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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 ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

RESULTS

The board of directors (the “Board”) of Sino-i Technology Limited (the “Company”) hereby announces the unaudited annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021 derived from the unaudited consolidated management accounts of the Company, together with the comparative audited figures for the year ended 31 December 2020.

For the reasons explained in the paragraph headed “Review of Unaudited Annual Results” in this announcement, the auditing process of the annual results of the Group for the year ended 31 December 2021 has not been completed and the Company is unable to publish an annual results announcement that has been agreed with the Company’s auditor by 31 March 2022 in accordance with Rule 13.49 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

	<i>Notes</i>	2021 HK\$'000 (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Revenue	4(a)	1,016,061	972,139
Cost of sales and services provided		(193,145)	(153,988)
Gross profit		822,916	818,151
Other operating income	4(b)	127,073	135,024
Selling and marketing expenses		(715,690)	(526,526)
Administrative expenses		(75,808)	(67,775)
Other operating expenses		(247,657)	(225,807)
Expected credit loss on financial assets		(4,820)	(8,693)
Finance costs	6	(8,654)	(5,575)
Share of results of associates		(3,133)	(599)
Impairment on interests in associates		–	(2,598)
(Loss)/Profit before income tax	7	(105,773)	115,602
Income tax expense	8	(2,187)	(4,588)
(Loss)/Profit for the year and attributable to owners of the Company		(107,960)	111,014
		<i>HK Cent</i>	<i>HK Cent</i>
(Loss)/Earnings per share attributable to owners of the Company for the year	<i>10</i>		
— Basic		(0.54)	0.56
— Diluted		(0.54)	0.56

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 HK\$'000 (Unaudited)	2020 <i>HK\$'000</i> (Audited)
(Loss)/Profit for the year	(107,960)	111,014
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	5,759	3,541
Exchange differences on translation of interests in associates	420	789
	6,179	4,330
Total comprehensive income for the year and attributable to owners of the Company	(101,781)	115,344

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		95,573	95,821
Financial assets at fair value through other comprehensive income		324	324
Interests in associates		23,806	22,961
Goodwill		410,928	79,515
Other intangible assets		545,001	75,248
Loans to immediate holding company		<u>1,146,841</u>	<u>–</u>
		<u>2,222,473</u>	<u>273,869</u>
Current assets			
Trade receivables	<i>11</i>	56,168	36,303
Deposits, prepayments and other receivables		114,144	198,092
Amount due from immediate holding company		13,866	–
Loans to immediate holding company		–	1,504,957
Cash and cash equivalents		<u>92,698</u>	<u>265,080</u>
		<u>276,876</u>	<u>2,004,432</u>
Current liabilities			
Trade payables	<i>12</i>	37,084	32,493
Other payables and accruals		135,949	88,698
Dividend payables		13,400	13,400
Contract liabilities		428,242	274,694
Provision for tax		180,020	173,922
Amount due to a director		532	532
Amount due to immediate holding company		–	16,683
Amounts due to associates		4,281	2,944
Amounts due to related companies		2,522	–
Bank borrowings, secured		122,399	37,200
Other employee benefits		8,032	24,383
Lease liabilities		<u>22,824</u>	<u>23,983</u>
		<u>955,285</u>	<u>688,932</u>
Net current (liabilities)/assets		<u>(678,409)</u>	<u>1,315,500</u>
Total assets less current liabilities		<u>1,544,064</u>	<u>1,589,369</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2021

	<i>Note</i>	2021 HK\$'000 (Unaudited)	2020 <i>HK\$'000</i> <i>(Audited)</i>
Non-current liabilities			
Other employee benefits		2,931	5,771
Lease liabilities		24,151	24,238
Provision for warranty		2,517	–
Deferred tax liabilities		57,522	2,771
		87,121	32,780
Net assets		1,456,943	1,556,589
EQUITY			
Share capital	<i>13</i>	240,597	240,597
Reserves		1,216,346	1,315,992
Total equity		1,456,943	1,556,589

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 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 Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

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 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.

