# 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 2018

### FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 32.5% to RMB195.4 million for the six months ended 30 June 2018 from RMB289.4 million for the six months ended 30 June 2017.
- Gross profit decreased by approximately 40.0% to RMB46.8 million for the six months ended 30 June 2018 from RMB77.9 million for the six months ended 30 June 2017.
- Net profit decreased by approximately 137.9% to a net loss of RMB5.9 million for the six months ended 30 June 2018 from a net profit of RMB15.5 million for the six months ended 30 June 2017.
- The Board does not recommend the distribution of any interim dividend for the six months ended 30 June 2018 (2017: Nil).

### INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") herewith announces 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 2018 (the "**Interim Period**"), together with the comparative figures for the six months ended 30 June 2017 (the "**Corresponding Period**"). The unaudited condensed consolidated interim results of the Group have been reviewed by the audit committee of the Company (the "**Audit Committee**").

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | Six months ended 30 June **2018** | 2017 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| | | **Unaudited** | Unaudited |
| Revenue | *4* | **195,365** | 289,443 |
| Cost of sales | *4* | **(148,584)** | (211,495) |
| **Gross profit** | *4* | **46,781** | 77,948 |
| Selling expenses | | **(14,091)** | (14,563) |
| Administrative expenses | | **(41,810)** | (45,838) |
| Other income | | **6,330** | 2,124 |
| **Operating (loss)/profit** | *6* | **(2,790)** | 19,671 |
| Financial income | *7* | **256** | 5,019 |
| Finance costs | | **(1,177)** | (7,074) |
| Finance loss — net | | **(921)** | (2,055) |
| Share of post-tax (loss)/profits of associates | *5* | **(2,164)** | 827 |
| **(Loss)/Profit before income tax** | | **(5,875)** | 18,443 |
| Income tax expense | *8* | **–** | (2,947) |
| **(Loss)/Profit for the period** | | **(5,875)** | 15,496 |
| **(Loss)/Profit attributable to:** | | | |
| Owners of the Company | | **(5,978)** | 14,655 |
| Non-controlling interests | | **103** | 841 |
| **Other comprehensive income:** | | | |
| ***Items that may be reclassified subsequently to profit or loss:*** | | | |
| Currency translation differences | | **(92)** | (92) |
| **Other comprehensive loss for the six-month period then ended, net of tax** | | **(92)** | (92) |
| **Total comprehensive (loss)/income for the period** | | **(5,967)** | 15,404 |

| | Note | Six months ended 30 June 2018 RMB'000 Unaudited | 2017 RMB'000 Unaudited |
|---|---|---|---|
| **Total comprehensive (loss)/income attributable to:** | | | |
| Owners of the Company | | **(6,070)** | 14,563 |
| Non-controlling interests | | **103** | 841 |
| **Earnings per share (expressed in RMB cents per share)** | | | |
| — Basic and diluted | *16* | **(0.59)** | 1.44 |

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

| | *Note* | **30 June 2018** **RMB'000** **Unaudited** | 31 December 2017 *RMB'000* Audited |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | *10* | **50,979** | 52,209 |
| Intangible assets | *10* | **52,944** | 55,081 |
| Deferred income tax assets | | **4,675** | 6,133 |
| Trade and other receivables | *11* | **3,599** | 3,344 |
| Financial assets at fair value through profit or loss | | **45,348** | 44,117 |
| Investment in associates | *5* | **41,363** | 43,527 |
| Other non-current assets | | **1,226** | 1,172 |
| | | **200,134** | 205,583 |
| **Current assets** | | | |
| Inventories | | **150,185** | 157,957 |
| Trade and other receivables | *11* | **457,552** | 457,999 |
| Pledged bank deposits | | **1,348** | 1,015 |
| Cash and cash equivalents | | **16,574** | 57,986 |
| | | **625,659** | 674,957 |
| **Total assets** | | **825,793** | 880,540 |
| **Equity** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | *12* | **8,106** | 8,106 |
| Share premium | *12* | **265,396** | 265,396 |
| Other reserves | | **(61,330)** | (62,769) |
| Retained earnings | | **95,464** | 101,443 |
| | | **307,636** | 312,176 |
| **Non-controlling interests** | | **16,022** | 15,919 |
| **Total equity** | | **323,658** | 328,095 |

