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 2019

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 38.1% to RMB118.8 million for the six months ended 30 June 2019 from RMB191.9 million for the six months ended 30 June 2018.
- Gross profit decreased by approximately 20.4% to RMB34.9 million for the six months ended 30 June 2019 from RMB43.9 million for the six months ended 30 June 2018.
- Net loss for continuing operations increased by approximately 5.9 times to a net loss of RMB14.5 million for the six months ended 30 June 2019 from a net loss of RMB2.1 million for the six months ended 30 June 2018.
- The Board does not recommend the distribution of interim dividend for the six months ended 30 June 2019 (2018: Nil).

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Century Sage Scientific Holdings Limited (the "**Company**") herewith announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2019 (the "**Interim Period**"), together with the comparative figures for the six months ended 30 June 2018 (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 **2019** *RMB'000* **Unaudited**	2018 *RMB'000* Unaudited
Revenue	*4*	**118,771**	191,926
Cost of sales	*4*	**(83,851)**	(148,047)
Gross profit	*4*	**34,920**	43,879
Selling expenses		**(9,265)**	(13,107)
Administrative expenses		**(22,879)**	(26,925)
Research and development		**(9,998)**	(9,400)
Other gains — net		**2,484**	6,302
Operating (loss)/profit	*6*	**(4,738)**	749
Finance income	*7*	**28**	248
Finance costs	*7*	**(6,466)**	(922)
Finance loss — net		**(6,438)**	(674)
Share of loss of investments accounted for using the equity method	*5*	**(2,413)**	(2,188)
Loss before income tax		**(13,589)**	(2,113)
Income tax expense	*8*	**(888)**	–
Loss from continuing operations for the period		**(14,477)**	(2,113)
Profit from discontinued operations		**–**	(3,762)
Loss for the period		**(14,477)**	(5,875)
Loss attributable to:			
Owners of the Company		**(12,434)**	(5,978)
Non-controlling interests		**(2,043)**	103

	Note	Six months ended 30 June 2019 RMB'000 Unaudited	2018 RMB'000 Unaudited
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**990**	(92)
Other comprehensive loss for the six-month period then ended, net of tax		**990**	(92)
Total comprehensive loss for the period		**(13,487)**	(5,967)
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(11,444)**	(6,070)
Non-controlling interests		**(2,043)**	103
Loss per share (expressed in RMB cents per share)			
Continuing operations:			
Basic and diluted earnings per share	*18*	**(1.19)**	(0.22)
Discontinued operations:			
Basic and diluted earnings per share		**–**	(0.37)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**30 June 2019** *RMB'000*	31 December 2018 *RMB'000*
Assets			
Non-current assets			
Property, plant and equipment	*10*	**38,959**	40,112
Intangible assets	*10*	**48,344**	50,170
Deferred income tax assets		**578**	1,229
Trade and other receivables	*11*	**26,935**	27,197
Financial assets at fair value through profit or loss		**45,821**	45,263
Investments accounted for using the equity method	*5*	**59,429**	61,842
Other non-current assets		**684**	693
Total non-current assets		**220,750**	226,506
Current assets			
Inventories		**122,782**	148,359
Other current assets	*12*	**38,229**	46,694
Trade and other receivables	*11*	**250,899**	255,102
Pledged bank deposits		**349**	2,211
Cash and cash equivalents		**7,521**	59,452
Total current assets		**419,780**	511,818
Total assets		**640,530**	738,324
Equity			
Equity attributable to owners of the Company			
Share capital	*14*	**8,290**	8,106
Share premium	*14*	**269,212**	265,396
Other reserves		**(67,977)**	(65,851)
Retained earnings		**31,473**	43,906
Total equity		**240,998**	251,557
Non-controlling interests		**13,680**	15,723
Total equity		**254,678**	267,280

	Note	**30 June 2019** *RMB'000*	31 December 2018 *RMB'000*
Liabilities			
Non-current liabilities			
Borrowings	*16*	**23,305**	9,387
Deferred income tax liabilities		**804**	1,152
Total non-current liabilities		**24,109**	10,539
Current liabilities			
Contract liabilities	*13*	**66,277**	89,528
Trade and other payables	*17*	**152,548**	185,148
Current income tax liabilities		**16,017**	13,842
Borrowings	*16*	**126,901**	171,987
Total current liabilities		**361,743**	460,505
Total liabilities		**385,852**	471,044
Total equity and liabilities		**640,530**	738,324
Net current assets		**58,037**	51,313
Total assets less current liabilities		**278,787**	277,819