The Group is principally engaged in the provision of enterprise cloud services and digital business and information technology services.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance. In addition, the financial statements include the applicable disclosures required by the Listing Rules.

The unaudited financial information relating to the year ended 31 December 2021 and the financial information relating to the year ended 31 December 2020 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for that year, but in respect of the year ended 31 December 2020, 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 is as follows:

The financial statements for the year ended 31 December 2021 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of Companies in due course. As of the date of this announcement, the Company's auditor has yet to report on these financial statements.

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on these financial statements for the year ended 31 December 2020. 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 sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

The financial statements have been prepared on the historical cost basis except for certain financial assets at fair value through other comprehensive income which are measured at fair values.

The 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\$678,409,000 as at 31 December 2021. Having reviewed the cash flow projection of the Group for the next 12 months from the reporting date, the Board is of the opinion that the Group will have sufficient resources to satisfy its working capital and other financing requirement in the foreseeable future based on the Group is able to generate positive cash flows from operations in 2022.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

3.1 Adoption of new or amended HKFRSs — effective on 1 January 2021

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2021:

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
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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 April 2021.

The adoption of these new or amended HKFRSs has no material impact on the Group’s consolidated financial statements.

3.2 New or amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group’s consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Annual Improvements to HKFRSs 2018–2020	Annual Improvement Project ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
HKFRS 17	Insurance Contracts ²

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

3.2 New or amended HKFRSs that have been issued but are not yet effective (Continued)

- ¹ Effective for annual periods beginning on or after 1 January 2022.
- ² Effective for annual periods beginning on or after 1 January 2023.
- ³ The amendments should be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.
- ⁴ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

The directors of the Company anticipate that the application of these new or amended HKFRSs will have no material impact on the Group’s consolidated financial performance and positions and/or the disclosures to the consolidated financial statements of the Group.

4. REVENUE AND OTHER OPERATING INCOME

(a) Revenue

	Enterprise cloud services		Digital business and information technology services		Total	
	2021 HK\$’000 (Unaudited)	2020 HK\$’000 (Audited)	2021 HK\$’000 (Unaudited)	2020 HK\$’000 (Audited)	2021 HK\$’000 (Unaudited)	2020 HK\$’000 (Audited)
Revenue from contracts with customers within the scope of HKFRS 15						
— Bundled services	732,781	809,961	—	—	732,781	809,961
— Internet-based services	161,376	78,086	—	—	161,376	78,086
— Corporate cloud services	65,691	72,388	—	—	65,691	72,388
— Cinema ticketing management system as a services	—	—	43,005	—	43,005	—
— Advertising income	12,160	11,704	—	—	12,160	11,704
	<u>972,008</u>	<u>972,139</u>	<u>43,005</u>	<u>—</u>	<u>1,015,013</u>	<u>972,139</u>
Revenue from other sources						
— Lease of projection equipment	—	—	1,048	—	1,048	—
	<u>972,008</u>	<u>972,139</u>	<u>44,053</u>	<u>—</u>	<u>1,016,061</u>	<u>972,139</u>
Timing of revenue recognition under HKFRS 15						
— At a point in time	32,315	57,591	—	—	32,315	57,591
— Transferred over time	939,693	914,548	43,005	—	982,698	914,548
	<u>972,008</u>	<u>972,139</u>	<u>43,005</u>	<u>—</u>	<u>1,015,013</u>	<u>972,139</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

4. REVENUE AND OTHER OPERATING INCOME (Continued)

(a) Revenue (Continued)

The following table provides information about trade receivables and contract liabilities from contracts with customers.

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Trade receivables (<i>note 11</i>)	56,168	36,303
Contract liabilities	<u>428,242</u>	<u>274,694</u>

As at 31 December 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts were approximately HK\$428,242,000 (2020: HK\$274,694,000). This amount represents revenue expected to be recognised in the future from completed contracts of enterprise cloud services and ticket management system services. The Group will recognise the expected revenue in future when or as the good is delivered or service is rendered.