| | Note | 30 June 2018 RMB'000 Unaudited | 31 December 2017 RMB'000 Audited |
|---|---|---|---|
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Borrowings | *14* | **57,746** | 6,586 |
| Deferred income tax liabilities | | **–** | 1,847 |
| | | **57,746** | 8,433 |
| **Current liabilities** | | | |
| Trade and other payables | *15* | **279,033** | 268,712 |
| Current income tax liabilities | | **14,567** | 16,306 |
| Borrowings | *14* | **150,789** | 258,994 |
| | | **444,389** | 544,012 |
| **Total liabilities** | | **502,135** | 552,445 |
| **Total equity and liabilities** | | **825,793** | 880,540 |
| **Net current assets** | | **181,270** | 130,945 |
| **Total assets less current liabilities** | | **381,404** | 336,528 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | 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* |
| **Unaudited** | | | | | |
| **Balance at 1 January 2018** | 8,106 | 265,396 | (62,769) | 101,443 | 312,176 |
| **Comprehensive income** | | | | | |
| Profit for the period | – | – | – | (5,979) | (5,979) |
| **Other comprehensive income** | | | | | |
| — currency translation differences | – | – | 59 | – | 59 |
| **Total comprehensive income for the period ended 30 June 2018** | – | – | 59 | (5,979) | (5,920) |
| **Transactions with owners** | | | | | |
| Dividend | – | – | – | – | – |
| Employees share award and option scheme | | | | | |
| — value of employee services | – | – | 1,380 | – | 1,380 |
| **Total transactions with owners, recognised directly in equity** | – | – | 1,380 | – | 1,380 |
| **Balance as at 30 June 2018** | 8,106 | 265,396 | (61,330) | 95,464 | 307,636 |
| **Balance at 1 January 2017** | 8,106 | 265,396 | (66,995) | 255,456 | 461,963 |
| **Comprehensive income** | | | | | |
| Profit for the period | – | – | – | 14,655 | 14,655 |
| **Other comprehensive income** | | | | | |
| — currency translation differences | – | – | (92) | – | (92) |
| **Total comprehensive income for the period ended 30 June 2017** | – | – | (92) | 14,655 | 14,563 |
| **Transactions with owners** | | | | | |
| Dividend | – | – | – | (5,313) | (5,313) |
| Employees share award and option scheme | | | | | |
| — value of employee services | – | – | 1,309 | – | 1,309 |
| Issue of ordinary share for the equity consideration for investment in an associate | – | – | – | – | – |
| **Total transactions with owners, recognised directly in equity** | – | – | 1,309 | (5,313) | (4,004) |
| **Balance as at 30 June 2017** | 8,106 | 265,396 | (65,778) | 264,798 | 472,522 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **Unaudited** | Unaudited |
| **Cash flows from operating activities** | | |
| Cash generated from operations | **21,665** | 41,059 |
| Interest paid | **(5,133)** | (4,702) |
| Income tax paid | **(1,739)** | (2,335) |
| **Net cash generated from operating activities** | **14,793** | 34,022 |
| **Cash flows from investing activities** | | |
| Purchases of property, plant and equipment | **(1,392)** | (2,766) |
| Payment of pledged bank deposits | **(1,348)** | (11,975) |
| Collection of pledged bank deposits | **1,015** | 26,240 |
| Purchase of financial asset at fair value through profit or loss | **–** | – |
| Purchase of intangible assets | **(1,829)** | (4,338) |
| Proceeds from sale of property, plant and equipment | **182** | – |
| Acquisition of an associate | **–** | (3,750) |
| **Net cash used in investing activities** | **(3,372)** | 3,411 |
| **Cash flows from financing activities** | | |
| Proceeds from borrowings | **50,544** | 102,151 |
| Repayments of borrowings | **(107,589)** | (156,137) |
| Dividends paid to the then shareholders | **–** | – |
| **Net cash used in financing activities** | **(57,045)** | (53,986) |
| **Net decrease in cash and cash equivalents** | **(45,624)** | (16,553) |
| Cash and cash equivalents at beginning of period | **57,986** | 50,571 |
| Exchange gain on cash and cash equivalents | **4,212** | 360 |
| **Cash and cash equivalents at end of the period** | **16,574** | 34,378 |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2018

## 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 are principally engaged in the provision of (i) application solutions, (ii) sports and events business, (iii) system maintenance services and (iv) sales of self-developed products, 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 mainland China.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 7 July 2014.

This interim financial information was approved for issue by the Board on 29 August 2018. 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 2018 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 2017, 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 2017, as described in those annual financial statements.

Amendments to HKFRSs effective for the financial year ending 31 December 2018 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-maker ("**CODM**") mainly includes the executive directors, who are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, the CODM considers the business from both business and geographical perspective.

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

- Application solutions
- Sports and events business
- System maintenance services
- Sales of self-developed products

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 | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| Segment revenue | | |
| Application solutions | **166,253** | 224,183 |
| Sports and events business | **5,499** | 27,799 |
| System maintenance services | **6,588** | 11,545 |
| Sales of self-developed products | **17,025** | 25,916 |
| Total | **195,365** | 289,443 |
| Segment cost | | |
| Application solutions | **(137,004)** | (184,014) |
| Sports and events business | **(3,945)** | (10,319) |
| System maintenance services | **(3,445)** | (6,114) |
| Sales of self-developed products | **(4,190)** | (11,048) |
| Total | **(148,584)** | (211,495) |
| Segment gross profit | | |
| Application solutions | **29,249** | 40,169 |
| Sports and events business | **1,554** | 17,480 |
| System maintenance services | **3,143** | 5,431 |
| Sales of self-developed products | **12,835** | 14,868 |
| Total | **46,781** | 77,948 |
| Depreciation | | |
| Application solutions | **1,148** | 3,426 |
| Sports and events business | **38** | 425 |
| System maintenance services | **46** | 176 |
| Sales of self-developed products | **118** | 396 |
| Total | **1,350** | 4,423 |

