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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 2022**

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 2022 derived from the unaudited consolidated management accounts of the Company, together with the comparative unaudited figures for the year ended 31 December 2021.

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 auditing process of the annual results for the year ended 31 December 2022 has not yet commenced and the Company is unable to publish an annual results announcement that has been agreed with the Company’s auditor by 31 March 2023 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 2022

	Notes	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Revenue	4(a)	989,142	1,016,061
Cost of sales and services provided		<u>(167,888)</u>	<u>(193,145)</u>
Gross profit		821,254	822,916
Other operating income	4(b)	151,384	127,073
Selling and marketing expenses		(597,467)	(715,690)
Administrative expenses		(70,080)	(75,808)
Other operating expenses		(284,458)	(247,657)
Expected credit loss on financial assets		(2,333)	(4,820)
Finance costs	6	(8,120)	(8,654)
Share of results of associates		<u>119</u>	<u>(3,133)</u>
Profit/(Loss) before income tax	7	10,299	(105,773)
Income tax credit/(expense)	8	<u>1,620</u>	<u>(2,187)</u>
Profit/(Loss) for the year and attributable to owners of the Company		<u>11,919</u>	<u>(107,960)</u>
		<i>HK Cent</i>	<i>HK Cent</i>
Earnings/(Loss) per share attributable to owners of the Company for the year	10		
— Basic		<u>0.06</u>	<u>(0.54)</u>
— Diluted		<u>0.06</u>	<u>(0.54)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Profit/(Loss) for the year	11,919	(107,960)
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	(47,015)	5,759
Exchange differences on translation of interests in associates	<u>1,204</u>	<u>420</u>
	<u>(45,811)</u>	<u>6,179</u>
Total comprehensive income for the year and attributable to owners of the Company	<u><u>(33,892)</u></u>	<u><u>(101,781)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		73,396	95,573
Financial assets at fair value through other comprehensive income		324	324
Financial assets measured at fair value		58,065	–
Interests in associates		25,129	23,806
Goodwill		381,255	410,928
Other intangible assets		424,499	545,001
Loans to immediate holding company		<u>1,234,961</u>	<u>1,146,841</u>
		<u>2,197,629</u>	<u>2,222,473</u>
Current assets			
Trade receivables	<i>11</i>	44,218	56,168
Deposits, prepayments and other receivables		132,280	114,144
Amount due from immediate holding company		15,288	13,866
Cash and cash equivalents		<u>65,675</u>	<u>92,698</u>
		<u>257,461</u>	<u>276,876</u>
Current liabilities			
Trade payables	<i>12</i>	64,160	37,084
Other payables and accruals		109,055	135,949
Dividend payables		–	13,400
Contract liabilities		400,888	428,242
Provision for tax		186,063	180,020
Amount due to a director		532	532
Amounts due to associates		3,442	4,281
Amounts due to related companies		1,597	2,522
Bank borrowings, secured		118,846	122,399
Other employee benefits		2,200	8,032
Lease liabilities		<u>21,977</u>	<u>22,824</u>
		<u>908,760</u>	<u>955,285</u>
Net current liabilities		<u>(651,299)</u>	<u>(678,409)</u>
Total assets less current liabilities		<u>1,546,330</u>	<u>1,544,064</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 31 December 2022*

	<i>Note</i>	2022 HK\$'000 (Unaudited)	2021 <i>HK\$'000</i> <i>(Unaudited)</i>
Non-current liabilities			
Other employee benefits		–	2,931
Lease liabilities		18,928	24,151
Provision for warranty		–	2,517
Deferred tax liabilities		45,691	57,522
		<u>64,619</u>	<u>87,121</u>
Net assets		<u>1,481,711</u>	<u>1,456,943</u>
EQUITY			
Share capital	<i>13</i>	240,597	240,597
Reserves		1,241,114	1,216,346
		<u>1,481,711</u>	<u>1,456,943</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 years ended 31 December 2022 and 2021 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years. Further information relating to these statutory financial statements is as follows:

The financial statements for the years ended 31 December 2022 and 2021 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of Companies in due course.

The financial statements have been prepared on the historical cost basis except for certain financial assets 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\$651,299,000 as at 31 December 2022. 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 2023.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

3.1 Adoption of new or amended HKFRSs — effective on 1 January 2022

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 2022:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020
Amendments to HKFRSs 3 Business Combinations	Reference to the Conceptual Framework
Amendments to HKAS 16 Property, Plant and Equipment	Proceeds before Intended Use
Amendments to HKAS 37 Provisions, Contingent Liabilities and Contingent Assets	Onerous Contracts — Cost of Fulfilling a Contract

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.