(b) Other operating income

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Bank interest income	514	539
Other interest income on financial assets measured at amortised cost	99,395	107,869
Government grants (<i>note</i>)	3,386	390
Refund of value-added tax	21,941	20,783
Covid-19-Related rent concessions	–	1,484
Sundry income	<u>1,837</u>	<u>3,959</u>
	<u>127,073</u>	<u>135,024</u>

Note: It represented grants to subsidise the development of IT business in the People's Republic of China (the "PRC"), of which the entitlement was unconditional.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

5. SEGMENT INFORMATION

The chief operating decision-maker (“CODM”) has been identified as the executive directors. Information reported to CODM for the purpose of resource allocation and assessment of segment performance is based on the business segments of the Group.

Upon the completion of the business combination on 26 July 2021 as described in note 14, management of the Group has been exploring for opportunities to participate in providing digital business and information technology services to enterprises in the PRC and it is considered as a new operating and reportable segment by the CODM. In a manner consistent with the way in which information is reported internally to the Group’s most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented two reportable segments — “Enterprise cloud services” and “Digital business and information technology services” in its consolidated financial statements for the year ended 31 December 2021.

	Enterprise cloud services		Digital business and information technology services		Reportable segment total	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
Reportable segment revenue						
Revenue from external customers	972,008	972,139	44,053	–	1,016,061	972,139
Inter-segment revenue	–	–	22,737	–	22,737	–
	<u>972,008</u>	<u>972,139</u>	<u>66,790</u>	<u>–</u>	<u>1,038,798</u>	<u>972,139</u>
Reportable segment (loss)/profit before income tax	(163,292)	43,448	(17,211)	–	(180,503)	43,448
Bank interest income					72	65
Other interest income on financial assets measured at amortised cost					99,395	107,869
Depreciation of owned assets					(33)	(128)
Depreciation of right-of-use assets					–	(1,552)
Exchange loss, net					(10,306)	(23,419)
Finance costs					–	(31)
Unallocated corporate expenses					(14,398)	(10,650)
(Loss)/Profit before income tax					<u>(105,773)</u>	<u>115,602</u>
Reportable segment assets	477,645	728,126	842,828	–	1,320,473	728,126
Loans to immediate holding company					1,146,841	1,504,957
Amount due from immediate holding company					13,866	–
Cash and cash equivalents					16,993	42,398
Financial assets at fair value through other comprehensive income					324	324
Other financial and corporate assets					852	2,496
Group assets					<u>2,499,349</u>	<u>2,278,301</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

5. SEGMENT INFORMATION (Continued)

	Enterprise cloud services		Digital business and information technology services		Reportable segment total	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
Reportable segment liabilities	709,437	502,257	69,026	–	778,463	502,257
Amount due to immediate holding company					–	16,683
Amount due to a director					532	532
Amount due to an associate					5,482	5,482
Provision for tax					180,020	173,922
Deferred tax liabilities					57,522	2,771
Dividend payables					13,400	13,400
Other corporate liabilities					6,987	6,665
					<u>1,042,406</u>	<u>721,712</u>
Group liabilities						
Additional segment information						
Bank interest income	210	474	232	–	442	474
Finance costs	(8,360)	(5,544)	(294)	–	(8,654)	(5,544)
Share of results of associates	(3,133)	(599)	–	–	(3,133)	(599)
Impairment on interests in associates	–	(2,598)	–	–	–	(2,598)
Depreciation and amortisation of non-financial assets	(77,194)	(75,921)	(32,535)	–	(109,729)	(75,921)
Expected credit loss on financial assets	(4,588)	(8,693)	(232)	–	(4,820)	(8,693)
Impairment loss on other intangible assets	–	(2,827)	–	–	–	(2,827)
Write-off of other intangible assets	–	(8,657)	–	–	–	(8,657)
Write-off of property, plant and equipment	(3)	(54)	–	–	(3)	(54)
Loss on disposal on property, plant and equipment	(10)	–	(603)	–	(613)	–
Additions to non-current assets during the year	70,035	54,777	1,566	–	71,601	54,777

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

5. SEGMENT INFORMATION (Continued)

Geographical information

The Group's revenue from external customers and its non-current assets (other than financial instruments) are divided into the following geographical areas:

	Revenue from external customers		Specified non-current assets	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
— Mainland China (domicile)	1,016,045	972,125	1,075,296	273,380
— Hong Kong	16	14	12	165
	<u>1,016,061</u>	<u>972,139</u>	<u>1,075,308</u>	<u>273,545</u>

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical and operating location of the assets. The Company is an investment holding company incorporated in Hong Kong where the Group has the majority of its operations and workforce in Mainland China, and therefore, Mainland China is considered as the Group's country of domicile for the purpose of the disclosures as required by HKFRS 8 "Operating Segments".

