 2011, 31 October 2012, 9 May 2013, 30 April 2015, 2 May 2017, 21 March 2019, 31 May 2019 and 7 April 2021 (the “Loan”). The entire amount of RMB165,615,997.60 (equivalent to approximately HK\$198,839,000) owed by Oristar and its subsidiary (“Oristar Group”) to Nan Hai and its subsidiaries (excluding Oristar Group and the Group) at Completion was also applied to set off against the Loan. Upon Completion, Oristar Group became the subsidiaries of the Company. Details of the transaction has been set out in the Company’s announcements and circular dated 22 December 2020, 24 February 2021, 11 May 2021, 4 June 2021, 28 June 2021, 20 July 2021 and 26 July 2021 respectively.

Because the above acquisition was effected shortly before the date of approval of these condensed consolidated interim financial statements, it is not practicable to disclose further details about the acquisition at the completion date as required under HKFRS 3. The nature and financial effect of the acquisition of Oristar have been set out in the circular of the Company dated 28 June 2021.

* *English name for identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

By virtue of the comprehensive digital marketing, total solutions for digital business and cloud computing infrastructure services offered for corporate clients in China, the Group has assisted the clients to continue the development of digitalization and smart operation with our leading professional capability in the industry. The Group has not only provided standardized enterprise service tools to clients through Software as a Service (“SaaS”) services, but also established flexible and scalable product capabilities for the specific needs of enterprises, and collaborated with excellent strategic partners in the industry to establish a service ecosystem covering the entire industry chain. Having made unremitting efforts over time, we possess a multi-dimensional business system involving all industries and all channels. We have also established a nationwide localized service network, so as to effectively address the problems of “the last kilometer” from SaaS software to corporate clients.

With the rapid development of mobile internet and social media, the enterprises’ demand for multi-end and responsive promotion of portal products is increasing. In addition to the existing portal products, 中企動力科技股份有限公司 (CE Dongli Technology Company Limited, “CE Dongli”) under the Group has launched “global portal” covering domestic and foreign trade to support our clients to flexibly commence its online business and complete digitalization transformation with lower cost. The new product has met the demands of different clients for portal products in respect of multi-end content display, search engine marketing and social media marketing, as well as domestic and international market promotion. In recent years, the e-commerce area has shown a diversified development trend. Affected by the COVID-19 epidemic (the “Epidemic”), social e-commerce, community e-commerce and new retail have become the most pressing demands of enterprises. Under our OMO (Online Merge Offline) business model, CE Dongli has further invested in the digital commerce business, providing its clients with integrated e-commerce solutions featuring online and offline sales channels for clients to better meet the operation needs of multiple scenarios and channels in the digital era. Coupled with the underlying cloud computing technology support services of 北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited, “Xinnet”), CE Dongli helped its clients to achieve better business growth.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review (Continued)

During the reporting period, with key subsidiaries CE Dongli and Xinnet as its main business entities, efforts were continuously made in the development of cloud services for corporate digitalization and smart operation by providing comprehensive Infrastructure as a Service (“IaaS”), SaaS application, corporate e-commerce services, “corporate digitalization transformation” total solutions and big database business intelligence cloud service to China market. During the reporting period, revenue of the Group was approximately HK\$445.2 million (six months ended 30 June 2020: HK\$414.8 million), and loss for the period was approximately HK\$35.0 million (six months ended 30 June 2020: profit of approximately HK\$49.7 million). The loss for the six months ended 30 June 2021 is mainly due to: (1) the Group has further increased its investment in digital commerce business under the OMO strategy. The Group has not only continued to make investment in research and development, it has, in order to satisfy the operational needs of the customers, also set up a new professional localized customer success team to provide integrated e-commerce service solutions for the customers which enable the customers to create online and offline sales channels successfully and achieve digital transformation, the aforesaid has resulted in an increase in the related expenses; and (2) although the new digital commerce business and digital marketing promotion business has brought significant cash inflow during the period, the revenue recognised in accordance with satisfaction of performance obligation did not reflect the growth of the business for the current reporting period simultaneously.

CE Dongli

With 21 years’ service experience, CE Dongli has successfully developed a SaaS product system that meets the demand for management digitalization for enterprises in China. It has established a market for corporate services in which top players of various industries were involved as cooperative partners, and established an extensive network for business and localized services, providing enterprises in China with corporate digitalization and operation solutions.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review (Continued)

CE Dongli (Continued)