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
HKFRS 17	Insurance Contracts ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKFRS 16	Lease liability in a Sale and Leaseback ²
Hong Kong Interpretation 5 (Revised)	Classification by the Borrower of a Term Loan that
Presentation of Financial Statements	Contains a Repayment on Demand Clause ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2024.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

4. REVENUE AND OTHER OPERATING INCOME

(a) Revenue

	Enterprise cloud services		Digital business and information technology services		Total	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue from contracts with customers with the scope of HKFRS 15						
— Bundled services	674,563	732,781	—	—	674,563	732,781
— Internet-based services	134,759	161,376	—	—	134,759	161,376
— Corporate cloud services	60,346	65,691	—	—	60,346	65,691
— Cinema ticketing management system as a service	—	—	74,750	43,005	74,750	43,005
— Advertising income	44,480	12,160	—	—	44,480	12,160
	<u>914,148</u>	<u>972,008</u>	<u>74,750</u>	<u>43,005</u>	<u>988,898</u>	<u>1,015,013</u>
Revenue from other source						
— Lease of projection equipment	—	—	244	1,048	244	1,048
	<u>914,148</u>	<u>972,008</u>	<u>74,994</u>	<u>44,053</u>	<u>989,142</u>	<u>1,016,061</u>
Timing of revenue recognition under HKFRS 15						
— At a point of time	28,199	32,315	—	—	28,199	32,315
— Transferred over time	885,949	939,693	74,750	43,005	960,699	982,698
	<u>914,148</u>	<u>972,008</u>	<u>74,750</u>	<u>43,005</u>	<u>988,898</u>	<u>1,015,013</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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.

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Trade receivables (<i>Note 11</i>)	44,218	56,168
Contract liabilities	<u>400,888</u>	<u>428,242</u>

As at 31 December 2022, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts were approximately HK\$400,888,000 (2021: HK\$428,242,000). This amount represents revenue expected to be recognised in the future from completed contracts of enterprise cloud services and ticket management system service. The Group will recognise the expected revenue in future when or as the good is delivered or service is rendered.

(b) Other operating income

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Bank interest income	134	514
Other interest income on financial assets measured at amortised cost	88,120	99,395
Government grants (<i>note</i>)	6,518	3,386
Refund of value-added tax	26,414	21,941
Exchange gain, net	29,547	–
Sundry income	<u>651</u>	<u>1,837</u>
	<u>151,384</u>	<u>127,073</u>

Note: It mainly 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 2022

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 in relation to the acquisition of 100% equity interest in 數碼辰星科技發展(北京)有限公司 (“Oristar”) and its subsidiary (“Oristar Group”) on 26 July 2021, management of the Group has been exploring for opportunities to participate in providing digital media 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 2022.

	Enterprise cloud services		Digital business and information technology services		Reportable segment total	
	2022 HK\$’000 (Unaudited)	2021 HK\$’000 (Unaudited)	2022 HK\$’000 (Unaudited)	2021 HK\$’000 (Unaudited)	2022 HK\$’000 (Unaudited)	2021 HK\$’000 (Unaudited)
Reportable segment revenue						
Revenue from external customers	914,148	972,008	74,994	44,053	989,142	1,016,061
Inter-segment revenue	–	–	23,618	22,737	23,618	22,737
	<u>914,148</u>	<u>972,008</u>	<u>98,612</u>	<u>66,790</u>	<u>1,012,760</u>	<u>1,038,798</u>
Reportable segment loss before income tax	(22,595)	(163,292)	(57,399)	(17,211)	(79,994)	(180,503)
Bank interest income					1	72
Other interest income on financial assets measured at amortised cost					88,120	99,395
Depreciation of owned assets					(4)	(33)
Exchange gain/(loss), net					29,547	(10,306)
Unallocated corporate expenses					(27,371)	(14,398)
Profit/(Loss) before income tax					<u>10,299</u>	<u>(105,773)</u>
Reportable segment assets	413,836	477,645	730,752	842,828	1,144,588	1,320,473
Loans to immediate holding company					1,234,961	1,146,841
Amount due from immediate holding company					15,288	13,866
Cash and cash equivalents					1,065	16,993
Financial assets at fair value through other comprehensive income					324	324
Financial assets measured at fair value					58,065	–
Other financial and corporate assets					799	852
Group assets					<u>2,455,090</u>	<u>2,499,349</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

