Century Sage Scientific Holdings Limited
世紀睿科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1450)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 12.2% to RMB291.0 million for the six months ended 30 June 2016 from RMB259.2 million for the six months ended 30 June 2015.
- Gross profit increased by approximately 6.4% to RMB84.5 million for the six months ended 30 June 2016 from RMB79.5 million for the six months ended 30 June 2015.
- Net profit increased by approximately 28.9% to RMB21.5 million for the six months ended 30 June 2016 from RMB16.7 million for the six months ended 30 June 2015.
- The Board does not recommend distribution of any interim dividend for the six months ended 30 June 2016 (2015: Nil).

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") is pleased to announce the unaudited condensed consolidated interim results of Century Sage Scientific Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2016 (the "**Interim Period**"), together with the comparative figures for the six months ended 30 June 2015 (the "**Corresponding Period**"). The unaudited condensed consolidated interim results of the Group have not been audited, but have been reviewed by the Company's auditors, PricewaterhouseCoopers, and the audit committee of the Company (the "**Audit Committee**").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited six months ended 30 June 2016 RMB'000	2015 RMB'000
Revenue	4	**290,990**	259,249
Cost of sales	4	**(206,474)**	(179,788)
Gross profit	4	**84,516**	79,461
Selling expenses		**(13,498)**	(11,595)
Administrative expenses		**(40,366)**	(45,776)
Other income		**1,121**	794
Operating profit	6	**31,773**	22,884
Finance income		**51**	154
Finance costs		**(6,375)**	(2,940)
Finance costs — net		**(6,324)**	(2,786)
Share of post-tax profits of an associate	5	**1,216**	–
Profit before income tax		**26,665**	20,098
Income tax expense	7	**(5,181)**	(3,430)
Profit for the period		**21,484**	16,668
Profit attributable to:			
Owners of the Company		**21,484**	16,668
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**(784)**	(1,144)
Other comprehensive loss for the period, net of tax		**(784)**	(1,144)
Total comprehensive income for the period		**20,700**	15,524
Total comprehensive income for the period attributable to:			
Owners of the Company		**20,700**	15,524
Earnings per share (expressed in RMB per share)			
— Basic & diluted	15	**0.02**	0.02

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2016** *RMB'000*	Audited 31 December 2015 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*9*	**54,443**	58,677
Intangible assets	*9*	**38,687**	38,142
Deferred income tax assets		**5,112**	2,084
Financial assets at fair value through profit or loss		**40,958**	19,063
Investments in an associate	*5*	**28,158**	26,942
Trade and other receivables	*10*	**77,871**	–
Other non-current assets		**9,907**	1,322
		255,136	146,230
Current assets			
Inventories		**192,606**	122,775
Trade and other receivables	*10*	**528,142**	478,274
Pledged bank deposits		**17,545**	16,115
Cash and cash equivalents		**25,462**	62,082
		763,755	679,246
Total assets		**1,018,891**	825,476
EQUITY			
Equity attributable to owners of the Company			
Share capital	*11*	**8,004**	7,933
Share premium	*11*	**260,469**	252,286
Other reserves		**(66,159)**	(58,031)
Retained earnings		**225,669**	209,185
Total equity		**427,983**	411,373

	Note	**Unaudited 30 June 2016** *RMB'000*	Audited 31 December 2015 *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings	*13*	**92,214**	29,474
Deferred income tax liabilities		**1,266**	1,451
		93,480	30,925
Current liabilities			
Trade and other payables	*14*	**252,966**	200,562
Current income tax liabilities		**15,077**	5,646
Borrowings	*13*	**229,385**	176,970
		497,428	383,178
Total liabilities		**590,908**	414,103
Total equity and liabilities		**1,018,891**	825,476

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited				
	Attributable to owners of the Company				
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Other reserves** *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*
Balance at 1 January 2016	7,933	252,286	(58,031)	209,185	411,373
Comprehensive income					
Profit for the period	–	–	–	21,484	21,484
Other comprehensive income					
Currency translation differences	–	–	(784)	–	(784)
Total comprehensive income for the period ended 30 June 2016	–	–	(784)	21,484	20,700
Transactions with owners					
Dividend	–	–	–	(5,000)	(5,000)
Employees share award and option scheme — value of employee services	–	–	910	–	910
Issue of ordinary share for the equity consideration for investment in an associate	71	8,183	(8,254)	–	–
Total transactions with owners, recognised directly in equity	71	8,183	(7,344)	(5,000)	(4,090)
Balance as at 30 June 2016	8,004	260,469	(66,159)	225,669	427,983
Balance at 1 January 2015	7,933	252,286	(64,732)	190,098	385,585
Comprehensive income					
Profit for the period	–	–	–	16,668	16,668
Other comprehensive income					
Currency translation differences	–	–	(1,144)	–	(1,144)
Total comprehensive income for the period ended 30 June 2015	–	–	(1,144)	16,668	15,524
Transactions with owners					
Dividend	–	–	–	(31,000)	(31,000)
Employees share award and option scheme — value of employee services	–	–	398	–	398
Total transactions with owners, recognised directly in equity	–	–	398	(31,000)	(30,602)
Balance as at 30 June 2015	7,933	252,286	(65,478)	175,766	370,507

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash generated from operations	**(106,638)**	(38,095)
Interest paid	**(4,515)**	(2,640)
Income tax paid	**(1,622)**	(42,242)
Net cash used in operating activities	**(112,775)**	(82,977)
Cash flows from investing activities		
Purchases of property, plant and equipment	**(576)**	(3,779)
Payment of pledged bank deposits	**(17,544)**	(15,696)
Collection of pledged bank deposits	**16,115**	6,668
Purchase of financial assets at fair value through profit or loss	**(22,325)**	–
Purchases of intangible assets	**(2,393)**	(5,000)
Prepayments for acquisition of a subsidiary	**(7,500)**	(15,772)
Net cash used in investing activities	**(34,223)**	(33,579)
Cash flows from financing activities		
Proceeds from borrowings	**390,172**	112,381
Repayments of borrowings	**(275,017)**	(77,804)
Dividend	**(5,000)**	–
Net cash generated from financing activities	**110,155**	34,577
Net decrease in cash and cash equivalents	**(36,843)**	(81,979)
Cash and cash equivalents at beginning of period	**62,082**	119,708
Exchange difference	**223**	1,329
Cash and cash equivalents at end of the period	**25,462**	39,058

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016

1. GENERAL INFORMATION

Century Sage Scientific Holdings Limited (the "Company") was incorporated in the Cayman Islands on 18 December 2012 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands.