For the years ended 31 December 2021 and 2020, the Group did not derive more than 10% of the Group's total revenue from any single customer.

6. FINANCE COSTS

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Interest on bank borrowings	5,084	1,920
Interest on lease liabilities	3,570	3,655
	<u>8,654</u>	<u>5,575</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

7. (LOSS)/PROFIT BEFORE INCOME TAX

The Group's (loss)/profit before income tax is arrived at after charging:

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Auditors' remuneration	2,465	2,169
Depreciation of owned assets*	14,751	13,158
Depreciation of right-of-use assets*	37,381	36,558
Cost of sales and services provided	193,145	153,988
Amortisation of other intangible assets*	57,630	27,885
Loss on disposal of property, plant and equipment*	613	–
Write-off of property, plant and equipment*	3	54
Research and development expenses*	122,791	108,939
Impairment loss on other intangible assets*	–	2,827
Write-off of other intangible assets*	–	8,657
	<u>2,465</u>	<u>2,169</u>

* included in other operating expenses

8. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
PRC Enterprise Income Tax ("EIT")		
— tax charge for the year	6,079	6,062
— over provision in respect of prior years	–	(576)
	<u>6,079</u>	<u>5,486</u>
Deferred tax	<u>(3,892)</u>	<u>(898)</u>
Income tax expense	<u>2,187</u>	<u>4,588</u>

There is no estimated assessable profit subject to Hong Kong profits tax for the years ended 31 December 2021 and 2020.

Certain subsidiaries of the Group, being qualified as "High and New Technology Enterprise", are entitled to enjoy a preferential tax rate of 15% for a period of three years from date of qualification according to the PRC tax law. The remaining subsidiaries of the Group established in the PRC are subject to PRC EIT rate of 25%.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

9. DIVIDENDS

No dividend has been paid or declared by the Company during the years ended 31 December 2021 and 2020, nor has any dividend been proposed since the end of the reporting period for 2021 and 2020.

10. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share for the year ended 31 December 2021 is based on the loss for the year attributable to owners of the Company of approximately HK\$107,960,000 (2020: profit of approximately HK\$111,014,000) and on the weighted average number of approximately 19,914,505,000 ordinary shares in issue during the year after deducting the number of shares held by a custodian under the restricted share award scheme.

For the year ended 31 December 2021 and 2020, diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as the performance-based targets of the share awards does not meet as at year end date.

11. TRADE RECEIVABLES

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

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
0–90 days	27,512	12,825
91–180 days	12,871	9,589
181–270 days	6,450	6,133
271–360 days	2,425	4,627
Over 360 days	25,701	16,853
Trade receivables, gross	74,959	50,027
Less: Provision for impairment of receivables	(18,791)	(13,724)
Trade receivables, net	56,168	36,303

Trade receivables are due on presentation of invoices.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

12. TRADE PAYABLES

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

	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
0–90 days	15,002	17,184
91–180 days	6,417	4,134
181–270 days	3,721	1,187
271–360 days	3,691	950
Over 360 days	8,253	9,038
	<u>37,084</u>	<u>32,493</u>

13. SHARE CAPITAL

	2021 (Unaudited)		2020 (Audited)	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Issued and fully paid				
Ordinary shares				
As at 1 January and 31 December	<u>21,720,504,877</u>	<u>240,597</u>	<u>21,720,504,877</u>	<u>240,597</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

14. BUSINESS COMBINATION

On 22 December 2020, the Company entered into a sale and purchase agreement (“Sale and Purchase Agreement”) with the immediate holding company, pursuant to which the Company has conditionally agreed to purchase (or procure the purchase) and the immediate holding company 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 RMB488,000,000. The core business of Oristar and its subsidiary (collectively referred to as “Oristar Group”) 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.