5. SEGMENT INFORMATION (Continued)

	Enterprise cloud services		Digital business and information technology services		Reportable segment total	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Reportable segment liabilities	666,404	709,437	62,082	69,026	728,486	778,463
Amount due to a director					532	532
Amount due to an associate					5,480	5,482
Provision for tax					186,063	180,020
Deferred tax liabilities					45,691	57,522
Dividend payables					-	13,400
Other corporate liabilities					7,127	6,987
Group liabilities					973,379	1,042,406
Additional segment information						
Bank interest income	120	210	12	232	132	442
Finance costs	(7,401)	(8,360)	(477)	(294)	(7,878)	(8,654)
Share of results of associates	119	(3,133)	-	-	119	(3,133)
Depreciation and amortisation of non-financial assets (Expected credit loss)/	(70,798)	(77,194)	(71,113)	(32,535)	(141,911)	(109,729)
Reversal of expected credit loss on financial assets	(5,864)	(4,588)	3,531	(232)	(2,333)	(4,820)
Write-off of property, plant and equipment	-	(3)	-	-	-	(3)
Loss on disposal on property, plant and equipment	(39)	(10)	(17)	(603)	(56)	(613)
Additions to non-current assets during the year	47,716	70,035	418	1,566	48,134	71,601

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
— Mainland China (domicile)	989,132	1,016,045	904,271	1,075,296
— Hong Kong	10	16	8	12
	<u>989,142</u>	<u>1,016,061</u>	<u>904,279</u>	<u>1,075,308</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 2022 and 2021, the Group did not derive more than 10% of the Group's total revenue from any single customer.

6. FINANCE COSTS

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Interest on bank borrowings	4,738	5,084
Interest on lease liabilities	3,382	3,570
	<u>8,120</u>	<u>8,654</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

7. PROFIT/(LOSS) BEFORE INCOME TAX

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

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Auditors' remuneration	2,459	2,465
Depreciation of owned assets*	10,313	14,751
Depreciation of right-of-use assets*	33,174	37,381
Cost of sales and services provided	167,888	193,145
Amortisation of other intangible assets*	98,428	57,630
Loss on disposal of property, plant and equipment*	56	613
Write-off of property, plant and equipment*	–	3
Research and development expenses*	<u>138,401</u>	<u>122,791</u>

* included in other operating expenses

8. INCOME TAX (CREDIT)/EXPENSE

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
PRC Enterprise Income Tax ("EIT")		
— tax charge for the year	6,062	6,079
Deferred tax	<u>(7,682)</u>	<u>(3,892)</u>
Income tax (credit)/expense	<u>(1,620)</u>	<u>2,187</u>

There is no estimated assessable profit subject to Hong Kong profits tax for the years ended 31 December 2022 and 2021.

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 2022

9. DIVIDENDS

No dividend has been paid or declared by the Company during the years ended 31 December 2022 and 2021, nor has any dividend been proposed since the end of the reporting period for 2022 and 2021.

10. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share for the year ended 31 December 2022 is based on the profit attributable to owners of the Company of approximately HK\$11,919,000 (2021: loss of approximately HK\$107,960,000) 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 years ended 31 December 2022 and 2021, diluted earnings/(loss) per share is equal to the basic earnings/(loss) 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:

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
0–90 days	16,470	27,512
91–180 days	9,392	12,871
181–270 days	3,931	6,450
271–360 days	2,855	2,425
Over 360 days	<u>31,345</u>	<u>25,701</u>
Trade receivables, gross	63,993	74,959
Less: Provision for impairment of receivables	<u>(19,775)</u>	<u>(18,791)</u>
Trade receivables, net	<u><u>44,218</u></u>	<u><u>56,168</u></u>

Trade receivables are due on presentation of invoices.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

12. TRADE PAYABLES

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

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
0–90 days	25,483	15,002
91–180 days	10,381	6,417
181–270 days	2,646	3,721
271–360 days	8,472	3,691
Over 360 days	17,178	8,253
	<u>64,160</u>	<u>37,084</u>

All amounts are short term and hence the carrying values of the Group's trade payables are considered to be a reasonable approximation of their fair value.

13. SHARE CAPITAL

	2022 (Unaudited)		2021 (Unaudited)	
	Number of shares	<i>HK\$'000</i>	Number of shares	<i>HK\$'000</i>
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>

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 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”).