## 5. INVESTMENT IN ASSOCIATES

| | Six months ended 30 June 2018 *RMB'000* |
|---|---|
| At 1 January 2018 | 43,527 |
| Addition | – |
| Share of post-tax profits of associates | (2,164) |
| At 30 June 2018 | 41,363 |

The Group's share of the results in Beijing Gefei Technology Corporation *(北京格非科技股份有限公司) and its aggregated assets and liabilities are shown below:

| | Six months ended 30 June 2018 *RMB'000* |
|---|---|
| Assets | 95,200 |
| Liabilities | 42,933 |
| Revenues | 10,682 |
| Share of profit | (1,821) |
| Percentage held | 49% |

The Group's share of the results in Beijing Gangtiexia Sports and Entertainment Company *(北京鋼鐵俠體育娛樂有限公司) and its aggregated assets and liabilities are shown below:

| | Six months ended 30 June 2018 *RMB'000* |
|---|---|
| Assets | 12,160 |
| Liabilities | 5,193 |
| Revenues | 8,731 |
| Share of profit | 24 |
| Percentage held | 7.5% |

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

| | Six months ended 30 June 2018 *RMB'000* |
|---|---|
| Assets | 20,689 |
| Liabilities | 2,865 |
| Revenues | 6,186 |
| Share of profit | (367) |
| Percentage held | 16.95% |

## 6. OPERATING PROFIT

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

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| Equipment costs | **136,894** | 205,596 |
| Servicing and agency costs | **3,374** | 7,154 |
| Business development | **2,382** | 2,597 |
| Depreciation and amortisation | **5,302** | 7,970 |
| | **147,951** | 223,317 |

## 7. FINANCIAL INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **Unaudited** | Unaudited |
| Financial Income | | |
| — Interest income on short-term bank deposits | **256** | 79 |
| — Interest income on long-term trade receivable | **–** | 4,940 |
| Total | **256** | 5,019 |

## 8. 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 2017 and the six months ended 30 June 2018 on the estimated assessable profit for the year. Hong Kong profits tax amounted at RMB163,986 (year ended 31 December 2017: RMB78,756) was provided for profit amounted at RMB662,420 (year ended 31 December 2017: RMB-49,921,416) which was subject to Hong Kong profits tax during the period.

**PRC enterprise income tax ("EIT")**

Entities incorporated in the PRC are subject to EIT. According to the Law of the PRC on EIT (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 which 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-China 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 2018 is analysed as follows:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| Current income tax | **1,458** | 3,506 |
| Deferred income tax | **(1,458)** | (559) |
| Income tax expense | **–** | 2,947 |

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

## 9. DIVIDENDS

The Board does not recommend the distribution of interim dividend for the Interim Period (2017: Nil).

## 10. PROPERTY, PLANT AND EQUIPMENT

| | **Property, plant and equipment** | **Other intangible assets** |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **Six months ended 30 June 2018** | | |
| **Net book value or valuation** | | |
| **Opening amount as at 1 January 2018** | 52,209 | 55,081 |
| Additions | 302 | 1,815 |
| Disposals | (182) | – |
| Depreciation | (1,350) | (3,952) |
| **Closing amount as at 30 June 2018** | 50,979 | 52,944 |
| **Six months ended 30 June 2017** | | |
| **Net book value or valuation** | | |
| **Opening amount 1 January 2017** | 56,013 | 57,892 |
| Additions | 2,766 | 4,338 |
| Depreciation | (4,423) | (3,547) |
| **Closing amount as at 30 June 2017** | 54,356 | 58,683 |

## 11. TRADE AND OTHER RECEIVABLES

| | As at 30 June 2018 RMB'000 | As at 31 December 2017 RMB'000 |
|---|---|---|
| **Included in current assets** | | |
| Trade receivables | **357,548** | 518,895 |
| Less: provision for impairment of trade receivable | **(2,448)** | (171,416) |
| Trade receivables — net | **355,100** | 347,479 |
| Other receivables | | |
| Amount due from customers for contract work | **2,775** | 2,775 |
| Deposit for guarantee certificate over tendering and performance | **31,506** | 32,402 |
| Deposit for acquisition of a subsidiary | **16,862** | 16,646 |
| Prepayments | **40,430** | 42,246 |
| Cash advance to staff | **4,742** | 9,612 |
| Others | **9,736** | 10,183 |
| | **461,151** | 461,343 |
| **Less: Non-current portion** | | |
| Trade receivables | **3,599** | 64,360 |
| **Less: provision for impairment of trade receivable** | **–** | (61,016) |
| | **3,599** | 3,344 |
| Current portion | **457,552** | 457,999 |