During the reporting period, the digital marketing products of CE Dongli, including high-end customized products, global portal and self-service website building products, formed a complete product spectrum for large and medium-sized customers to small and micro customers in order to meet the different needs of customers of various scales. In the digital commerce area, CE Dongli has served thousands of corporate clients by providing SaaS services through its major products such as B2B e-commerce portals, B2C mobile malls and online malls. During the reporting period, CE Dongli continued to commit to research and development of digital commerce products and established a B2C e-commerce system to support major transactions and marketing scenarios in a relatively short period of time. Based on the preliminary results achieved from the e-commerce ecosystem, CE Dongli has integrated marketing, supply chain, distribution and payment, and helped its customers to achieve the comprehensive integration of the information flow, capital flow and logistics of e-commerce business. CE Dongli has also connected its e-commerce products to mainstream social media platforms in the industry, so as to support its customers in establishing flexible and diverse access channels. During the reporting period, the digital commerce business has not only established an operation team to strive for success for its customers, but also helped its customers to set up a one-stop fully managed operation service system and helped its traditional customers to rapidly establish integrated online and offline sales channels. Meanwhile, CE Dongli has strengthened the live streaming and distribution functions in line with the e-commerce development. CE Dongli's "Ten Thousand Shops (萬店奔流)" services has become a benchmark for localization services in the industry by helping customers to consolidate their marketing and promotion capabilities and online and offline OMO capabilities.

In respect of the development of new products, CE Dongli has gradually formed a Platform as a Service ("PaaS") platform supported by the supporting structure of business to meet different business needs of the customers in an efficient and effective manner. Such platform managed to promptly come up with flexible and feasible products and industry solutions according to the needs of different industries and customers of different stages, thereby significantly improving the delivery efficiency of products. Supported by such strong supporting structure, the cloud ecosystem of CE Dongli has been developing rapidly. As a preferred platform for enterprise service partners, the cloud market of CE Dongli has integrated various upstream and downstream high-quality service partners and provided our customers with convenient one-stop digital transformation services.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review (Continued)

Xinnet

During the reporting period, Xinnet continued to serve domestic medium, small and micro enterprises through online, direct sales and a nationwide agent channel system. Apart from business such as domain name management, mailbox and normal online services offered to our members and agents, the domain name business of various key customers, including Tencent, JD, Huawei and Sina, has been gradually introduced and integrated into Xinnet as wholesales business. In addition to business such as domain name management, public cloud IaaS and mailbox, it offered website building products and Search Engine Optimization (“SEO”) products for its users, expanding the application service scope of Xinnet. It has also continued to expand the enterprise market in the area of corporate application services. By enriching the product lines in respect of public cloud products and adding new products including Redis, RabbitMQ, cloud backup and big data, it has met the needs of users for PaaS products.

Prospects

In recent years, enterprises in China have been undergoing a process of digital transformation, and the Epidemic will accelerate this process significantly. We believe that as a result of the Epidemic, there will be continuous and significant changes in the lifestyle and consumption habits of consumers. The variety and frequency of online shopping will increase significantly. Orders from stores in the community can be placed online with the option of pick-up at the store and home delivery, thereby expanding its service range and consumer groups. With the smart mobile devices becoming increasingly popular, online shopping will no longer be the privilege of the younger generation, and more elderly will join online shopping. As such, enterprises and retail stores will pay more attention to digital operation capabilities such as online display, online promotion, online transactions and customer relationship maintenance. Enterprises will have increasing needs of portal products that are more convenient, smart, multi-channel and multi-scenario. Therefore, we will continue to improve our products including self-service website building, full network responsive portal and foreign trade portal, and provide our clients with more timely and efficient services.

Faced with the diversified consumption needs and online consumption habits of consumers, traditional retail enterprises are eager to transfer the existing loyal customers from offline to online, and to form an integrated online and offline business model. We noticed that in the process of online digital transformation of traditional retail enterprises, they faced practical difficulties such as professional incompetence, limited capital investment and lack of operating experience. We will strive to develop and strengthen our localized service capability in order to provide clients with faster, more professional and comprehensive operation services. We are aware that perfect SaaS products and efficient services require the support of new Internet technologies and platforms. Going forward, with an in-depth understanding of the business needs of clients in various industries, the Group will assist in the digital transformation for clients in traditional industries based on cloud computing, the supporting structure of business and SaaS tools, as well as better prepare for the challenges in the digital

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Prospects (Continued)

era and respond to the changes in consumer demands. Furthermore, the Group will increase its investment in data center, cloud computing technology, automatic operation and maintenance technology, big data technology as well as smart marketing technology, generally enhancing its core competence of technology to further develop and optimize its products and services for enterprises' digital intelligent business.

On 22 December 2020, Nan Hai and the Company entered into the sale and purchase agreement, pursuant to which the Company has conditionally agreed to purchase (or procure the purchase) and Nan Hai has conditionally agreed to sell (or procure the sale) to the Company the entire equity interest of Oristar, for the consideration of RMB488 million. Such transaction was completed on 26 July 2021. Upon Completion, the financial performance and financial position of Oristar Group will be consolidated into the consolidated financial statements of the Group. For details, reference shall be made to the joint announcements of the Company and Nan Hai dated 22 December 2020, 4 June 2021 and 26 July 2021, announcements of the Company dated 24 February 2021, 11 May 2021 and 20 July 2021, and circular of the Company dated 28 June 2021.