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 January 1, 2019	**8,106**	**265,396**	**(65,851)**	**43,906**	**251,557**
Comprehensive income					
Profit for the period	**–**	**–**	**–**	**(12,433)**	**(12,433)**
Other comprehensive income					
— currency translation differences	**–**	**–**	**990**	**–**	**990**
Total comprehensive income for the period ended 30 June 2019	**–**	**–**	**990**	**(12,433)**	**(11,443)**
Transactions with owners					
Dividend to the the shareholders	**–**	**–**	**–**	**–**	**–**
Employees share option scheme					
— value of employee services	**–**	**–**	**700**	**–**	**700**
Issue of ordinary share for the equity consideration for investment in an associate	**184**	**3,816**	**(3,816)**	**–**	**184**
Total transactions with owners, recognised directly in equity	**184**	**3,816**	**(3,116)**	**–**	**884**
Balance as at 30 June 2019	**8,290**	**269,212**	**(67,977)**	**31,473**	**240,998**
Unaudited					
Balance at January 1, 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 to the the shareholders	–	–	–	–	–
Employees share 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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Cash flows from operating activities		
Cash generated from operations	**(13,219)**	21,665
Interest paid	**(6,191)**	(5,133)
Income tax paid	**(133)**	(1,739)
Net cash (used in)/generated from operating activities	**(19,543)**	14,793
Cash flows from investing activities		
Purchases of property, plant and equipment	**(738)**	(1,392)
Payment of pledged bank deposits	**(349)**	(1,348)
Collection of pledged bank deposits	**2,211**	1,015
Purchase of intangible assets	**(2,100)**	(1,829)
Proceeds from sale of property, plant and equipment	**–**	182
Acquisition of an associate	**–**	–
Net cash used in investing activities	**(976)**	(3,372)
Cash flows from financing activities		
Proceeds from borrowings	**16,566**	50,544
Repayments of borrowings	**(47,732)**	(107,589)
Acquisition of interest in a subsidiary	**–**	–
Dividends paid to the then shareholders	**–**	–
Net cash used in financing activities	**(31,166)**	(57,045)
Net decrease in cash and cash equivalents	**(51,685)**	(45,624)
Cash and cash equivalents at beginning of period	**59,452**	57,986
Exchange loss on cash and cash equivalents	**(246)**	4,212
Cash and cash equivalents at end of the period	**7,521**	16,574

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2019

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) system maintenance services and (iii) sales of self-developed products, for the all-media industry in 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 30 August 2019.

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 2019 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 2018, 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 2018, as described in those annual financial statements.

Amendments to HKFRSs effective for the financial year ending 31 December 2019 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
- System maintenance services
- Sales of self-developed products

The sports and events business segment of the Group was disposed in November 2018. The sports and events business is classified as discontinued operations and the financial information of the Corresponding Period is restated accordingly.

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	
	2019	2018
	RMB'000	*RMB'000*
Segment revenue		
Application solutions	**92,891**	168,314
System maintenance services	**12,200**	6,588
Sales of self-developed products	**13,680**	17,024
Total	**118,771**	191,926
Segment cost		
Application solutions	**(72,821)**	(140,414)
System maintenance services	**(5,895)**	(3,444)
Sales of self-developed products	**(5,135)**	(4,189)
Total	**(83,851)**	(148,047)
Segment gross profit		
Application solutions	**20,070**	27,900
System maintenance services	**6,305**	3,144
Sales of self-developed products	**8,545**	12,835
Total	**34,920**	43,879
Depreciation		
Application solutions	**1,658**	1,151
System maintenance services	**65**	45
Sales of self-developed products	**168**	116
Total	**1,891**	1,312

5. INVESTMENT IN ASSOCIATES

	Six months ended 30 June 2019 *RMB'000*
At 1 January 2019	**61,842**
Addition	**–**
Share of post-tax profits of an associate	**(2,413)**
At 30 June 2019	**59,429**

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 2019 *RMB'000*
Assets	**87,245**
Liabilities	**46,971**
Revenues	**13,047**
Share of profit	**(2,988)**
Percentage held	**49%**