Pursuant to the Sale and Purchase Agreement, the consideration of RMB488,000,000 shall be satisfied by:

- (i) 20% of the consideration to be paid in cash upon signing of the Sale and Purchase Agreement; and
- (ii) The balance will be satisfied in cash and up to HK\$200,000,000 of the consideration will be offset against the loan to immediate holding company, at the discretion of the Company at completion.

As at 31 December 2020, a deposit of RMB97,600,000 (equivalent to approximately HK\$115,997,000) was paid by the Group in cash according to the terms stated above and recorded under “Deposits, prepayments and other receivables”.

Upon the completion of the acquisition, the Group settled the remaining consideration of RMB390,400,000, of which RMB350,400,000 (equivalents to HK\$421,884,000) was paid in cash and RMB40,000,000 (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 and its supplemental agreements.

* For identification purpose only

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

14. BUSINESS COMBINATION (Continued)

The fair values of the purchase consideration and the identifiable assets and liabilities of the Oristar Group as at the date of acquisition were as follows:

	<i>HK\$'000</i> (Unaudited)
Property, plant and equipment	12,001
Other intangible assets (<i>note (i)</i>)	482,651
Trade receivables (<i>note (ii)</i>)	41,602
Deposits, prepayments and other receivables (<i>note (ii)</i>)	9,344
Amounts due from fellow subsidiaries	49,494
Pledged and restricted bank deposits	12,643
Cash and cash equivalents	4,181
Trade payables	(60)
Other payables and accruals	(52,711)
Contract liabilities	(6,973)
Amounts due to fellow subsidiaries (<i>note (iii)</i>)	(202,747)
Amounts due to related companies	(2,785)
Bank borrowings, secured	(24,012)
Provision for warranty	(2,469)
Deferred tax liabilities	(57,501)
	<hr/>
Total identifiable net assets at fair value	262,658
Goodwill on acquisition (<i>note (iv)</i>)	323,247
	<hr/>
Satisfied by cash consideration	<u>585,905</u>

Notes:

- (i) Other intangible assets represent identified license, technology, customer relationships amounting to HK\$300,156,000, HK\$135,671,000 and HK\$46,824,000 respectively in relation to the acquisition have been recognised by the Group.
- (ii) The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK\$41,602,000 and HK\$7,168,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK\$41,602,000 and HK\$7,168,000, respectively, are expected to be collectible.
- (iii) Pursuant to Sale and Purchase Agreement, the entire amount of RMB165,616,000 (equivalent to approximately HK\$198,839,000) owed by the Oristar Group to Nan Hai and its subsidiaries (excluding Oristar Group and the Group) was also applied to set off against the loan in the principal amount advanced by the Company to Nan Hai pursuant to a loan agreement dated 29 May 2009 and its supplemental agreements.
- (iv) Goodwill arose in the acquisition of the Oristar Group because the considerations paid for the acquisition effectively included, inter alia, amounts in relation to the benefits of expected synergies from combining the respective operations of the Oristar Group and the Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

15. EVENT AFTER REPORTING DATE

On 19 January 2022, Nan Hai and the Company entered into the second supplemental agreement, pursuant to which Nan Hai has agreed to refund a portion of the consideration based on the adjustment mechanism as detailed in the Company's announcement dated 19 January 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group operates in the area of enterprise cloud services through 中企動力科技股份有限公司 (CE Dongli Technology Company Limited*, “CE Dongli”) and 北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited*, “Xinnet”) and upon completion of the Oristar Transaction (as defined below) on 26 July 2021, the Group operates in the area of digital business and information technology services through 數碼辰星科技發展(北京)有限公司 (Digicine Oristar Technology Development (Beijing) Company Limited*, “Oristar”) and its subsidiary (“Oristar Group”).