Financial Resources and Liquidity

The Group continued to adopt prudent funding and treasury policies. As at 30 June 2021, net assets attributable to the owners of the Company amounted to approximately HK\$1,521.8 million (31 December 2020: HK\$1,556.6 million), including cash and cash equivalents of approximately HK\$416.0 million (31 December 2020: HK\$265.1 million) which were mainly denominated in Renminbi, US dollars and Hong Kong dollars. As at 30 June 2021, the Group had bank borrowings bearing interest at fixed rate in aggregate amount of approximately HK\$120.1 million (31 December 2020: HK\$37.2 million). The Group has not taken any interest rate hedge currently.

As at 30 June 2021, the Group's gearing ratio is calculated as net debt divided by the total equity plus net debt. The Group recorded net cash position as at 30 June 2021, gearing ratio is therefore not applicable (31 December 2020: not applicable).

As at 30 June 2021, other than the acquisition of Oristar disclosed in note 13 to the financial statements "Event after reporting date", the Group had no capital commitment (31 December 2020: the acquisition of Oristar).

As at 30 June 2021, the Group's contingent liabilities were approximately HK\$22.1 million in connection with the guarantees given to secure credit facilities granted to an associate (31 December 2020: HK\$21.7 million).

As at 30 June 2021, certain interests in property, plant and equipment amounting to approximately HK\$13.5 million were pledged to secure the bank borrowings (31 December 2020: HK\$13.6 million).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Exposure to Fluctuation in Exchange Rates

The majority of the Group's borrowings and transactions were primarily denominated in Renminbi. Both the operating expenses and revenue were primarily denominated in Renminbi. The Renminbi exchange rate is expected to fluctuate due to uncertainties in global economic development. The Group's assets, liabilities and results may be affected by the Renminbi exchange rates. During the reporting period, fluctuation in Renminbi exchange rates affected the assets and liabilities translation from Renminbi to Hong Kong dollars in financial reporting of the Group, and the Group will keep on monitoring the fluctuation in exchange rates between Renminbi and Hong Kong dollars. The Group proactively seeks control measures to minimize the impact arising from risks and uncertainties as far as practicable, and considers using foreign exchange hedging instruments (if appropriate) from time to time, to minimize the risk exposure arising from changes in Renminbi exchange rates. During the reporting period, the Group did not use any foreign exchange hedging instruments.

Employee and Remuneration Policy

The Group employs and remunerates its employees based on their qualifications, experience and performance. In addition to basic salary payments, other benefits include housing, contributions to mandatory provident fund, group medical insurance, group personal accident insurance and examination leave, etc. Employees are eligible to be granted share options or restricted shares (as the case may be) under the Company's share option scheme or restricted share award scheme at the discretion of the Board. In general, salary review is conducted annually. As at 30 June 2021, the Group had approximately 5,531 employees (30 June 2020: 5,253 employees). The total salaries of and allowances for employees for the six months ended 30 June 2021 were approximately HK\$359.4 million (six months ended 30 June 2020: HK\$283.6 million).

The Group focuses on providing skill and quality training for various levels of staff, and provides on-the-job capability training to its staff; in respect of staff quality, corresponding training on personal work attitude and work habits is also provided.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the six months ended 30 June 2021.

EVENTS AFTER REPORTING DATE

Save as disclosed in note 13 to the financial statements and mentioned elsewhere in this announcement, there was no other significant event after the reporting period up to the date of this announcement.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2021, except for the deviation stated below:

Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. The chairman of the Board was unable to travel to Hong Kong to attend the annual general meeting of the Company held on 27 May 2021 due to the Epidemic.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code as set out in Appendix 10 to the Listing Rules throughout the six months ended 30 June 2021.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) comprises all the independent non-executive directors of the Company, namely Mr. Fung Wing Lap, Mr. Xiao Sui Ning and Mr. Ho Yeung Nang. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, the unaudited interim results for the six months ended 30 June 2021, and discussed the financial control, internal control and risk management systems.

PUBLICATION OF THE INTERIM RESULTS AND REPORT

This results announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.sino-i.com). The 2021 interim report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Hong Kong Stock Exchange and the Company in due course.

By Order of the Board
Sino-i Technology Limited
Liu Rong
Chairlady

Hong Kong, 26 August 2021

As at the date of this announcement, the directors of the Company are as follows:

Executive Directors:

Ms. Liu Rong
Mr. Yu Pun Hoi
Mr. Chen Ming Fei

Non-executive Directors:

Mr. Lam Bing Kwan
Mr. Cheng Chih-Hung

Independent non-executive Directors:

Mr. Fung Wing Lap
Mr. Xiao Sui Ning
Mr. Ho Yeung Nang