The Group's share of the results in Beijing Evertop Sports Culture Media Co., Ltd.* (北京永達天恒體育文化傳媒有限公司) and its aggregated assets and liabilities are shown below:

	Six months ended 30 June 2019 *RMB'000*
Assets	**123,169**
Liabilities	**95,120**
Revenues	**27,957**
Share of profit	**575**
Percentage held	**45%**

6. OPERATING PROFIT

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

	Six months ended 30 June	
	2019 *RMB'000*	2018 *RMB'000*
Equipment costs	**78,062**	136,894
Servicing and agency costs	**3,135**	3,374
Business development	**1,797**	2,382
Depreciation and amortisation	**5,817**	5,302
	88,811	147,951

7. FINANCIAL COSTS

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Finance expenses		
— Interest expenses on bank borrowings	**(6,220)**	(4,858)
— Net foreign exchange (loss)/gain	**(246)**	3,936
	(6,466)	(922)
Finance income		
— Interest income on short-term bank deposits	**28**	248
Net finance costs	**(6,438)**	(674)

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 six months ended 30 June 2019 on the estimated assessable profit for the period. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the Interim 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 was 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 Interim Period is analysed as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Current income tax	**585**	1,458
Deferred income tax	**303**	(1,458)
Income tax expense	**888**	–

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 (2018: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment	**Other intangible assets**
	RMB'000	*RMB'000*
Six months ended 30 June 2019		
Net book value or valuation		
Opening amount as at 1 January 2019	**40,112**	**50,170**
Additions	**738**	**2,100**
Disposals	**–**	**–**
Depreciation	**(1,891)**	**(3,926)**
Closing amount as at 30 June 2019	**38,959**	**48,344**
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

11. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
Included in current assets		
Trade receivables	**262,601**	262,499
Trade receivables from associates	**–**	7,912
Less: provision for impairment of trade receivable	**(26,211)**	(27,154)
Trade receivables — net	**236,390**	243,257
Other receivables		
Deposit for guarantee certificate over tendering and performance	**23,261**	20,985
Receivable related to deposit paid for acquisition of a subsidiary	**–**	16,934
Cash advance to staff	**5,278**	5,424
Receivable for disposal of a subsidiary	**2,900**	2,900
Others	**10,005**	9,733
	277,834	299,233
Less: provision for impairment of prepayment for acquisition of a subsidiary	**–**	(16,934)
	277,834	282,299
Less: Non-current portion		
Trade receivables	**9,234**	9,496
Receivable for disposal of a subsidiary	**17,755**	17,755
Less: provision for impairment of trade receivable	**(54)**	(54)
	26,935	27,197
Current portion	**250,899**	255,102

As at 31 December 2018 and 30 June 2019, the aging analysis of the trade receivables based on revenue recognition date is as follows:

	As at	
	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
Up to 3 months	**44,721**	55,279
3 to 6 months	**33,072**	10,671
6 months to 1 year	**21,400**	48,130
1 to 2 years	**83,759**	79,035
2 to 3 years	**39,570**	39,831
Over 3 years	**40,079**	37,465
	262,601	270,411

12. OTHER CURRENT ASSETS

	As at 30 June 2019 *RMB'000* Unaudited	31 December 2018 *RMB'000* Audited
Prepayment for purchase of goods or services	**38,229**	46,694

13. CONTRACT LIABILITIES

	As at 30 June 2019 *RMB'000* Unaudited	31 December 2018 *RMB'000* Audited
Contract liability to third party	**66,277**	81,600
Contract liability to associates	**–**	7,928
	66,277	89,528

Contract liabilities primarily consist of the advance from customers for goods or services to be provided.

14. 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 2019	**1,020,300,761**	**10,203**	**8,106**	**265,396**	**273,502**
Issue of ordinary shares for the equity consideration for acquisition of a subsidiary (a)	20,942,408	209	184	3,816	4,000
Balance at 30 June 2019	**1,041,243,169**	**10,412**	**8,290**	**269,212**	**277,502**
Balance at 1 January 2018 and 30 June 2018	**1,020,300,761**	**10,203**	**8,106**	**265,396**	**273,502**

(a) Issue of ordinary shares for the equity consideration for acquisition of a subsidiary

On 14 May 2019, the Group acquired 100% of the share capital of Satron Technologies Co., Ltd.* (泰德星創(北京)科技有限公司) for a total consideration of RMB5,880,000, of which RMB4,000,000 was settled by way of issuing 20,942,408 new shares of the Company of an equivalent value of RMB4,000,000 to the vendors. The relevant shares were issued on 20 June 2019.