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 been chosen by nearly 3.2 million customers to support their digitalization efforts in its 22 years of operation. 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 strategic partners to establish a service ecosystem covering the entire industry chain. 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 normalization of the COVID-19 epidemic (the “Epidemic”), more enterprises realize the importance of digitalization to their operations, however, there are still concerns about the effect of digitalization, and they have not been able to effectively build their technical and operational capabilities. CE Dongli under the Group has launched “global portal” covering domestic and foreign trade and carried out a “new portal” comprehensive technology upgrade for portal products. “Global portal” 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. The “new portal” technology upgrade greatly enhances the search friendliness, extensibility and customer experience of the products. By adding the “low-code” development mode, it can realize the customers’ personalized business needs and pioneer the diversified deployment support of SaaS and privatization.

In recent years, with the continuous upgrading of consumption in the domestic market, the national strict supervision of internet monopoly and various chaos, more enterprises are unwilling to be coerced by platforms and pay for high-priced traffic. The e-commerce area has shown a diversified development trend. Enterprises urgently need to establish their own private e-commerce ecosystem and many traditional enterprises have begun to pay more attention to the integration of online and offline businesses. 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. OMO products and services of CE Dongli cover a wide range of areas, including digitalization of stores, digitalization of transactions and digitalization of product efficiency. Coupled with the underlying cloud computing technology support services of Xinnet, CE Dongli helped its clients to achieve better business growth.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review (Continued)

In order to effectively fill the Group's lack of e-commerce products for cinema service industry, Oristar became a wholly-owned subsidiary of the Group on 26 July 2021. In 2021, the Epidemic was significantly controlled under the control measures of the PRC government. However, in certain areas where the Epidemic was recurring, the cinema industry was still subject to control by anti-epidemic policies such as business suspension, crowd restriction and banned dining. Under this backdrop, based on the supporting structure + open platform of "Oristar Cloud" cinema industry, Oristar is equipped with terminal applications that meet the differentiated operational needs of cinemas, assisting cinema operators to improve their operational capabilities and reduce operational costs in areas such as diversified operations, self-owned traffic operations and business efficiency.

During the year, through key subsidiaries CE Dongli, Xinnet and Oristar, 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, big database business intelligence cloud service and SaaS-based cinema digitalization total solutions to China market. During the year, revenue of the Group was approximately HK\$1,016.1 million (2020: HK\$972.1 million), and loss for the year was approximately HK\$108.0 million (2020: profit for the year of approximately HK\$111.0 million). The loss for the year ended 31 December 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 and help them meet their target successfully, also set up a localized premium customer service team named as "customer success team" to provide integrated e-commerce service solutions for the customers, enabling them to connect online and offline sales channels and achieving digital transformation. Such newly-added digital commerce business and digital marketing promotion business brought about a significant cash inflow during the year. However, the revenue recognized during the year according to the progress of the completed performance obligations did not simultaneously reflect the growth of the business, but resulted in the increase in related expenses; and (2) the PRC government has cancelled the policy relating to the phased reduction and exemption of corporate social insurance premiums.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review (Continued)

Enterprise cloud services

During the year, the revenue of the business segment of enterprise cloud services was approximately HK\$972.0 million (2020: HK\$972.1 million). Loss before income tax was approximately HK\$163.3 million (2020: profit before income tax was HK\$43.4 million). The loss is mainly due to the increased investment and related expenses under OMO strategy and the cancellation of policy relating to the corporate social insurance premiums aforesaid.

CE Dongli

With 22 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.

During the year, CE Dongli continued to invest in technology research and development, and the complete technical supporting structure supports the continuous ecological evolution of the whole product line, making product iterations more agile and meeting more diverse customer needs. From high-end customized products, global portal and self-service website building products to a product line that meets domestic and international digital marketing promotion, CE Dongli has established a full line of digital marketing products to serve medium, small and micro enterprises and key accounts major customers, further gaining the recognition from our customers.

In the digital commerce area, CE Dongli has served nearly ten thousand corporate clients by providing professional SaaS services through its major products such as B2C digital stores, mobile malls, online malls and B2B e-commerce portals. During the year, CE Dongli continued to commit to research and development of digital commerce products and gradually established a B2C e-commerce system with product capabilities to meet complex transactions and marketing scenarios. Based on the gradual formation of the e-commerce ecosystem, CE Dongli has integrated marketing, membership, 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 year, 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, distribution, localized marketing and digital stores 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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review (Continued)

Enterprise cloud services (Continued)

CE Dongli (Continued)

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.