As at 31 December 2017 and 30 June 2018, the aging analysis of the trade receivables based on revenue recognition date is as follows:

| | As at 30 June 2018 RMB'000 | As at 31 December 2017 RMB'000 |
|---|---|---|
| Up to 3 months | **94,141** | 84,295 |
| 3 to 6 months | **31,332** | 17,940 |
| 6 months to 1 year | **66,532** | 85,133 |
| 1 to 2 years | **97,255** | 258,133 |
| 2 to 3 years | **30,098** | 39,888 |
| Over 3 years | **38,190** | 33,506 |
| | **357,548** | 518,895 |

## 12. 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* |
|---|---|---|---|---|---|
| **Balance at 1 January 2018 and 30 June 2018** | **1,020,300,761** | **10,203** | **8,106** | **265,396** | **273,502** |
| Balance at 1 January 2017 and 30 June 2017 | 1,020,300,761 | 10,203 | 8,106 | 265,396 | 273,502 |

## 13. SHARE BASED PAYMENTS

### (i) Share Award Plan

The Company has 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.

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

| | Number of awarded shares |
|---|---|
| At 1 January 2018 | 5,927,687 |
| Granted | – |
| Lapsed | (820,671) |
| At 30 June 2018 | 5,107,016 |
| At 1 January 2017 | 12,884,868 |
| Granted | – |
| Lapsed | (819,228) |
| At 30 June 2017 | 12,065,640 |

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date. There were no shares awarded under the Share Award Plan during the six months ended 30 June 2018.

**(i) Share Option Scheme**

The Company has 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 with the exercise price of HK$1.84 (the "**2015 Scheme**"). The options were divided into 2 tranches at the grant date. The first tranche of 50% of the options can be exercised beginning on the 3rd anniversary of the grant date and the remaining tranche will become exercisable on the 4th anniversary of the grant date.

On 7 April 2016, the Board approved the grant of share options in respect of 13,542,000 shares with 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 2 tranches at the grant date as replacement of the outstanding share options under the 2015 Scheme. The first tranche of 50% of the options can be exercised beginning on the 2nd anniversary of the grant date and the remaining tranche will become exercisable on the 3rd 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 2 tranches at the grant date. The first tranche of 50% of the options can be exercised beginning on the 3rd anniversary of the grant date and the remaining tranche will become exercisable on the 4th anniversary of the grant date.

On 21 August 2017, the Board approved the grant of share options in respect of 7,200,000 shares with the exercise price of HK$0.435 (the "**2017 Scheme**"). The options were divided into 2 tranches at the grant date. The first tranche of 50% of the options can be exercised beginning on the 3rd anniversary of the date of the employment agreement between the respective grantee and the Group. The remaining tranche will become exercisable on the 4th anniversary of the date of the employment agreement between the respective grantee and the Group.

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

| | **Number of share options** | | |
|---|---|---|---|
| | **2015 Scheme** | **2016 Scheme** | **2017 Scheme** |
| At 1 January 2018 | 4,072,000 | 11,988,000 | 7,200,000 |
| Modified | – | – | – |
| Granted | – | – | – |
| Lapsed | (1,018,000) | (1,598,000) | (200,000) |
| At 30 June 2018 | 3,054,000 | 10,390,000 | 7,000,000 |

The Directors have used the Binomial Model to determine the fair value of the options granted, which is to be expensed over the vesting period. Significant judgment 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:

| | **2016 Scheme** | | **2017** |
|---|---|---|---|
| | **Type A** | **Type B** | **Scheme** |
| Risk free rate | 0.87% | 0.95% | 1.3% |
| Dividend yield | 0.80% | 0.80% | 1.38% |
| Expected volatility | 51.19% | 50.13% | 48.38% |

## 14. BORROWINGS

| | As at 30 June 2018 | As at 31 December 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Non-Current** | | |
| Bank borrowings | **57,746** | 6,586 |
| | **57,746** | 6,586 |
| **Current** | | |
| — short term bank borrowings | **150,789** | 192,473 |
| — current portion of long term bank borrowings | **–** | 66,521 |
| | **150,789** | 258,994 |
| Total borrowings | **208,535** | 265,580 |

As at 30 June 2018, bank borrowings of RMB55,100,000 (31 December 2017: RMB70,000,000) were secured by the buildings of the Group, net book value of which amounted to RMB34,953,478 (31 December 2017: RMB36,194,000); trade receivables of RMB25,843,224 (31 December 2017: RMB25,310,000), and were guaranteed by Beijing Zhongguancun Sic-tech Financing Guarantee Co., Ltd.