15. 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 2019	**4,161,344**
Vested	**(2,370,000)**
Forfeited	**(900,000)**
At 30 June 2019	**891,344**
At 1 January 2018	5,927,687
Vested	–
Forfeited	(820,671)
At 30 June 2018	5,107,016

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 Interim Period.

(ii) 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 an option in respect of 14,216,000 shares at the exercise price of HK$1.84 per share under the option (the "**2015 Scheme**"). The options were divided into 2 tranches at the grant date. The first tranche of 50% of the option 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 an option in respect of 13,542,000 shares at the exercise price of HK$0.77 per share under the option (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. The first tranche of 50% of the option 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. 8,540,000 share options under Type A was taken as replacement of the outstanding share options under the 2015 Scheme. The related incremental fair value 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 option 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 an option in respect of 7,200,000 shares at the exercise price of HK$0.435 per share under the option (the "**2017 Scheme**"). The options were divided into 2 tranches at the grant date. The first tranche of 50% of the option 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.

On 28 November 2018, the Board approved the grant of an option in respect of 57,670,000 shares at the exercise price of HK$0.222 per share under the option (the "**2018 Scheme**"). The options can be exercised beginning on the 2nd anniversary of the grant date.

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**	**2018 Scheme**
At 1 January 2019	1,018,000	6,814,000	5,000,000	57,670,000
Granted	–	–	–	–
Lapsed	–	(974,000)	–	–
At 30 June 2019	1,018,000	5,840,000	5,000,000	57,670,000

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 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.

	2017 Scheme	**2018 Scheme**
Risk free rate	1.30%	2.24%
Dividend yield	1.38%	0.00%
Expected volatility	48.38%	53.50%

16. BORROWINGS

	As at	
	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Non-current		
Bank borrowings — secured	**23,305**	9,387
	23,305	9,387
Current		
Bank borrowings — secured		
— short term bank borrowings	**126,901**	81,356
— current portion of long term bank borrowings	**–**	90,631
	126,901	171,987
Total borrowings	**150,206**	181,374

As at 30 June 2019, bank borrowings of RMB35,000,000 (31 December 2018: RMB25,000,000) were secured by the buildings of the Group, net book value of which amounted to RMB21,888,000 (31 December 2018: RMB22,695,000); trade receivables of RMB31,696,880 (31 December 2018: RMB25,750,000) were guaranteed by Beijing Zhongguancun Sic-tech Financing Guarantee Co., Ltd, an independent third party.

17. TRADE AND OTHER PAYABLES

	As at	
	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Trade payables	**81,285**	94,130
Trade payables to associates	**1,168**	10,483
Other taxes payable	**28,792**	34,927
Employee benefits payable	**6,436**	6,656
Amounts due to an associate	**–**	11,236
Amounts due to shareholders/directors	**14,864**	7,622
Accrual for professional service fee	**1,512**	1,199
Compensation payable for a legal dispute	**1,774**	2,774
Others	**16,717**	16,121
	152,548	185,148

At 30 June 2019, the aging analysis of the trade payables based on invoice date is as follows:

	As at	
	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
Up to 3 months	**57,917**	67,281
3 to 6 months	**5,930**	13,959
6 months to 1 year	**7,160**	13,293
1 to 2 years	**7,010**	991
2 to 3 years	**2,013**	7,600
Over 3 years	**2,423**	1,489
	82,453	104,613

18. EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the six months ended 30 June 2018 and 2019 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	
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Loss attributable to owners of the Company (in RMB'000)	**(12,434)**	(5,978)
Weighted average number of ordinary shares in issue	**1,041,243**	1,020,301
Basic earnings per share (RMB cents per share)	**(1.19)**	(0.59)

(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.

19. 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	31 December
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
No later than 1 year	**3,260**	3,382
Later than 1 year and no later than 2 years	**1,840**	2,032
Later than 2 years and no later than 3 years	**230**	244
Later than 3 years	**–**	–
	5,330	5,658

20. 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 such subsidiary, who provided the application solutions 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 such subsidiary and the Client to the outstanding amount payable for the sale of the systems.

