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SINO-i TECHNOLOGY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 250)

CONTINUING CONNECTED TRANSACTIONS: PROPERTY LEASING AND MANAGEMENT FRAMEWORK AGREEMENT

PROPERTY LEASING AND MANAGEMENT FRAMEWORK AGREEMENT

On 21 June 2018 (after trading hours), the Company entered into the Property Leasing and Management Framework Agreement with Nan Hai, pursuant to which, Nan Hai Group agreed to lease certain properties at the Property Site and provide property management services to the Group from 21 June 2018 to 31 December 2020.

Reference is made to the announcements of the Company dated 16 March 2018 (“**2018 Announcement**”) and 21 June 2018. Completion of the Disposal of Digital Huigu took place on 21 June 2018. Upon Completion, Digital Huigu ceased to be a subsidiary of the Company and became a subsidiary of Nan Hai but continues to own the properties at the Property Site.

LISTING RULES IMPLICATIONS

As Nan Hai is the holding company of the Company, Nan Hai is a connected person of the Company. Therefore, the transactions under the Property Leasing and Management Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the transactions contemplated under the Property Leasing and Management Framework Agreement exceed 0.1% but less than 5%, the transactions contemplated under the Property Leasing and Management Framework Agreement are subject to the reporting, annual review and announcement requirements but are exempt from the circular (including independent financial advice) and the independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

I. PROPERTY LEASING AND MANAGEMENT FRAMEWORK AGREEMENT

On 21 June 2018 (after trading hours), the Company entered into the Property Leasing and Management Framework Agreement with Nan Hai, pursuant to which, Nan Hai Group agreed to lease certain properties at the Property Site and provide property management services to the Group from 21 June 2018 to 31 December 2020, details of which are set out below.

Reference is made to the announcements of the Company dated 16 March 2018 (“2018 Announcement”) and 21 June 2018. Completion of the Disposal of Digital Huigu took place on 21 June 2018. Upon Completion, Digital Huigu ceased to be a subsidiary of the Company and became a subsidiary of Nan Hai but continues to own the properties at the Property Site.

Date

21 June 2018

Parties

- (a) the Company; and
- (b) Nan Hai.

Property Leasing and Management

Nan Hai Group agreed to lease to the Group certain properties with a total gross area not exceeding 9,500 square meters located at the Property Site and also agreed to provide property management services to the Group pursuant to the Property Leasing and Management Framework Agreement.

Digital Huigu entered into individual property leasing agreement with members of the Group prior to the date of Completion, setting out specific terms including term, consideration, area of the leased property and payment terms. Such terms are consistent with the principles and terms of the Property Leasing and Management Framework Agreement and will remain in full force and effect but they will be subject to the Property Leasing and Management Framework Agreement as they will constitute continuing connected transaction for the purposes of Chapter 14A of the Listing Rules upon Completion.

The Nan Hai Group entered into individual property management agreements with members of the Group on 1 January 2018 setting out specific term, consideration and payment terms for property management services. The Company confirms that the aggregate transaction amount with Nan Hai Group in relation to such property management services for the period from 1 January 2018 to the date of this announcement is below the de minimis threshold under Chapter 14A of the Listing Rules. Such agreements will remain in full force and effect but they will be subject to the Property Leasing and Management Framework Agreement.

Term

The Property Leasing and Management Framework Agreement will commence from 21 June 2018 to 31 December 2020 (both days inclusive). The term of each lease or property management services agreement entered/to be entered into under the Property Leasing and Management Framework Agreement will be valid until 31 December 2020 with the exact term determined by each individual property leasing and management agreement.

Pricing Policy and Payment

The consideration payable under the Property Leasing and Management Framework Agreement shall be determined by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties with reference to the rental rates and management fees for properties leased to independent third parties located at the Property Site during the same period. The relevant transactions will be conducted on normal commercial terms and on terms and consideration not less favourable than those offered by independent third parties.

The consideration payable under each individual property leasing and management agreement is to be settled on terms to be agreed by the parties under each individual agreement.