The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (the "Group") are principally engaged in the provision of (i) application solutions, (ii) sports and events business, (iii) system maintenance services; and (iv) the development and sales of broadcast and transmission equipment, as well as other related services, for the delivery of various formats of media content in the People's Republic of China (the "PRC"). The Group has operations mainly in the PRC.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited on 7 July 2014.

This interim financial information was approved for issue by the board of directors of the Company on 15 August 2016.

This interim financial information has not been audited.

2. BASIS OF PREPARATION AND PRESENTATION

This interim financial information for the six months ended 30 June 2016 has been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34"), "Interim financial reporting". The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements, except for the adoption of amendments to HKFRS effective for the financial year ending 31 December 2016.

Amendments to HKFRSs effective for the financial year ending 31 December 2016 do not have a material impact on the Group.

Taxes on income in the interim periods are accrued using the tax rates that would be applicable to expected total annual earnings.

4. SEGMENT INFORMATION

The chief operating decision-makers (the "CODM") mainly include the executive directors, who are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions. The CODM consider the business from both business and geographical perspectives.

The Group has the following reportable segments for the relevant periods:

- Application solutions

- Sports and events business

- System maintenance services

- Product development and sales

The CODM assess the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling expenses, administrative expenses and finance cost are common costs incurred for the operating segment as a whole and therefore they are not included in the measure of the segments' performance which is used by the CODM.

The segment information provided to the CODM for the reportable segments for the periods is as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Segment revenue		
Application solutions	**255,336**	229,526
Sports and events business	**9,825**	8,632
System maintenance services	**10,674**	11,780
Product development and sales	**15,155**	9,311
Total	**290,990**	259,249
Segment cost		
Application solutions	**(187,811)**	(167,129)
Sports and events business	**(6,557)**	(3,310)
System maintenance services	**(4,928)**	(5,344)
Product development and sales	**(7,178)**	(4,005)
Total	**(206,474)**	(179,788)
Segment gross profit		
Application solutions	**67,525**	62,397
Sports and events business	**3,268**	5,322
System maintenance services	**5,746**	6,436
Product development and sales	**7,977**	5,306
Total	**84,516**	79,461
Depreciation		
Application solutions	**3,993**	3,887
Sports and events business	**154**	146
System maintenance services	**167**	199
Product development and sales	**237**	158
Total	**4,551**	4,390

5. INVESTMENT IN AN ASSOCIATE

	Six months ended 30 June 2016 *RMB'000*
At 1 January 2016	26,942
Share of post-tax profits of an associate	1,216
At 30 June 2016	28,158

The Group's share of the results in the associate and its aggregated assets and liabilities are shown below:

	Six months ended 30 June 2016 *RMB'000*
Assets	91,455
Liabilities	51,500
Revenues	11,713
Share of profit	1,216
Percentage held	49%

6. OPERATING PROFIT

An analysis of the amounts presented as operating items in the interim financial information is given below:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Equipment costs	**202,011**	132,880
Servicing and agency costs	**8,966**	17,067
Business development	**3,982**	3,663
Depreciation and amortisation	**6,399**	5,320
	221,358	158,930

7. INCOME TAX EXPENSE

Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from the Cayman Islands income tax.

Hong Kong profits tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for the year ended 31 December 2015 and the six months ended 30 June 2016 on the estimated assessable profit for the year. Hong Kong profits tax amounted at RMB7,065,143 (year ended 31 December 2015: nil) was provided for profit amounted at RMB42,819,046 (year ended 31 December 2015: nil), which was subject to Hong Kong profits tax during the period.

PRC enterprise income tax ("EIT")

Entities incorporated in the PRC are subject to the EIT. According to the EIT Law effective from 1 January 2008, all PRC enterprises are subject to a standard enterprise income tax rate of 25%, except for enterprises who are allowed to enjoy the preferential policies and provisions as discussed below:

Certain subsidiaries of the Group were qualified as the High and New Technology Enterprise ("HNTE") and the EIT was provided at a preferential tax rate as 15%.

PRC withholding tax

In addition, according to the EIT Law, dividends, interests, rent, royalties and gains on transfers of property received by a foreign enterprise, i.e. a non-PRC tax resident enterprise, will be subject to PRC withholding tax at 10% or a reduced treaty rate depending on provisions of tax treaty entered between the PRC and the jurisdiction where the foreign enterprise incorporated. The withholding tax rate is 5% for the parent company in Hong Kong if it is the beneficial owner of the dividend received from the invested enterprises in the PRC and obtained the approval of enjoying the treaty rate from the PRC tax authorities. The withholding tax imposed on the dividend income received from the Group's PRC entities will reduce the Company's net income.

The income tax expense of the Group for the six months ended 30 June 2016 is analysed as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Current income tax	**8,394**	3,917
Deferred income tax	**(3,213)**	(487)
Income tax expense	**5,181**	3,430

Income tax expense is recognized based on management's estimate at the weighted average annual income tax rate expected for the full financial year.

8. DIVIDENDS

A dividend of RMB5,000,000 in respect of the year ended 31 December 2015 was paid in June 2016.

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2016 (for the six months ended 30 June 2015: nil).

9. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment *RMB'000*	Intangible assets *RMB'000*
Six months ended 30 June 2016		
Net book value or valuation		
Opening amount as at 1 January 2016	**58,677**	38,142
Additions	**576**	2,601
Disposals	**(259)**	–
Depreciation	**(4,551)**	(2,056)
Closing amount as at 30 June 2016	**54,443**	38,687
Six months ended 30 June 2015		
Net book value or valuation		
Opening amount as at 1 January 2015	**58,002**	20,736
Additions	**3,322**	–
Depreciation	**(4,390)**	(930)
Closing amount as at 30 June 2015	**56,934**	19,806

10. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2016 ***RMB'000***	31 December 2015 *RMB'000*
Trade receivables	**474,915**	371,749
Less: provision for impairment of trade receivable	**(1,463)**	(1,133)
Trade receivables — net	**473,452**	370,616
Other receivables		
Amount due from customers for contract work	**–**	1,866
Deposit for guarantee certificate over tendering and performance	**40,095**	30,533
Prepayments	**46,415**	35,251
Deposit for acquisition of subsidiaries	**17,093**	16,756
Cash advance to staff	**7,363**	6,914
Others	**21,595**	16,338
	606,013	478,274
Less: non-current portion of trade receivables	**77,871**	–
Current portion	**528,142**	478,274

At 31 December 2015 and 30 June 2016, the aging analysis of the trade receivables based on revenue recognition date is as follows:

	As at **30 June 2016** *RMB'000*	31 December 2015 *RMB'000*
Up to 3 months	**238,585**	144,065
3 to 6 months	**53,621**	69,260
6 months to 1 year	**62,515**	57,353
1 to 2 years	**61,279**	74,198
2 to 3 years	**57,519**	25,919
Over 3 years	**1,396**	954
	474,915	371,749

11. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares *HK$'000*	Equivalent nominal value of ordinary shares *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
At 1 January 2016	1,000,000,000	10,000	7,933	252,286	260,219
Issue of ordinary shares for the equity consideration for investment in an associate	8,396,000	84	71	8,183	8,254
Balance at 30 June 2016	1,008,396,000	10,084	8,004	260,469	268,473
Balance at 1 January 2015 and 30 June 2015	1,000,000,000	10,000	7,933	252,286	260,219

12. SHARE BASED PAYMENTS

(i) Share Award Plan

The Company adopted a share award plan (the "Share Award Plan") on 24 March 2014, which is administered by a trustee (the "Trustee"). The major shareholder of the Company, Cerulean Coast Limited, has reserved and set aside a total of 22,500,000 award shares and held by the Trustee. The Share Award Plan involves granting of existing shares held by the Trustee and no new shares will be issued pursuant to the Share Award Plan.

Movement of the awarded shares under the Share Award Plan during the period is as the following:

	Number of awarded shares
At 1 January 2016	7,864,868
Granted	6,025,000
Vested	(280,000)
At 30 June 2016	13,609,868
At 1 January 2015	–
Granted	8,864,868
Vested	(1,000,000)
At 30 June 2015	7,864,868

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date. The fair value of awarded shares granted during the six months ended 30 June 2016 was RMB0.544 per share.

7,864,868 outstanding awarded shares will be vested in four tranches on 21 November 2017, 2018, 2019 and 2020, respectively. 5,745,000 outstanding awarded shares will be vested on 18 May 2019.

(ii) Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") on 13 June 2014.

On 9 April 2015, the Board approved the grant of share options in respect of 14,216,000 shares at the exercise price of HK$1.84 (the "2015 Scheme"). The options were divided into two tranches at the grant date. The first tranche of 50% of the option can be exercised beginning on the third anniversary of the grant date and the remaining tranche will become exercisable on the fourth anniversary of the grant date.

On 7 April 2016, the Board approved the grant of share options in respect of 13,542,000 shares at the exercise price of HK$0.77 (the "2016 Scheme") representing the following:

Type A: 12,912,000 share options under the 2016 Scheme were divided into two tranches at the grant date. The first tranche of 50% of the option can be exercised beginning on the second anniversary of the grant date and the remaining tranche will become exercisable on the third anniversary of the grant date. The incremental fair value of new 2016 Scheme at the date of modification (compared with the 2015 Scheme) would be spread over the vesting period of the new 2016 Scheme.

Type B: the remaining 630,000 share options under the 2016 Scheme were divided into two tranches at the grant date. The first tranche of 50% of the option can be exercised beginning on the third anniversary of the grant date and the remaining tranche will become exercisable on the fourth anniversary of the grant date.

Movements in the number of share options outstanding for the period is as follows:

	Number of share options	
	2015 Scheme	**2016 Scheme**
At 1 January 2016	14,216,000	**–**
Lapsed	(1,604,000)	**–**
Modified	(12,612,000)	**12,612,000**
Granted	–	**930,000**
At 30 June 2016	–	**13,542,000**

The directors of the Company have used the Binomial Model to determine the fair value of the options granted, which is to be expensed over the vesting period. Significant judgement on parameters, such as risk free rate, dividend yield and expected volatility, was agreed by the management of the Group in applying the Binomial Model, which are summarised below.

	Type A	**Type B**
Risk free rate	0.873%	0.950%
Dividend yield	0.8%	0.8%
Expected volatility	51.19%	50.13%

The fair value of Type A and Type B share option granted during the six months ended 30 June 2016 was RMB0.279 per share and RMB0.302 per share respectively.

13. BORROWINGS

	As at	
	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
Non-current		
Bank borrowings	**92,214**	29,474
Current		
Bank borrowings	**229,385**	176,970
	321,599	206,444

As at 30 June 2016, bank borrowings of RMB75,000,000 (31 December 2015: RMB77,400,000) was secured by the buildings of the Group, net book value of which amounted to RMB41,606,000 (31 December 2015: RMB42,848,000); trade receivables of RMB26,152,390 (31 December 2015: RMB26,735,001), and guaranteed by Beijing Zhongguancun Sic-tech Financing Guarantee Co., Ltd. Bank borrowings of RMB169,186,000 (31 December 2015: RMB91,935,000) was secured by insurance policies of the Group classified as financial assets at fair value through profit or loss amounted to RMB40,958,000 (31 December 2015: RMB19,063,000), and trade receivables of RMB72,729,291 (31 December 2015: nil).