Xinnet

During the year, 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, through years of professionalism, the domain name business of various key customers, including Tencent, JD, Huawei and Sina, has been gradually introduced and integrated into Xinnet as wholesale 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, Web application Firewall, cloud backup etc, it has met the needs of users for PaaS products.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review (Continued)

Digital business and information technology services

Oristar

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 (“Oristar Transaction”). 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 Company. 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. On 19 January 2022, Nan Hai and the Company entered into the second supplemental agreement, pursuant to which Nan Hai has agreed to refund a portion of the consideration based on the adjustment mechanism. For details, reference shall be made to the joint announcement of the Company and Nan Hai dated 19 January 2022.

Following the completion of the Oristar Transaction, the revenue of this business segment for the period following completion of the Oristar Transaction in 2021 was approximately HK\$44.1 million and loss before income tax was approximately HK\$17.2 million.

In 2021, based on the platform strategy of the cinema industry, Oristar made adjustments and organizational deployment to the production and research as well as sales and service systems. The product completed the SaaS of the “Oristar Cloud” cinema industry’s supporting structure ticketing, retail, membership and marketing modules, and paved the way for the rapid market expansion of the SaaS version by upgrading and optimizing the service system and building a customer success system. During the year, Oristar served more than 2,300 cinemas, covering 31 provinces (autonomous regions and municipalities) in China, representing an increase of 18% over the same period last year, with its market share ranking second among Chinese ticketing software vendors.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Prospects

In recent years, enterprises in China have been undergoing a process of digital transformation, and the Epidemic will accelerate this process significantly. As a result of the Epidemic, there are continuous and significant changes in the lifestyle and consumption habits of consumers, while a large number of enterprises are still in the confusion and pain of their own cognitive and capacity deficiencies under this rapid transformation demand. The Chinese market is also accelerating its upgrade and survival of the fittest. Those who can outperform this long-term competition must be the enterprises with long-term digital strategy preparation and investment and practical implementation. With 22 years of long-term accumulation and growth with customers, the Group has deeply experienced and continued to be sensitive to the rhythm and trend of this process, and has reflected it in our products and services. Only by being rooted in the digitalization, which need to be cultivated over a long period of time for enterprise service market and enterprise, can be long-lasting. The co-evolution of the Group and the market is also being evidenced by the business improvement of numerous clients. We are committed to staying true to our business and supporting our clients' business growth.

Financial Resources and Liquidity

The Group continued to adopt prudent funding and treasury policies. As at 31 December 2021, net assets attributable to the owners of the Company amounted to approximately HK\$1,456.9 million (2020: approximately HK\$1,556.6 million), including cash and cash equivalents of approximately HK\$92.7 million (2020: approximately HK\$265.1 million) which were mainly denominated in Renminbi, US dollars and Hong Kong dollars. The Group had bank borrowings bearing interest at fixed rates of approximately HK\$122.4 million as at 31 December 2021 (2020: approximately HK\$37.2 million). The Group has not entered into any interest rate hedge during the year.

As at 31 December 2021, the Group's gearing ratio, which is calculated as net debt (which is calculated as the bank borrowings, secured less cash and cash equivalents) divided by the total equity plus net debt, was 2% (2020: not applicable). The Group recorded net cash position (i.e. cash and cash equivalents is higher than bank borrowings, secured) as at 31 December 2020, gearing ratio is therefore not applicable.

As at 31 December 2021, the Group had no capital commitment (2020: no capital commitment other than the Oristar Transaction).

As at 31 December 2021, the Group's contingent liabilities were approximately HK\$22.6 million in connection with the guarantees given to secure credit facilities granted to an associate (2020: approximately HK\$21.7 million).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Resources and Liquidity (Continued)

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

The Board considers that the Group will have sufficient financial resources to satisfy its future working capital and other financing requirements for at least the next twelve months from the reporting date.