Historical Figures and the Annual Caps

The following table sets out the historical rental fees paid by the Group to Digital Huigu prior to Completion; and historical management fees paid by the Group to the Nan Hai Group and for the following periods:

	For the year ended 31 December			For the period from 1 January 2018 to 20 June 2018 <i>(approximately)</i>
	2015	2016	2017	
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Total rental and management fees	5,960	5,632	7,109	3,780

The following table sets out the proposed annual caps of the transaction amount in respect of the lease and management of properties provided to the Group by Nan Hai Group under the Property Leasing and Management Framework Agreement:

	For the period from 21 June 2018 to 31 December 2018 (HK\$'000)	For the year ending 31 December 2019 (HK\$'000)	2020 (HK\$'000)
Total rental and management fees	5,000	10,500	11,500

The annual caps are determined with reference to:

1. the historical transaction amount for the leasing and management of properties to the Group;
2. the increase in rental and management cost in recent years in the commercial areas in Beijing; and
3. the expected increase in the need of office areas by the Group.

The Directors (including the independent non-executive Directors) consider that the above proposed annual caps under the Property Leasing and Management Framework Agreement are fair and reasonable.

II. REASONS FOR AND BENEFITS OF THE PROPERTY LEASING AND MANAGEMENT FRAMEWORK AGREEMENT

Reference is made to the 2018 Announcement and announcement dated 21 June 2018. Completion of the Disposal of Digital Huigu took place on 21 June 2018. Upon Completion, Digital Huigu is no longer a subsidiary of the Company and becomes a subsidiary of Nan Hai, and the property leasing and management transactions between Nan Hai and the Group constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

By entering into the Property Leasing and Management Framework Agreement, the Group can continue to enjoy the rented space at the Property Site and need not secure new location for its operations in Beijing.

The terms of the Property Leasing and Management Framework Agreement have been agreed upon arm's length negotiations between the Company and Nan Hai.

The Directors (including the independent non-executive Directors) are of the view that (i) the continuing connected transactions contemplated under the terms of the Property Leasing and Management Framework Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Company; (ii) the terms of the Property Leasing and Management Framework Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and

(iii) the proposed annual caps of the transactions contemplated under the Property Leasing and Management Framework Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

III. INTERNAL CONTROL MEASURES FOR THE CONTINUING CONNECTED TRANSACTIONS

To safeguard the interest of the Group, the Group will adopt the following internal control measures:

1. the relevant personnel of the Group will closely monitor the transactions of the Group under the Property Leasing and Management Framework Agreement to ensure that the consideration does not exceed the stipulated annual caps;
2. prior to entering into a property leasing and management agreement contemplated under the Property Leasing and Management Framework Agreement, the relevant personnel of the Group will ensure the rental rates and management fees are negotiated on arm's length basis, with reference to the prevailing rental rates and management fees of comparable properties located at the Property Site leased to at least two independent third parties during the same period;
3. the management of the Company and/or its subsidiaries, with reference to the terms of leases and property management services in respect of comparable properties to other independent third parties, will examine each lease of properties leased to the Group and ensure the rental rates and property management fees are fair and reasonable, on normal commercial terms and on terms not less favourable than those offered by independent third parties;
4. the relevant personnel of the Group will conduct regular checks to review and assess whether the transactions contemplated under the relevant continuing connected transactions are conducted in accordance with the terms set out in the Property Leasing and Management Framework Agreement and whether the consideration for the transaction are fair and reasonable and in accordance with the pricing policies set out in the Property Leasing and Management Framework Agreement;
5. the Company's external auditors will conduct an annual review of the transactions entered into under the Property Leasing and Management Framework Agreement to ensure the transactions amount are within the annual caps and the transactions are in accordance with the terms set out in the Property Leasing and Management Framework Agreement; and
6. the Company's independent non-executive Directors will conduct an annual review of the status of the leasing leased by the Group and the management services offered to the Group to ensure the Group has complied with internal approval process, the terms of the Property Leasing and Management Framework Agreement and the relevant Listing Rules.