14. TRADE AND OTHER PAYABLES

	As at	
	30 June	31 December
	2016	2015
	RMB'000	*RMB'000*
Trade payables	**154,767**	95,501
Progress payment by customers	**37,682**	40,888
Employee benefits payable	**786**	3,719
Other taxes payable	**51,495**	51,797
Receipt in advance	**680**	680
Accrual for professional service fee	**2,800**	2,558
Others	**4,756**	5,419
	252,966	200,562

At 30 June 2016, the aging analysis of the trade payables based on invoice date was as follows:

	As at	
	30 June	31 December
	2016	2015
	RMB'000	*RMB'000*
Up to 3 months	**144,766**	77,193
3 to 6 months	**3,587**	2,850
6 months to 1 year	**1,108**	4,748
1 to 2 years	**2,963**	7,077
2 to 3 years	**747**	962
Over 3 years	**1,596**	2,671
	154,767	95,501

15. EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the six months ended 30 June 2015 and 2016 are calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares deemed to be in issue during each respective year:

	Six months ended 30 June	
	2016	2015
Profit attributable to owners of the Company (in RMB'000)	**21,484**	16,668
Weighted average number of ordinary shares in issue	**1,000,874,104**	1,000,000,000
Basic earnings per share (RMB)	**0.02**	0.02

(b) Diluted

Potential dilutive ordinary shares are not included in the calculation of diluted earnings per share because they are anti-dilutive. The diluted earnings per share equal the basic earnings per share.

16. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the period but not yet incurred is as follows:

	As at	
	30 June	31 December
	2016	2015
	RMB'000	*RMB'000*
Acquisition of a subsidiary (i)	**20,000**	—

(i) In May 2016, the Group entered into an agreement to acquire 55% equity interest of Beijing BroadVision Information Technology Company Limited at an aggregate consideration of RMB27,500,000 which were settled by the Company by a combination of cash in the amount of RMB17,500,000, and allotment of 11,904,761 shares of the Company at a fair value of RMB10,000,000. As at 30 June 2016, the acquisition was not yet completed and a deposit amounting to RMB7,500,000 has been paid by the Group and recorded as other non-current assets. Beijing BroadVision Information Technology Company Limited is a software house which focuses on the provision of solutions to internet protocol television and over-the-top video service operators.

(b) Operating lease commitments

The Group leases various offices and warehouses under both cancellable and non-cancellable operating lease agreements. The non-cancellable lease terms are between one and four years, and the majority of lease agreements are renewable at the end of the lease period at market rate. The Group is required to give at least one month prior notice for the termination of these agreements. The lease expenditure and related management fee, water and electricity (if necessary) charged to the income statement during the period is disclosed.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at	
	30 June	31 December
	2016	2015
	RMB'000	*RMB'000*
	Unaudited	Audited
No later than 1 year	**2,682**	933
Later than 1 year and no later than 2 years	**2,261**	583
Later than 2 years	**5,041**	15
	9,984	1,531

17. CONTINGENCIES

In March 2014, one of the subsidiaries of the Group was involved in a contractual dispute with a supplier of television broadcasting systems (the "Claimant"). The Claimant supplied certain television broadcasting systems to this subsidiary, which provided system application solution services to a client in Hunan (the "Client"), the end-user of the systems. The contractual claim amounting RMB6.77 million was brought by the Claimant against this subsidiary and the Client in relation to the outstanding amount payable for the sale of the systems. In light of the quality problems in the systems supplied by the Claimant and the Client being the end user of the system who would bear the ultimate obligation to settle payments, the directors of the Company consider that the ultimate outcome of the legal dispute will not have a material adverse effect on the financial statements and therefore no provision has been made for the six months ended 30 June 2016.

BUSINESS REVIEW

The year of 2016 marked the launching of the new landscape of merged media. During the Interim Period, the Group's application solutions business has continued to record a remarkable performance featured by double-digit growth. During this period, aside from the completion of key projects in Beijing, Hunan, Yunnan, Shenzhen, etc., we have also completed several projects featured by merged media and emerging on-line media, including the merged media platform project with Henan Daxiang Merged Media Group (河南大象融媒體集團有限公司) and some projects with Le Sports.

As a key component of information industry, media industry plays an increasingly important role in culture and information communication field. In recent years, during various meetings and site visits, the relevant national leading group has emphasised the integrated development of traditional media and new media with which the internet thinking is strengthened, traditional media and new media are developed in a supplementary and integrated manner, cutting-edge technologies are relied upon, content improvement is highlighted in order to push forward the intensive integration of traditional and new media in terms of content, channel, platform, operation and management. Such are significant driving forces for the industry, and the construction of new mainstream media has escalated as a national strategy.

On 2 July 2016, the State Administration of Press, Publication, Radio, Film and Television sent to various provinces, autonomous regions and municipalities the Notice #124 entitled *The Opinion on Further Speeding up of Integrated Development of Radio and Television Media and New Media* (《關於進一步加快廣播電視媒體與新興媒體融合發展的意見》), a notice regarded as a crucial guiding principle and regulatory policy encouraging the development of merged media. The Notice #124 aims to outline the principles of the Eighteenth National People's Congress (the "**NPC**") and the Third, Fourth and Fifth Plenary Sessions of the NPC, reflects ideas in President Xi Jinping's multiple speeches, implements *The Guiding Opinion on Promoting Integrated Development of Traditional and New Media* (《關於推動傳統媒體和新興媒體融合發展的指導意見》) jointly released by the General Office of the CPC Central Committee and General Office of the State Council, promotes transformation and upgrading of broadcast television media, and improves broadcast television media's influence, credibility and the power to guide public opinions via the internet channel. The goal is to achieve regional breakthroughs of integration of broadcast television media and new media and give shape to several basic business models within two years. In the latter half of the 13th Five-year Plan period, the integrated development will achieve comprehensive progress, giving birth to several new mainstream media featuring diversity in type, advanced tools and market competitiveness, creating several powerful new media groups and a new merged broadcast television media landscape in China with reasonable layout, well-ordered competition, distinctive features, diversified types and a sustainable growing capacity. The industry is now having some completely new growth drivers that are in line with new developments of our time, showcasing a much sought-after new landscape of integration of China's broadcast television media.