During the year, revenue of the Group was approximately HK\$989.1 million (2021: HK\$1,016.1 million), and profit for the year was approximately HK\$11.92 million (2021: loss of approximately HK\$107.96 million). The profit is mainly due to the fact that during the year ended 31 December 2022, the Group (1) promoted the reduction of product costs through improving production efficiency and enhancing the capability of supporting products; and (2) continued to take various measures to curb the management and administrative expenses. The information contained in this preliminary unaudited results announcement is solely based on the unaudited consolidated management accounts of the Group for the year ended 31 December 2022, which have not been audited or reviewed by the auditor of the Company. This preliminary unaudited annual results announcement has not yet taken into account of the impairment (if any) of the loans owed by the Nan Hai Group (as defined in the Company’s announcement dated 30 March 2022) to the Group. For further details, please refer to the paragraph headed “Review of Unaudited Annual Results” of this announcement. Such financial information will be subject to necessary adjustments (if any) as may be required following the finalization of the annual audit for the years ended 31 December 2021 and 31 December 2022.

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review (Continued)

By virtue of the comprehensive digital marketing, total solutions for digital business and cloud computing infrastructure services offered to corporate clients in China, the Group has been chosen by nearly 3.5 million customers to support their digitalization efforts in its 23 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 almost 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 advancement of digitalisation, more and more enterprises have started to recognise the impact of digital transformation on their business and have started to develop the layout of their products, services and operations accordingly. In the course of our enterprise services, we have also found that our enterprise customers are eager to use digital products and services and to establish private digital operations for their enterprises. CE Dongli has launched “global portal” covering domestic and foreign trade and carried out a comprehensive technology upgrade for portal products. In 2022, we also made upgrades for domestic and foreign trade customers using “global portal” and launched 2022 global portal foreign trade professional edition and marketing professional edition to address the growing business needs of our customers. “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 “global portal” technology upgrade greatly enhances the search friendliness, extensibility and customer experience of the products, helping small-to-medium enterprise customers to achieve more efficient automated marketing with limited investment.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review (Continued)

In recent years, the e-commerce area has shown a diversified development trend. Enterprises urgently need to establish their own private e-commerce ecosystem. Through identifying new ways to combine public and private domains, enterprises attempt to get rid of the constraints of platforms gradually and establish their own private e-commerce ecology, and the attempt has not only covered “to customer” and “to business”, but also extended to the “to government” e-commerce scenario. Under the guidance of OMO (Online Merge Offline) strategy, the Group is able to identify customers’ needs more accurately, and with the support of a solid product and technology foundation, it has established business environment that flexibly respond to the integration of customers’ different needs, creating more precise marketing, more flexible business models and more diverse business access.

In order to effectively fill the lack of e-commerce products for cinema service industry, Oristar became a wholly-owned subsidiary of the Group on 26 July 2021. In 2022, 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 and 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.

Enterprise cloud services

During the year, the revenue of the business segment of enterprise cloud services was approximately HK\$914.1 million (2021: HK\$972.0 million). Loss before income tax was approximately HK\$22.6 million (2021: HK\$163.3 million). The substantial decrease in loss is attributable to the aforesaid reduction of products costs and management and administrative expenses.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review (Continued)

Enterprise cloud services (Continued)

CE Dongli

With 23 years' service experience, CE Dongli has successfully developed a SaaS product system that meets the demand for management digitalization for vast number of enterprises in China. It has established an ecosystem 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 large and medium, small and micro enterprises customers and key accounts major customers, further gaining the recognition from our customers.

In the digital commerce area, CE Dongli has served nearly eight 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; in addition to continuing to help customers to establish transformation from public to private domain and matching of diverse marketing scenarios, we also provide e-commerce solutions for the government procurement sectors based on our product capabilities and strong platform capabilities, helping customers to establish a closed loop for marketing in the sector, and the professionalism and complete system design of our products have also been recognized and appraised by our customers.