IV. INFORMATION ON THE PARTIES

The Company

The Company is an investment holding company whose securities are listed and traded on the Main Board of the Stock Exchange. The Group is principally engaged in the provision of enterprise cloud services.

Digital Huigu

Digital Huigu is a company incorporated in the PRC and is owned as to 92.36% by Nan Hai upon Completion. The remaining equity interests of Digital Huigu are owned by independent third parties. Digital Huigu owns the properties at the Property Site and is principally engaged in the holding of property at the Property Site.

Nan Hai

Nan Hai is an investment holding company whose securities are listed and traded on the Main Board of the Stock Exchange. Nan Hai Group is principally engaged in (i) culture and media services (mainly in cinema business on a nationwide basis in the PRC in addition to film distribution and other media related businesses); (ii) property development, and (iii) enterprise cloud services (through the Group). In the meantime, the Nan Hai Group has achieved steady growth in its new business sector concerning internet lifestyle platform and innovative business. As at the date of this announcement, Nan Hai, through a number of wholly-owned subsidiaries, holds approximately 64.47% of the issued share capital of the Company.

V. LISTING RULES IMPLICATIONS

As Nan Hai is the holding company of the Company, Nan Hai is a connected person of the Company. Therefore, the transactions under the Property Leasing and Management Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the transactions contemplated under the Property Leasing and Management Framework Agreement exceed 0.1% but less than 5%, the transactions contemplated under the Property Leasing and Management Framework Agreement are subject to the reporting, annual review and announcement requirements but are exempt from the circular (including independent financial advice) and the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

VI. BOARD'S APPROVAL

The Board has approved the Property Leasing and Management Framework Agreement. Since Mr. YPH has material interest in the Property Leasing and Management Framework Agreement, he has abstained from voting on the relevant meeting of the Board to approve the Property Leasing and Management Framework Agreement. Except Mr. YPH, no Director has a material interest in the transaction contemplated under the Property Leasing and Management Framework Agreement.

VII. DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“associate(s)”	has the meaning given to it under the Listing Rules
“Board”	the board of Directors
“Company”	Sino-i Technology Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed and traded on the Stock Exchange (stock code: 250)
“Completion”	has the meaning given to it in the 2018 Announcement
“connected person(s)”	has the meaning given to it under the Listing Rules
“Digital Huigu”	數碼慧谷置業管理股份有限公司 (Digital HUIGU Real Estate Management Co., Ltd.*), a company incorporated in the PRC with limited liability and a subsidiary of Nan Hai
“Disposal”	has the meaning given to it in the 2018 Announcement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“independent third party(ies)”	any person(s) or companies and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are third party(ies) independent of the Company and connected persons (as defined under the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. YPH”	Mr. Yu Pun Hoi (于品海先生), a controlling shareholder of the Company and an executive director of both the Company and Nan Hai

“Nan Hai”	Nan Hai Corporation Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Stock Exchange (stock code: 680), the holding Company and a connected person of the Company as defined under the Listing Rules
“Nan Hai Group”	Nan Hai and its subsidiaries (excluding the Group)
“Property Site”	No.1, Disheng West Road, Beijing Economic-Technological Development Area, Yi Zhuang Town, Da Xing District, Beijing, PRC
“Property Leasing and Management Framework Agreement”	the Property Leasing and Management Framework Agreement entered into between Nan Hai and the Company on 21 June 2018 pursuant to which Nan Hai Group shall lease to the Group certain properties and provide property management services in accordance with the terms thereunder
“PRC”	the People’s Republic of China, for the purposes of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 21 June 2018

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

<i>Executive Directors:</i>	<i>Non-executive Director:</i>	<i>Independent non-executive Directors:</i>
Ms. Liu Rong	Mr. Lam Bing Kwan	Mr. Fung Wing Lap
Mr. Yu Pun Hoi		Prof. Jiang Ping
Mr. Chen Ming Fei		Mr. Xiao Sui Ning

* *For identification purposes only*