In sports and events business segment, Evertop Sports Cultural Media Co., Ltd.* (北京永達天恒體育文化傳媒有限公司) (previously known as 北京永達天恒文化傳媒有限公司) ("**Evertop Sports**"), a subsidiary of the Group, acted as one of the sponsors and host broadcaster of the UCI Women Tour of Chongming Island International Cycling Race in early May 2016. As a global top-notch event run by UCI (Union Cycliste Internationale), the 2016 UCI Women Tour of Chongming Island International Cycling Race is a top-grade world level cycling race held in China in addition to the Tour of Beijing (for which Evertop Sports also serves as a live broadcast service provider). To meet the demand of UCI and various European developed countries, Evertop Sports was invited to provide technical and production service, and enabled the event to be broadcast at CCTV Sports Channel for the 3-day complete live broadcast of the event. In the meantime, Evertop Sports was also the title sponsor of the event, which means that Evertop Sports shall not only produce television programs with international competitiveness by integrating resources based on event IP, but also greatly improve Chinese cycling events' contribution to sponsor benefits and market profitability in virtue of advanced technologies. Meanwhile, the Company's position has also shifted from a simple sports media content provider to a comprehensive sports IP integrating, packaging and marketing agency with diversified marketing capacity.

On 5 May 2016, the General Administration of Sport of China published the *13th Five-year Plan for Sports Development* (《體育發展"十三五"規劃》) which defines innovation as a great growth driver for the development of sports. The plan stipulates to encourage innovativeness of all players in the market, actively pushes forward innovations in theory, system, technology and culture so as to promote the campaign "entrepreneurship and innovations by all" in sports field and seek new models for the development of sports. The Chinese government will speed up functional change of governmental organisations and management of innovative social sporting organisations, further clarify the regulatory powers of sporting regulatory agencies, simplify approval procedures, relax market entry threshold, allow qualified social organisations, companies and institutions to undertake sporting services that are suitable for market and NGOs participation, and it is also anticipated that great efforts will be put to guide, foster and support the development of sporting organisations, private non-enterprise institutions, sports foundations, etc. *The 13th Five-year Plan for Sports Development* proposes practical approaches for deepening reforms and innovations in key areas and will create great vitality to boost the development of sports. We believe that in such context, the Group will achieve growth in respect of its sports and events business segment.

During the Interim Period, the Group's self-developed products recorded a revenue growth of more than 60%, which is attributable to the growth of the Group's product line and wider client coverage and expansion of geographic coverage of the Group's products, which is also featured by an increasing penetration rate of the broadcast television market. For example, the Group had attracted new clients from many locations including Qiandong in Guizhou Province, Wuzhou in Guangxi Province, Kashgar City in Xinjiang Uygur Autonomous Region, Xinxiang City in Henan Province, Huangdao District in Qingdao, etc. In the meantime, during the Interim Period, around half of the revenue from our self-developed products is associated with non-media and non-broadcasting and television industries (e.g. public security, armed forces and fire-fighting services), demonstrating the initial success of our effort to expand our business through application of our core technologies to various usages along the industry value chain. The overseas revenue in the first half of this year is also considerable and we have had new clients from Nigeria, Kuwait, etc.

Under the initiative of "Made in China 2025", the Chinese government supports value-adding and hi-tech manufacturing industries, encourages innovation of domestic enterprises, clarifies the national strategy of strengthening high-end manufacturing, and calls for the change from "Made in China" to "Innovated in China", the change from growth speed to premium quality, and the change from Chinese products to Chinese brands. The Group will further deepen its operations in the domestic market and expand the overseas market along with the One Belt One Road Initiative by reproducing the success stories in domestic market to overseas markets.

By the end of 2015, the Group acquired 49% equity interest of Beijing Gefei Technology Limited which has been restructured to become a joint-stock company named Beijing Gefei Technology Corporation ("**Gefei Technology**"), engaging in research, development and production of core infrastructure system for broadcast television, all media content creation and processing, and a series of playout, monitoring and control software systems. The shares of Gefei Technology were recently approved to be quoted on the National Equities Exchange and Quotations System (the "**NEEQ**") (全國中小企業股份轉讓系统), or commonly known as the "New Third Board" (新三板) on 27 July 2016 with stock code 838964. Gefei Technology has an extensive product line, further enriching the Group's product portfolio. Within several months following the acquisition, Gefei Technology has contributed profit of the Group in terms of profit of an associate which is indicated in this interim announcement. Moreover, on 13 May 2016, the Company issued an announcement regarding the acquisition of 55% equity interest of Beijing BroadVision Information Technology Company Limited* (北京經緯中天信息技術有限公司) ("**BroadVision**"), another key acquisition in the Group's effort to expand its self-developed products business, a key step to further refine and diversify the Group's new products and technologies, and a key deployment of the Group in the macroscopic context of promoting merged media by the Chinese government. As a leading all media comprehensive technology provider in China, BroadVision focuses on the provision of turnkey software solutions to internet protocol television (IPTV), over-the-top (OTT) video service operators, streaming video and mobile video service operators, with more than 300 software solutions provided in China as at the date of this announcement. BroadVision's platform integrates various workflow ranging from content acquisition in various format from various channels, content editing and processing, media asset management, content integration and broadcasting, multi-screen content layout and publishing, multi-mode application delivery, transmission and distribution, multi-terminal application support, etc., offering one-stop solution for process application management for multi-screen online new media. At this critical moment of launching the new landscape of merged media, the Directors believe that BroadVision's products and solutions will enjoy a bright prospect in the market, thus creating more business opportunities for the Group.