## 15. TRADE AND OTHER PAYABLES

| | As at 30 June 2018 | As at 31 December 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade payables | **141,167** | 130,486 |
| Advances from customers | **65,499** | 55,181 |
| Employee benefits payable | **4,770** | 5,271 |
| Other taxes payable | **54,363** | 54,953 |
| Amounts due to shareholders/directors | **4,441** | 7,824 |
| Accrual for professional service fee | **1,121** | 2,643 |
| Others | **7,672** | 12,354 |
| | **279,033** | 268,712 |

As at 30 June 2018, the aging analysis of the trade payables based on invoice date were as follows:

| | As at | |
|---|---|---|
| | **30 June 2018** | 31 December 2017 |
| | ***RMB'000*** | *RMB'000* |
| Up to 3 months | **107,231** | 101,783 |
| 3 to 6 months | **5,853** | 7,597 |
| 6 months to 1 year | **8,910** | 3,094 |
| 1 to 2 years | **16,085** | 16,276 |
| 2 to 3 years | **2,520** | 1,383 |
| Over 3 years | **569** | 353 |
| | **141,167** | 130,486 |

## 16. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share for the six months ended 30 June 2017 and 2018 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 | |
|---|---|---|
| | **2018** | 2017 |
| (Loss)/Profit attributable to owners of the Company *(in RMB'000)* | **(5,978)** | 14,655 |
| Weighted average number of ordinary shares in issue | **1,020,301** | 1,020,301 |
| Basic earnings per share (RMB cents per share) | **(0.59)** | 1.44 |

### (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 to the basic earnings per share.

## 17. 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 1 and 4 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 2018** | 31 December 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **Unaudited** | Audited |
| No later than 1 year | **2,558** | 2,421 |
| Later than 1 year and no later than 2 years | **2,150** | 2,305 |
| Later than 2 years and no later than 3 years | **14** | 1,937 |
| Later than 3 years | **–** | 345 |
| | **4,722** | 7,008 |

## 18. 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, who provided the application solution services for the systems to a client in Hunan ("**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. On 16 December 2014, the Claimant withdrew the lawsuit against this subsidiary. In October 2017, the court entered a judgement that this subsidiary was not liable for compensation. The Claimant then appealed to the upper court and brought claims of about RMB4.42 million against this subsidiary and the Client. In light of the quality problems in the systems supplied by the Claimant, and the Client is the end user of the system and bear the ultimate obligation to settle payments, the Directors 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 2018.

**BUSINESS REVIEW**

At present, the PRC is carrying out strategic adjustment of the economic structure, and the economic development enters into a new normal and economic growth has slowed down. During the Interim Period, due to the downturn trend of the overall market environment and the innovation of industry technologies, the revenue of the Group recorded a decrease of approximately 32.5% as compared to the Corresponding Period. Projects involving new technologies including 4K, conversion to IP, virtualisation, cloud computing and artificial intelligence were still under development and evaluation before rolling out to the market. As such, the Group has further integrated its overwhelming resources and improved its internal management to embrace the upcoming projects with advanced technologies.

Although the revenue of the Group in the Interim Period recorded a decrease as compared to the Corresponding Period, the Group's leading position as a national one-stop all-media solution services provider remains unchanged. During the Interim Period, the Group continued to provide solutions and services for traditional TV broadcasters including but not limited to the provisions of application solutions services for CCTV, Hainan Provincial TV Station and Qingdao TV Station. The Group was also involved in projects of new media areas, which included the provision of one-stop all-media application solution services such as master control system and studio system for national leading internet media platform companies, several new media groups, integrated media institutions, etc. Meanwhile, the Group also participated in several application solutions projects involving new technologies such as 4K and conversion to IP during the Interim Period.

The Chinese sports industry is still in its important period of golden development. However, affected by the seasonal factors, most of the sports events are normally held in the second half of the year, the performance of the sports and events business segment of the Group paled in comparison with that of the Corresponding Period. In order to open up the sports and events business segment into all-around and manifold development as well as to broaden its sources of revenue and profits, the Group established a professional team engaging in the operation, management and medium publicity of sports events during the Interim Period. Therefore, the Group's sports and events business segment is able to cover the entire business chain from production and broadcasting technology services to events operation and medium publicity services.

Responding to the significant national strategic plan for comprehensively improving the quality and level of the Chinese manufacturing industry based on the trend of international industrial transformation, the Group actively focused on and grasped the latest development trend of the industry and invested in new product research and development based on the latest trends and market demand in order to diversify the Group's self-developed product line. During the Interim Period, the sales of the self-developed products of the Group recorded a gross profit margin of up to 75.4% (Corresponding Period: 57.4%) and again realised the improvement and breakthrough of gross profit of the self-developed products, which was mainly due to the Group's continuing efforts in staff optimisation and improvement of cost efficiency while maintaining the quality and level of the Group's self-developed products.