In terms of new product development, CE Dongli focused on the weaknesses of insufficient expertise, limited capital and strong demand for digital transformation in the business of our customers, increased its investment in automated marketing to further strengthen its capabilities in content, service and other aspects. 2022 global portal marketing professional edition has established more powerful automatic website optimization and automatic updating capabilities, achieving a leap forward in the process of digital marketing automation and satisfying customers' needs for more efficient and accurate automated marketing for customers with insufficient operational capabilities and limited marketing investment. The establishment of automatic dialogue and automatic identification capabilities for visitors also allows clients to gain more efficient insights and engagement with visitors. The establishment of a design supporting capability allows the design of customer websites and customer journeys to be more closely aligned with industry upgrades, and the browsing experience of the website is significantly enhanced through investment in research and development.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review (Continued)

Enterprise cloud services (Continued)

CE Dongli (Continued)

CE Dongli's 2022 global portal foreign trade professional edition has achieved industry-leading performance in the Google search engine through leading research and development investment and continuous technical enhancement, and the loading speed of our clients' websites is faster which is more than double than that of the top companies in the industry. CE Dongli's 2022 global portal foreign trade professional edition has 42 languages which are widely covered for 10 ASEAN countries, 27 EU countries, and 15 RCEP (Regional Comprehensive Economic Partnership) countries. Large overseas clusters, trans-oceanic lines, static separation technology, and high-proof CDN (Content Distribution Network) also ensure easier maintenance and more stable operation of our clients' websites, and achieve e-commerce level anti-attack capability.

Xinnet

During the year, Xinnet continued to provide digital transformation basic services to domestic medium and small-sized enterprises through online, ground sales and a nationwide agent channel system. Apart from business such as domain name management, mailbox and basic online services offered to our members and agents, through years of professionalism, the domain name business of various key customers, including Baidu, Tencent, JD, Huawei, Sina and Volcengine, has been gradually integrated into Xinnet ecosystem co-operation. In addition to providing foundation businesses such as domain name management, public cloud IaaS (Infrastructure as a Service) and mailbox, Xinnet is also committed to vigorously developing digital application products for small and medium-sized enterprises. It launched a brand-new website construction product line and corresponding SSL (Secure Socket Layer) certificate product line to meet the application and security needs of users and increase market coverage. It has also continued to expand the enterprise market in the area of corporate application services. Enriching the product lines in respect of public cloud products by adding new products including Redis, RabbitMQ, Web application Firewall, cloud security center etc, in order to meet the needs of users for PaaS (Platform as a Service) products.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review (Continued)

Digital business and information technology services

Oristar

The Company completed the acquisition of Oristar Group on 26 July 2021. During the year, the digital business and information technology services business segment recorded revenue of approximately HK\$75.0 million and loss before income tax of approximately HK\$57.4 million.

The year 2022 was the most difficult year for the cinema industry since the pandemic. Due to various impacts such as control policies and content supply, the annual national box office for 2022 was less than RMB30 billion, representing only 63% of that of 2021. During the year, Oristar worked with its cinema partners to help them improve operational efficiency and save operating costs through its digital system, and was fully trusted by its partners. As of 31 December 2022, the number of cinemas using Oristar's digital solution had exceeded 2,800, representing a 21% increase over 2021, and ranking second in the industry in terms of market share and first out of the top five companies in the industry in terms of growth rate in the PRC. While maintaining high market growth, Oristar's product stability and user experience have also made a qualitative leap forward. "Oristar Cloud Cinema Management System 4.0" achieved zero incidents that cause losses to customers in 2022, and the number of customer service work orders dropped by 17% compared to 2021. In addition to the ticketing SaaS business, Oristar also paid close attention to the evolution of new internet media, and combined with the weaknesses of the industry operation highlighted in the epidemic. It also launched the "Oristar Cloud Cinema Self-Management Platform" with the objective of improving the cinema's ability to operate private domain traffic in WeChat and Douyin systems, achieving remarkable results in significantly increasing the cinema's membership activity through trial operation in 50 cinemas. In 2023, Oristar will further increase its research and investment in the cinema self-operating platform and strive for a major breakthrough in self-commercialisation.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Prospects

In recent years, with changes of the complex internal and external environment, Chinese enterprises have begun to accelerate their digital transformation as they upgrade their production. In the process of serving a large number of enterprises, we have seen both a more systematical thinking of large enterprises and the pushing forward of the digital transformation, and a large number of small and medium-sized enterprises being confused and helpless due to limited knowledge and resources when following and taking part in this trend. With 23 years of long-term accumulation and growth with customers, the Group has deeply understood 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 digitalization of enterprises, 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 standing firm in the industry and supporting our clients' business growth.