Accordingly, the Group's research and development business has developed into a comprehensive technology integration platform featured by a complete video program workflow containing acquisition, production and editing, playout and distribution, and interactive applications on mobile phone or other devices, including hardware and software research and development capabilities, a comprehensive research and development capacity with special strategic importance at the launch of the new landscape of merged media. To conclude, the comprehensive technology platform plus dual track expansion strategy covering multiple vertical markets and the overseas markets represent valuable opportunities for the self-developed products business of the Group.

FINANCIAL REVIEW

Revenue

Revenue of the Group increased by 12.2% from RMB259.2 million for the Corresponding Period to RMB291.0 million for the Interim Period. Compared with the Corresponding Period, the revenue of the "Product development and sales" has been increased significantly with a growth rate of 62.8%. The other two main segments of business, namely the "Application solutions" and the "Sports and events business" also have a relatively higher growth rate of 11.2% and 13.8% respectively. The "System maintenance services" has noted a slight decline of RMB1.1 million from RMB11.8 million to RMB10.7 million as compared to the Corresponding Period. The table below sets out the Group's segmental revenue for the six months ended 30 June 2015 and 2016:

	For the six months ended 30 June			
	2016		2015	
	RMB'000	***% of total revenue***	*RMB'000*	*% of total revenue*
Segment revenue				
Application solutions	**255,336**	**87.7%**	229,526	88.5%
Sports and events business	**9,825**	**3.4%**	8,632	3.3%
System maintenance services	**10,674**	**3.7%**	11,780	4.5%
Product development and sales	**15,155**	**5.2%**	9,311	3.6%
Total	**290,990**	**100.0%**	259,249	100.0%

Application solutions

Revenue generated by the Group's application solutions segment is the most substantial contributor to its revenue, representing approximately 88.5% and 87.7% respectively of the total revenue of the Group for the six months ended 30 June 2015 and 2016. It increased from RMB229.5 million for the Corresponding Period to RMB255.3 million for the Interim Period. The increase was mainly attributable to the increase in completion of projects as rendered to the Group's customers during the Interim Period, especially the merged media customers' projects.

Sports and events business

Revenue from sports and events business represented approximately 3.3% and 3.4% of the total revenue of the Group for the six months ended 30 June 2015 and 2016, respectively and increased from RMB8.6 million for the Corresponding Period to RMB9.8 million for the Interim Period, representing an increase of 13.8%. Such increase was mainly attributable to the increase in market demand for sports event broadcast and equipment leasing services and the Group's effort in expanding the segment business during the Interim Period.

System maintenance services

Revenue from system maintenance services represented approximately 4.5% and 3.7% of the total revenue of the Group for the six months ended 30 June 2015 and 2016, respectively and decreased from RMB11.8 million for the Corresponding Period to RMB10.7 million for the Interim Period, representing a decrease of 9.4%. Such decrease was mainly attributable to the decreasing demand for the Group's onsite support services during the Interim Period.

Product development and sales

Revenue from product development and sales represented approximately 3.6% and 5.2% of the total revenue of the Group for the six months ended 30 June 2015 and 2016, respectively and increased from RMB9.3 million for the Corresponding Period to RMB15.2 million for the Interim Period, representing an increase of 62.8%. Such increase was mainly attributable to an increase in the number of units of the Group's self-developed products sold during the Interim Period and the increased portfolio of products offering to the market. The widened portfolio also allowed the Group to address a wider customer base in China. Moreover, the exploration of the overseas market has also contributed about half of the revenue of product development and sales.

Cost of sales

For the six months ended 30 June 2015 and 2016, the Group's cost of sales was RMB179.8 million and RMB206.5 million respectively, representing an increase of 14.8%. Such increase was in line with the increase of the overall business volume during the Interim Period. The following table sets forth the cost of sales for each business segment for the six months ended 30 June 2015 and 2016:

	For the six months ended 30 June			
	2016		2015	
	RMB'000	***% of total***	*RMB'000*	*% of total*
Segment cost of sales				
Application solutions	**(187,811)**	**91.0%**	(167,129)	93.0%
Sports and events business	**(6,557)**	**3.2%**	(3,310)	1.8%
System maintenance services	**(4,928)**	**2.4%**	(5,344)	3.0%
Product development and sales	**(7,178)**	**3.4%**	(4,005)	2.2%
Total	**(206,474)**	**100.0%**	(179,788)	100.0%

The Group's cost of sales for the application solutions segment increased by 12.4% for the Interim Period, compared to the Corresponding Period, which was primarily due to the increase in revenue of the Group.

Gross profit and gross profit margin

For the six months ended 30 June 2015 and 2016, the Group's gross profit was RMB79.5 million and RMB84.5 million, respectively. The Group's gross profit margin was 30.7% and 29.0% for the Corresponding Period and the Interim Period, respectively. The following table sets forth the gross profit and gross profit margin of each of the Group's segments during the periods:

	For the six months ended 30 June			
	2016		2015	
	RMB'000	***Gross profit margin %***	*RMB'000*	*Gross profit margin %*
Segment gross profit and gross profit margin				
Application solutions	**67,525**	**26.4%**	62,379	27.2%
Sports and events business	**3,268**	**33.3%**	5,322	61.7%
System maintenance services	**5,746**	**53.8%**	6,436	54.6%
Product development and sales	**7,977**	**52.6%**	5,307	57.0%
Total	**84,516**	**29.0%**	79,461	30.7%

The Group's gross profit was increased by 6.4% during the Interim Period. The gross profit margin decreased gently from 30.7% to 29.0%. The decrease of the Group's gross profit margin was mainly attributable to a decrease in the gross profit margin for the sports and events business segment from 61.7% to 33.3%. The decrease of the gross profit margin of the sports and events business was mainly due to the transitioning of the Group's business model in the sports arena, that the Group is developing the "sports commercial operation business" aggressively in addition to its existing "sports broadcast technology services". We have subsidized some of the commercial operations during the Interim Period. For 2016, we will control the subsidy in phrases and the Directors believe our promotion efforts in the sports events will be realised. Therefore, we expect good contribution from the new commercial operation business in the coming future.

In the "Application solutions" business, we also noted a slight decrease of gross margin of 0.8 percentage point from 27.2% to 26.4%, which we believe is within a reasonable range of normal operation.