## FINANCIAL REVIEW

### Revenue

Revenue of the Group decreased by approximately 32.5% from RMB289.4 million for the Corresponding Period to RMB195.4 million for the Interim Period. The decline indicated a slow down of the general economy in the Interim Period. The table below sets out the Group's segment revenue for the six months ended 30 June 2017 and 2018 respectively:

| | **For the six months ended 30 June** | | | |
|---|---|---|---|---|
| | **2018** | | 2017 | |
| | ***RMB'000*** | ***% of total revenue*** | *RMB'000* | *% of total revenue* |
| **Segment revenue** | | | | |
| Application solutions | **166,253** | **85.1%** | 224,183 | 77.5% |
| Sports and events business | **5,499** | **2.8%** | 27,799 | 9.5% |
| System maintenance services | **6,588** | **3.4%** | 11,545 | 4.0% |
| Sales of self-developed products | **17,025** | **8.7%** | 25,916 | 9.0% |
| Total | **195,365** | **100.0%** | 289,443 | 100.0% |

*Application solutions*

Revenue generated by the Group's application solutions segment representing approximately 77.5% and 85.1% respectively of the total revenue of the Group for the six months ended 30 June 2017 and 2018. It decreased from RMB224.2 million for the Corresponding Period to RMB166.3 million for the Interim Period. The result was mainly attributable to the fact that the all-media industry is still undergoing gradual technology changes, that new technologies including 4K, conversion to IP, virtualisation and cloud computing were still in development and many television stations and new media players were still carrying out feasibility study before rolling out their projects, thereby leading to a decline of project roll-outs during the Interim Period. The Directors are pleased that the Group has been involved in many of the pioneering projects in these new technologies, including but not limited to the 4K/HD studio project of CCTV and master control system project for video media centre of a leading national internet company. These enable the Group to gain leading edge knowhow and differentiate the Group from its competitors. Therefore, the Directors are optimistic that the Group can capture the golden opportunities of new projects when they are rolled out.

*Sports and events business*

Revenue from the sports and events business segment represented approximately 9.5% and 2.8% of the total revenue of the Group for the six months ended 30 June 2017 and 2018, respectively and decreased from RMB27.8 million for the Corresponding Period to RMB5.5 million for the Interim Period, representing a decrease of approximately 80.2%. Such decrease was mainly attributable to the decrease in market demand for important political news and affairs broadcast during the Interim Period. The Group however foresees a strong pipeline of sports events to be held in the second half of 2018 and therefore it is optimistic to achieve good full year results. The Group will also spend more effort in exploiting new events in the future to overcome the seasonable effects that fewer events will be generally held in the first half of the year.

*System maintenance services*

Revenue from the system maintenance services segment represented approximately 4.0% and 3.4% of the total revenue of the Group for the six months ended 30 June 2017 and 2018, respectively and decreased from RMB11.5 million for the Corresponding Period to RMB6.6 million for the Interim Period, representing a decrease of approximately 42.9%. Such decrease was mainly attributable to less demand for onsite support services during the Interim Period.

*Sales of self-developed products*

Revenue from the sales of self-developed products segment represented approximately 9.0% and 8.7% of the total revenue of the Group for the six months ended 30 June 2017 and 2018, respectively and decreased from RMB25.9 million for the Corresponding Period to RMB17.0 million for the Interim Period, representing a decrease of approximately 34.3%. Such decrease was mainly attributable to a decrease in the number of units of the Group's self-developed products sold during the Interim Period.

**Cost of sales**

For the six months ended 30 June 2017 and 2018, the Group's cost of sales was RMB211.5 million and RMB148.6 million respectively, representing a decrease of approximately 29.7%. The following table sets forth the cost of sales for each business segment for the six months ended 30 June 2017 and 2018 respectively:

| | For the six months ended 30 June | | | |
|---|---|---|---|---|
| | **2018** | | 2017 | |
| | ***RMB'000*** | ***% of total*** | *RMB'000* | *% of total* |
| Application solutions | **(137,004)** | **92.2%** | (184,014) | 87.0% |
| Sports and events business | **(3,945)** | **2.7%** | (10,319) | 4.9% |
| System maintenance services | **(3,445)** | **2.3%** | (6,114) | 2.9% |
| Sales of self-developed products | **(4,190)** | **2.8%** | (11,048) | 5.2% |
| | **(148,584)** | **100.0%** | (211,495) | 100.0% |

The Group's cost of sales for the application solutions segment decreased by approximately 25.5% for the Interim Period, compared to the Corresponding Period, which was primarily due to the decrease in revenue of the application solutions segment.

**Gross profit and gross profit margin**

For the six months ended 30 June 2017 and 2018, the Group's gross profit was RMB77.9 million and RMB46.8 million respectively. The Group's gross profit margin was approximately 26.9% and 23.9% 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:

**Segment gross profit and gross profit margin**

| | For the six months ended 30 June | | | |
|---|---|---|---|---|
| | **2018** | | 2017 | |
| | ***RMB'000*** | ***Gross profit margin*** | *RMB'000* | *Gross profit margin* |
| Application solutions | **29,249** | **17.6%** | 40,169 | 17.9% |
| Sports and events business | **1,554** | **28.3%** | 17,480 | 62.9% |
| System maintenance services | **3,143** | **47.7%** | 5,431 | 47.0% |
| Sales of self-developed products | **12,835** | **75.4%** | 14,868 | 57.4% |
| Total | **46,781** | **23.9%** | 77,948 | 26.9% |

For the application solutions segment, the Group noted a slight decrease in the gross profit margin from approximately 17.9% for the Corresponding Period to approximately 17.6% for the Interim Period. The Group believes the decrease is within a reasonable range in its normal operation.