Exposure to Fluctuation in Exchange Rates

The majority of the Group's borrowings and business dealings 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 year, 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 year, the Group has not entered into any foreign exchange hedging instruments.

Employees and Remuneration Policy

The Company 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 31 December 2021, the Group had 4,891 employees (2020: 5,418 employees). The salaries of and allowances for the employees for the year ended 31 December 2021 were approximately HK\$746.4 million (2020: approximately HK\$567.5 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.

EVENT AFTER REPORTING DATE

Saved as disclosed in note 15 to the financial statements and mentioned elsewhere in this announcement, there was no other significant event after the reporting date up to the date of this announcement.

FINAL DIVIDEND

The directors of the Company have resolved not to recommend the declaration of any final dividend for the year ended 31 December 2021 (2020: Nil).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company has complied with the applicable principles and code provisions set out in the then Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2021 and as of the date of this announcement except for the deviation as stated below:

Code provision E.1.2 (updated reference for financial year commencing on or after 1 January 2022: code provision F.2.2) 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 Company’s annual general meeting 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 of the Company 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 year ended 31 December 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 the management of the Company, this unaudited results announcement for the year ended 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF UNAUDITED ANNUAL RESULTS

As additional time is required in obtaining information requested by the Company's auditor regarding the appraised value of the security provided by the Company's immediate holding company Nan Hai and its subsidiaries ("Nan Hai Group") to the Group for the loans owing by the Nan Hai Group to the Group, accordingly, as of the date of this announcement, certain auditing and reporting processes for the annual results of the Group for the year ended 31 December 2021 have not been completed, therefore the Company and its auditor are not yet in a position to agree on the final annual results of the Group for the year ended 31 December 2021 as required under Rule 13.49(2) of the Listing Rules. The unaudited annual results as set out in this announcement have been reviewed and agreed by the Board (including the independent non-executive Directors) and the Audit Committee. In the unaudited consolidated financial statements of the Company for the year ended 31 December 2021, the loans to immediate holding company stated in the consolidated statement of financial position, which amounted to approximately HK\$1,146.8 million (approximately 45.9% of total assets) is subject to uncertainties and final agreement with the auditor of the Company.

Notwithstanding the uncertainties set out in the above, based on the information currently available to the Board as at the date of this announcement, the Board currently does not anticipate any material deviations (if any) in the financial position presented by the unaudited financial results of the Group set out in this announcement from that to be presented by the audited annual results of the Group for the year ended 31 December 2021.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing and reporting processes, the Company will issue further announcement(s) in relation to (i) the audited annual results for the year ended 31 December 2021 as agreed by the Company's auditor and the material differences (if any) as compared with the unaudited annual results set out in this announcement, (ii) the proposed date on which the forthcoming annual general meeting of the Company will be held, and (iii) the period during which the register of members of the Company will be closed in order to determine the entitlement of shareholders to attend and vote at the annual general meeting. In addition, further announcement(s) will be published as and when necessary in accordance with the Listing Rules if there are other material developments relating to the completion of the auditing and reporting processes for the annual results of the Group for the year ended 31 December 2021. Based on the information available to the Board and the auditor of the Company as at the date of this announcement, it is expected that the audited annual results of the Group for the year ended 31 December 2021 will be published as soon as practicable and in any event by the end of April 2022.

PUBLICATION OF UNAUDITED ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This unaudited annual results announcement is published on the Hong Kong Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.sino-i.com). It is expected that the 2021 annual report of the Company containing all the information required by the applicable Listing Rules will be despatched to the shareholders and available on the above websites on or before 30 April 2022.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditor of the Company. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 31 March 2022

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

<i>Executive Directors:</i>	<i>Non-executive Directors:</i>	<i>Independent non-executive Directors:</i>
Ms. Liu Rong	Mr. Lam Bing Kwan	Mr. Fung Wing Lap
Mr. Yu Pun Hoi	Mr. Cheng Chih-Hung	Mr. Xiao Sui Ning
Mr. Chen Ming Fei		Mr. Ho Yeung Nang