Selling expenses

Selling expenses for the six months ended 30 June 2015 and 2016 were RMB11.6 million and RMB13.5 million respectively, representing an increase of 16.4%. Such increase was mainly attributable to the increase in the employee benefit and the travelling expenses.

Administrative expenses

Administrative expenses for the six months ended 30 June 2015 and 2016 were RMB45.8 million and RMB40.3 million respectively, representing a decrease of 11.9%. Such decrease was mainly attributable to (i) the implementation of the expense control plan which led to the decrease of the office expense; and (ii) the decrease of the legal and professional fees which occurred for the acquisition arrangements during the Corresponding Period.

Finance costs

For the six months ended 30 June 2015 and 2016, finance costs of the Group were RMB2.9 million and RMB6.4 million respectively, representing an increase of 128.8%. Such increase was mainly attributable to the increase of interest expense which increased in accordance with the increase of the borrowings.

Income tax expense

Income tax expense amounted to RMB3.4 million and RMB5.2 million respectively for the six months ended 30 June 2015 and 2016, representing an increase of 51.0%. The effective tax rate increased to approximately 19.4% for the Interim Period from approximately 17.1% for the Corresponding Period, which was primarily due to the increase of oversea revenue and profit from a higher effective tax rate region such as Hong Kong.

Profit for the period

As a result of the aforementioned factors, profit attributable to owners of the Company increased from RMB16.7 million for the Corresponding Period to RMB21.5 million for the Interim Period, representing an increase of 28.9%.

Liquidity, financial resources and capital structure

Net cash used in the Group's operating activities amounted to RMB83.0 million and RMB112.8 million for the Corresponding Period and for the Interim Period respectively. The net cash outflow of the Group's operating activities in the Interim Period mainly arose from: (i) greater input into significant projects, such as LeTV sports; (ii) deferral in collection of trade receivables; and (iii) the increase of the research and development expenses due to strengthening of research and development efforts.

Net cash used in the Group's investing activities amounted to RMB33.6 million and RMB34.2 million for the six months ended 30 June 2015 and 2016 respectively. The net cash outflow for the Interim Period mainly arose from the purchase of equipment and intangible assets, as well as the prepayment for the acquisition of BroadVision.

Net cash generated from the Group's financing activities amounted to RMB34.6 million and RMB110.2 million for the six months ended 30 June 2015 and 2016. The net cash generated from financing activities for the Interim Period was mainly attributable to the increase of the proceeds from bank loans.

Charge on assets

As at 31 December 2015 and 30 June 2016, bank borrowings of RMB77,400,000 and RMB75,000,000 were secured by the buildings of the Group, net book value of which amounting to RMB42,848,000 and RMB41,606,000; trade receivables of RMB26,735,001 and RMB26,152,390, respectively.

Gearing position

The gearing ratio, represented total borrowings divided by total equity multiplied by 100%, was 50.2% and 75.2% respectively as at 31 December 2015 and 30 June 2016. The total borrowings of the Group increased from RMB206.4 million as at 31 December 2015 to RMB321.6 million as at 30 June 2016. Such increase was mainly attributable to the new borrowings of RMB100.8 million working capital loan for some significant projects.

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar ("**USD**"), Hong Kong Dollar ("**HKD**") and the Great British Pound ("**GBP**"). Foreign exchange risk arose from future commercial transactions, recognised assets and liabilities which are not denominated in Renminbi ("**RMB**"). Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. Group companies are required to control the exposure of the foreign currency during the business operation. The foreign currency exposure is mainly due to the purchase of the equipment from all over the world and the management control the payment schedule to reduce the foreign exchange risk. Save for certain bank balances and accounts payables in USD and HKD, the impact of foreign exchange exposure to the Group was minimal and there was no significant adverse effect on normal operations. During the Interim Period, the Group did not commit to any financial instruments to hedge its exposure to foreign exchange risk. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

Other than bank balances with variable interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group has not hedged its cash flow interest rate risks.

Significant investments, mergers and acquisitions

As disclosed in the announcement of the Company dated 13 May 2016, the Company entered into an agreement in respect of the acquisition of 55% equity interest of BroadVision. Please refer to the relevant announcement for the further details. Except for the acquisition mentioned above, the Group had no significant investments, mergers and acquisitions during the Interim Period.

Contingent liabilities

In March 2014, one of the subsidiaries of the Group was involved in a contractual dispute with a supplier of television broadcasting systems (the "**Claimant**"). The Claimant supplied certain television broadcasting systems to this subsidiary, which provided system application solution services to a client in Hunan (the "**Client**"), the end-user of the systems. The contractual claim amounting to RMB6.77 million was brought by the Claimant against this subsidiary and the Client in relation to the outstanding amount payable for the sale of the systems. In light of the quality problems in the systems supplied by the Claimant and the Client being the end user of the system who would bear the ultimate obligation to settle payments, the Directors consider that the ultimate outcome of such contractual dispute will not have a material adverse effect on the interim financial information of the Group and therefore, no provision has been made for the Interim Period.

As at 30 June 2016, except for the legal dispute as disclosed above, the Directors were not aware of any other significant events that would have resulted in material contingent liabilities.

Dividends

The final dividend of approximately HKD6.0 million (equivalent to RMB5.0 million) for the year 2015 was declared and approved at the annual general meeting of the Company held on 6 June 2016, and the payment was made on 30 June 2016.

The Directors do not recommend the distribution of any interim dividend for the Interim Period (2015: Nil).

Employees and remuneration policies

As at 30 June 2016, the Group had a total of 338 employees (as at 31 December 2015: 359 employees).

The emoluments payable to employees of the Group are determined based on their responsibilities, qualifications, experiences and the role taken as well as the industry practices.

CAPITAL STRUCTURE

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from prior years. The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Group, comprising issued capital and reserves.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group had a total assets of approximately RMB1,018.9 million (31 December 2015: approximately RMB825.4 million) which was financed by current liabilities of approximately RMB497.4 million (31 December 2015: approximately RMB383.2 million) and shareholders' equity of approximately RMB428.0 million (31 December 2015: approximately RMB411.4 million).