For the sports and events business segment, the gross profit margin decreased from approximately 62.9% to 28.3%. Such decrease was mainly attributable to the decrease in market demand for important political news and affairs broadcast during the Interim Period.

For the system maintenance services segment, the Group noted a slight increase of gross profit margin from approximately 47.0% for the Corresponding Period to approximately 47.7% for the Interim Period. The Group believes the increase is within a reasonable range in its normal operation.

For the sales of self-developed products segment, the gross profit margin increased significantly from approximately 57.4% for the Corresponding Period to approximately 75.4% for the Interim Period. The increase was mainly attributable to the increase of the software sales in the Group's self-developed product portfolio.

**Selling expenses**

Selling expenses for the six months ended 30 June 2017 and 2018 were RMB14.6 million and RMB14.1 million respectively, representing a decrease of approximately 3.2%. The decrease of expenses was due to the decrease of marketing activities.

**Administrative expenses**

Administrative expenses for the six months ended 30 June 2017 and 2018 were RMB45.8 million and RMB41.8 million respectively, representing a decrease of approximately 8.8%. The decrease of administrative expenses was due to the improvement of the Group's operation.

**Finance costs**

For the six months ended 30 June 2017 and 2018, the net finance costs of the Group were RMB2.1 million and RMB0.9 million respectively, representing a decrease of approximately 55.2%. The net finance cost is calculated by deducting the finance cost (2018: RMB1.2 million; 2017: RMB7.1 million) by the financial income (2018: RMB0.3 million; 2017: RMB5.0 million).

**Income tax expense**

Income tax expense amounted to RMB2.9 million and RMB0 (nil) respectively for the six months ended 30 June 2017 and 2018. The decrease was attributable to the net loss of the Group for the Interim Period.

**Profit for the period**

As a result of the aforementioned factors, profit attributable to owners of the Company decreased from a net profit of RMB15.5 million for the Corresponding Period to a net loss of RMB5.9 million for the Interim Period, representing a decrease of approximately 137.9%. While the profit attributable to owners of the Company decreased from RMB14.7 million for the Corresponding Period to a loss of RMB6.0 million for the Interim Period.

**Liquidity, financial resources and capital structure**

Net cash generated from the Group's operating activities amounted to RMB14.8 million for the Interim Period while net cash generated from the Group's operating activities amounted to RMB34.0 million for the Corresponding Period. The net cash inflow of the Group's operating activities in the Interim Period mainly arose from (i) the decrease in inventories resulted from the improvement of the project management and inventory planning work for the Interim Period; and (ii) the extended payment support from suppliers.

Net cash used in the Group's investing activities amounted to RMB3.4 million for the Interim Period while net cash generated from the Group's investing activities amounted to RMB3.4 million for the Corresponding Period. The net cash outflow for the Interim Period was mainly used to purchase assets.

Net cash used in the Group's financing activities amounted to RMB57.0 million for the Interim Period while the net cash used in the Group's financing activities amounted to RMB54.0 million for the Corresponding Period. The net cash used in financing activities for the Interim Period was mainly attributable to the increase in the repayment of bank loans.

As at 30 June 2018, the Group had total assets of approximately RMB825.8 million (31 December 2017: approximately RMB880.5 million) which was financed by current liabilities of approximately RMB444.4 million (31 December 2017: approximately RMB544.0 million) and shareholders' equity of approximately RMB323.7 million (31 December 2017: approximately RMB328.1 million).

As at 30 June 2018, the Group's current ratio (which is calculated by dividing current assets by current liabilities) was 1.41 (31 December 2017: 1.24).

The cash and cash equivalents of the Group as at 30 June 2018 were mainly denominated in Hong Kong Dollar ("**HKD**"), the United States Dollar ("**USD**"), Great British Pound ("**GBP**"), Euro and Renminbi ("**RMB**").

**Charge on assets**

As at 30 June 2018, bank borrowings of RMB55,100,000 (31 December 2017: RMB70,000,000) were secured by the buildings of the Group, net book value of which amounted to RMB34,953,478 (31 December 2017: RMB36,194,000); trade receivables of RMB25,843,224 (31 December 2017: RMB25,310,000), and were guaranteed by Beijing Zhongguancun Sic-tech Financing Guarantee Co., Ltd.