Financial Resources and Liquidity

The Group continued to adopt prudent funding and treasury policies. As at 31 December 2022, net assets attributable to the owners of the Company amounted to approximately HK\$1,481.7 million (2021: approximately HK\$1,456.9 million), including cash and cash equivalents of approximately HK\$65.7 million (2021: approximately HK\$92.7 million) which were mainly denominated in Renminbi, Hong Kong dollars and United States dollars. The Group had bank borrowings bearing interest at fixed rates of approximately HK\$118.8 million as at 31 December 2022 (2021: approximately HK\$122.4 million). The Group has not entered into any interest rate hedge during the year.

As at 31 December 2022, 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 3.5% (2021: 2.0%).

As at 31 December 2022, the Group had no capital commitment (2021: nil).

As at 31 December 2022, the Group's contingent liabilities were approximately HK\$23.4 million in connection with the guarantees given to secure credit facilities granted to an associate (2021: approximately HK\$22.6 million).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Resources and Liquidity (Continued)

As at 31 December 2022, certain interests in property, plant and equipment amounting to approximately HK\$12.1 million (2021: approximately HK\$13.6 million) were pledged to secure the bank borrowings.

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.

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 restricted share award under the Company's restricted share award scheme at the discretion of the Board. In general, salary review is conducted annually. As at 31 December 2022, the Group had approximately 4,680 employees (2021: 4,891 employees). The total salaries of and allowances for employees for the year ended 31 December 2022 were approximately HK\$702.2 million (2021: approximately HK\$746.4 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.

FINAL DIVIDEND

The directors of the Company have resolved not to recommend the declaration of any final dividend for the year ended 31 December 2022 (2021: 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 Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2022 and as of the date of this announcement except for the deviation as stated below:

Reference is made to the announcement of the Company dated 30 December 2022, the annual general meeting in respect of the year ended 31 December 2021 of the Company have been postponed as a results of the delay of publication of the 2021 audited annual results and 2021 annual report. Accordingly, the Company is unable to comply with the applicable principles and code provisions set out in the CG code.

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 year ended 31 December 2022.

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 this unaudited results announcement for the year ended 31 December 2022.

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

Reference is made to the announcement of the Company dated 15 March 2023 in relation to positive profit alert, delay in publication of 2021 and 2022 audited annual results and delay in despatch of 2021 and 2022 annual reports. Regarding the annual results for 2021, the Company and its auditor have not yet come to an agreement on the accounting treatment of impairment (if any) of the loans owed by Nan Hai Group to the Group and the audit issues regarding the appraised value of the security provided in respect of the loans owed by the Nan Hai Group to the Group. Additional time is required given that the Company's auditor has to confirm the relevant information after the Nan Hai Group has completed an internal control investigation. As far as the Board is aware, the internal control investigation of the Nan Hai Group is still in progress.

In the unaudited consolidated financial statements of the Company for the year ended 31 December 2022, the loans to immediate holding company stated in the consolidated statement of financial position amounted to approximately HK\$1,235.0 million (2021: approximately HK\$1,146.8 million) (approximately 50.3% (2021: 45.9%) of total assets). Such information, amongst other matters, is subject to uncertainties and the auditing process of the auditor of the Company.

Accordingly, as of the date of this announcement, auditing and reporting processes for the annual results of the Group for the year ended 31 December 2021 has not been completed and the auditing and reporting process for the annual results for the year ended 31 December 2022 has not yet commenced, therefore the Company and its auditor are not yet in a position to agree on the final annual results of the Group for the years ended 31 December 2021 and 2022, 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.

The financial information for the years ended 31 December 2021 and 2022 will be subject to necessary adjustments (if any) as may be required following the finalization of the annual audit for the years ended 31 December 2021 and 2022.

REVIEW OF UNAUDITED ANNUAL RESULTS (Continued)

As the Company and its auditor have not yet come to an agreement on the definite timeline about the completion of their audit work and as a result, the Company is unable to confirm the expected date for the publication of 2021 and 2022 audited annual results and the despatch of 2021 and 2022 annual reports.

PUBLICATION OF UNAUDITED ANNUAL RESULTS ANNOUNCEMENT

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). The despatch of 2022 annual report of the Company containing all the information required by the applicable Listing Rules will be delayed. The Company will make further announcements on the 2021 and 2022 audited annual results and 2021 and 2022 annual report as and when appropriate.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Hong Kong Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2022 and will remain suspended until the Company fulfils the Resumption Guidance (as defined in the Company's announcement dated 29 June 2022).

Shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company.

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

Hong Kong, 31 March 2023

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