As at 30 June 2016, the Group's current ratio was 1.54 (31 December 2015: 1.77) and the gearing ratio was 75.1% (31 December 2015: 50.2%).

The cash and cash equivalents of the Group as at 30 June 2016 were mainly denominated in HKD, USD, Euro and RMB.

FUTURE OUTLOOK

The Group expects reasonable growth in all of its three main business segments, namely the application solutions, the sports and events business and the self-developed products business.

Under the new landscape of the merged media era, along with the rapid advancement of technologies and the national policies aiming to speed up development of integration of media, the Group expects further growth for its application solutions business as broadcast television clients are eager to produce, publish and manage new systems for merged media. On the other hand, the emerging on-line media is also expanding their investment to build their own content creation platforms. Such factors are serving as great drivers for this business segment.

As the Notice #46 sets a goal of achieving a yearly revenue of no less than RMB5 trillion in sports industry by 2025, the Group is confident in the outlook of the sports industry. In addition, on 5 May 2016, the General Administration of Sport of China published the *13th Five-year Plan for Sports Development,* which calls for further development of the sports industry. The continuous development of the sports industry in the future will benefit from demographic dividend, favorable policies, commercialisation and decentralisation drive, consumption upgrading, etc. The Group's subsidiary, Evertop Sports, will endeavour to maintain its performance and advance its steps in sports technical service and sports event commercial operation segments utilising its sound resources in the sports industry.

In terms of the Group's sale of self-developed products, the Group will endeavour to adhere to the relevant national policies. The proposal of "Made in China 2025" encourages innovation of domestic enterprises, clarifies the national strategy of strengthening high-end manufacturing, and calls for the change from "Made in China" to "Innovated in China", the change from growth speed to premium quality, and the change from Chinese products to Chinese brands. As mentioned above, by the end of 2015, the Group acquired 49% equity interest of Gefei Technology, the shares of which were approved to be quoted on NEEQ on 27 July 2016. We believe that the quotation of Gefei Technology, making it a public company, will help to provide an open platform to invite quality investors to join Gefei Technology for further business expansion, and accelerate its business growth in the new merged media landscape. Moreover, on 13 May 2016, the Company announced the acquisition of BroadVision and the acquisition procedure is expected to be completed in the second half of this year. This marks that the Group's research and development business has given shape to a comprehensive technology integration platform featured by a complete video program workflow containing acquisition, production and editing, playout and distribution, and interactive applications on mobile phone or other devices, including hardware and software research and development capabilities, which is highly competent in media industry not only in China but also in the overseas market. To conclude, our diversified product portfolio plus dual track expansion strategy covering multiple vertical markets and the overseas market will create a bright prospect for the self-developed products business segment of the Group.

SHARE AWARD PLAN

In order to recognise and reward the contribution of certain eligible participants to the growth and development of the Group, the Company adopted the share award plan (the "**Share Award Plan**") on 24 March 2014. The Share Award Plan does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**").

During the Interim Period, a total of 6,025,000 shares of the Company were awarded to the eligible participants and 280,000 awarded shares were vested in the name of a selected participant under the Share Award Plan. As at 30 June 2016, a total of 13,609,868 awarded shares remained unvested. Details of the awards will be set out in the 2016 interim report of the Company.

EVENT AFTER INTERIM PERIOD

The shares of an associate of the Group, Gefei Technology, were approved to be quoted on NEEQ on 27 July 2016, the stock number of which is 838964.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities other than the purchase of the Company's shares by the trustee of the Share Award Plan (the "**Share Award Plan Trustee**"). Pursuant to the Share Award Plan, the Share Award Plan Trustee purchased a total of 1,090,000 shares of the Company at a total cost (including transaction costs) of approximately HKD0.55 million on the Stock Exchange during the Interim Period.

CORPORATE GOVERNANCE

Throughout the Interim Period, the Company continued to apply the principles set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "**CG Code**").

The Group has applied these principles and adopted all code provisions, where applicable, of the CG Code as our own code of corporate governance. The Directors consider that the Company has complied with the applicable code provisions under the code on Corporate Governance Practices as set out in the CG Code, save as the following:

— Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Currently, the roles of the chairman and the chief executive officer of the Group (the "**CEO**") was not separated and was performed by the same individual, Mr. Lo Chi Sum, who acted as both the chairman and the CEO throughout the Interim Period. The Directors will meet regularly to consider major matters affecting the operations of the Group. As such, the Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of the Group and believes that this structure will enable the Group to make and implement decisions promptly and efficiently.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (with certain modifications) (the "**Model Code**").

The Company has made specific enquiry of all Directors and all Directors have confirmed with the Company that they complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions for the Interim Period.

AUDIT COMMITTEE

The Audit Committee comprises three members, all of whom are independent non-executive Directors, namely Mr. Hung Muk Ming, Dr. Ng Chi Yeung, Simon and Mr. Mak Kwok Wing. Mr. Hung Muk Ming is the chairman of the Audit Committee. The Audit Committee has written terms of reference in compliance with the Listing Rules and the CG Code.

The Audit Committee has in conjunction with the management reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal controls and financial reporting matters of the Group. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

The Group's unaudited condensed consolidated interim results have been reviewed by PricewaterhouseCoopers, the auditors of the Company, in accordance with International Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

PUBLICATION

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.css-group.net) respectively. The 2016 interim report will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Century Sage Scientific Holdings Limited
Lo Chi Sum
Chairman

Hong Kong, 15 August 2016

As at the date of this announcement, the executive Directors are Mr. Lo Chi Sum, Mr. Leung Wing Fai, Mr. Zhou Jue, Mr. Sun Qingjun, Mr. Huang He and Mr. Geng Liang, and the independent non-executive Directors are Dr. Ng Chi Yeung, Simon, Mr. Hung Muk Ming and Mr. Mak Kwok Wing.

* *For identification purposes only*