**Gearing position**

The gearing ratio, which represented total borrowings divided by total equity multiplied by 100%, was approximately 85.1% and 67.8% respectively as of 31 December 2017 and 30 June 2018. The total borrowings of the Group decreased from RMB265.6 million as at 31 December 2017 to RMB208.5 million as at 30 June 2018. Such decrease was mainly attributable to the net repayment of working capital loan to the banks (repayment: RMB107.6 million; new borrowing proceeds: RMB50.5 million).

**Foreign exchange risk**

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, HKD, GBP and Euro. Foreign exchange risk arose from future commercial transactions, recognised assets and liabilities which are denominated in non-RMB. The management of the Group has set up a policy to require the Group's subsidiaries to manage their foreign exchange risk against their functional currency. The Group's subsidiaries are required to control the exposure of the foreign currency during their business operation. The foreign currency exposure is mainly due to the purchase of equipment from all over the world and the management controls the payment schedule to reduce the foreign exchange risk. Save for certain bank balances and accounts payables in USD and HKD, the Group considers that 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 will monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

**Interest rate risk**

Other than the bank balances with variable interest rates, the Group has no other significant interest-bearing assets. The management does not anticipate significant impact on interest-bearing assets resulting 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**

For the Interim Period, the Group had no significant investments, mergers and acquisitions.

**Contingent liabilities**

In March 2014, one of the subsidiaries of the Company 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 the application solution services for the systems 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. On 16 December 2014, the Claimant withdrew the lawsuit against this subsidiary. In October 2017, the court entered a judgement that this subsidiary was not liable for compensation. The Claimant then appealed to the upper court and brought claims of about RMB4.42 million against this subsidiary and the Client.

In light of the quality problems in the systems supplied by the Claimant, and the Client is the end user of the system and bears 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 2018, 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 Board does not recommend the distribution of interim dividend for the Interim Period (2017: Nil).

**Employees and remuneration policies**

As at 30 June 2018, the Group had a total of 346 employees (as at 31 December 2017: 357 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 of the Company through the optimisation of the debt and equity balance.

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

## FUTURE OUTLOOK

As the macro-economy is still undergoing recovery and the all-media industry is under technology transformation and innovation, the current growth pace of the Group has slowed down a bit, however, the Board remains confident in the prospects of the Group's development.

With the in-depth development of media convergence, the traditional TV broadcasters and new media customers are expected to expand their investment in building their own content creation platforms, to establish production, broadcasting and management system for integrated media, which serve as great drivers for the application solutions business segment of the Group. In the meantime, the golden period of the Chinese sports industry will continue to promote and support the development of the sports and events business segment of the Group. It is expected that most of the sports events will normally be held in the second half of the year and the Group is expected to involve in the provision of production, broadcasting, operation and promotion services for sports events including but not limited to bicycle races, triathlon league and winter sports games. For the sales of self-developed products segment, the Group will adhere to its dual track expansion strategy covering both multiple vertical markets and overseas market. On 2 August 2018, Cogent Technologies Limited ("**Cogent**"), a wholly-owned subsidiary of the Company, has entered into a strategic cooperation partnership with Integrated Microwave Technology Ltd trading as Vislink ("**Vislink**"), which is a wholly-owned subsidiary of xG Technology, Inc., a NASDAQ listed entity (stock code: XGTI) whereby Vislink will help promoting and selling Cogent's products and solutions outside China. The parties wish to further expand in overseas market and to continuously improve the design and production of the self-developed products in order to increase the overall competitiveness in overseas market. For details, please refer to the announcement published by the Company on 13 August 2018.

Pursuant to several forecast reports issued by international institutions, it is expected that the Chinese economy will maintain a slower but stable performance with good momentum for growth. With the better growth in the macro-economy development, the increasing maturity of the new industry technologies and the in-depth convergence of media, the Board is confident and optimistic about the overall future prospects of the Group's main business segments including application solutions, sports and events business, and sales of self-developed products.

## SHARE AWARD PLAN AND SHARE OPTION SCHEME

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 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 (the "**Listing Rules**"). Details of the Share Award Plan and movement in the awarded shares during the Interim Period will be set out in the 2018 interim report of the Company.

In order to reward or make incentive to the employees, the Directors and other selected participants for their contributions to the Group, the Company conditionally adopted the Share Option Scheme on 13 June 2014. Details of the Share Option Scheme and movement in the share options during the Interim Period will be set out in the 2018 interim report of the Company.

## EVENTS AFTER THE INTERIM PERIOD

The Group had no significant events after the Interim Period.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities 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 Directors consider that the Company has complied with all the applicable code provisions under the CG Code, save as the following:

- Under the code provision A.2.1, 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 (the "**CEO**") of the Group was not separated and was performed by the same individual, Mr. Lo Chi Sum, who acted as both the chairman and 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 (the "**Model Code**") (with certain modifications).

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.

## 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 2018 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, 29 August 2018

*As at the date of this announcement, the executive Directors are Mr. Lo Chi Sum, Mr. Leung Wing Fai and Mr. Wong Kwok Fai, 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*