In October 2017, the court decided that such subsidiary was not liable for compensation. The Claimant then appealed to the higher people's court and brought with total claims of about RMB9.99 million against such subsidiary and the Client. As at 31 December 2017, the Directors consider that the expected outcome of the legal dispute will not have a material adverse effect on the financial statements and therefore, no provision has been made.

According to the written judgement of the higher people's court in June 2018, it was decided that such subsidiary and the Client were jointly liable for the compensation and other expenses amounted to approximately RMB7.60 million. In September 2018, the Claimant and such subsidiary entered into a settlement agreement to reduce the compensation to RMB5.57 million in instalments within one year, out of which RMB3.80 million was paid as at 30 June 2019. According to the opinion of the Group's legal counsel, upon settling total compensation according to the settlement agreement, the Group has the right to ask for compensation from the Client of the same amount. As at 30 June 2019, no contingent assets regarding the compensation receivable was recognised for prudence.

As at 30 June 2019, 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.

BUSINESS REVIEW

The technology advances and the government policies guidance have provided the industry with excellent growth drivers. The Company, being one of the leading suppliers in the industry, is very excited about the opportunities ahead.

On 1 March 2019, the Ministry of Industry and Information Technology, the National Radio and Television Administration (the "NRTA"), and the Central Radio and Television Station collectively promulgated "The Action Plan for the Development of Ultra-high-definition ("**UHD**") Video Industry (2019–2022)" (《超高清視頻產業發展行動計劃（2019–2022年）》) (the "**Plan**"), which implicates that the market spending for 4K UHD will exceed RMB4 trillion (equivalent to approximately US$0.6 trillion) by the year 2022 (both professional and consumer ends inclusive). And the Plan also strongly suggests the support of local engineered products manufactured by local research and development ("**R&D**") companies, such as the Company, rather than imported products.

The Group has developed the software defined network ("**SDN**") in several 4K UHD pilot projects of various channels of China Central Television ("**CCTV**") already (e.g. 4K UHD broadcast van). The Group is the first in China to develop such projects and has set the benchmark in the industry. The Group has also been engaged with CCTV to co-invest in the R&D project for the feasibility study of adopting China local technology for the 4K UHD deployment. The Group also showcased the Chinese local R&D milestones solutions together with CCTV at the Beijing International Radio, TV & Film Exhibition held in Beijing in August 2019. Because of the advancement of technology, the Group has achieved remarkable results in the UHD domain and is representing the Chinese R&D companies joining and contributing to international 4K UHD and internet protocol ("**IP**") media organisations, such as the Alliance for IP Media Solutions ("**AIMS**"), the Advanced Media Workflow Association ("**AMWA**") and the IP Live Alliance. The Group is also the first Chinese company which has its own researched and manufactured products receiving the accreditation of the "2019 FOX Tested Program — FULLY complied to ST2110\ST2059-2", which demonstrated the high standard and full compatibility of the Group's products in the international advanced media market.

Meanwhile, the Group can also see investment with explosive growth in 5G infrastructure. Cogent (Beijing) Technology Company Limited* (高駿(北京)科技有限公司) ("**Cogent**"), the Group's indirect wholly-owned subsidiary, has acted as the first tier ecosystem partner with the China United Network Communications Group Co., Ltd.* (中國聯合網絡通信集團有限公司) ("**China Unicom**") since 24 April 2019, together with Huawei, Foxconn and Alicloud. Cogent will work together with China Unicom to pioneer the co-development of 5G UHD solutions to deploy on the China Unicom nationwide network. For details, please refer to the announcement of the Company dated 23 July 2019 published on the website of the Stock Exchange.

The Group also feels the heat of convergence media platform investment. At the National Conference on Propaganda and Ideological Work (全國宣傳思想工作會議) held on 21 August 2018, President Xi Jinping raised the campaign to build the convergence media platform in over 2,700 county level cities in China. The idea is to build platforms all over China to allow smooth channels of positive ideas and provoked communications among the government and the citizens. According to the National Budget published on 2 April 2019, a special budget of

RMB1.8 billion is allocated to the aforesaid project this year. Regarding merged media, the Group has tremendous track records, for example, the Group has built systems for top-tier customers like People's Daily, Beijing New Media Group, and some of the pioneer sites of county level. The Group has successful solutions covering news preparation, screening, management, interactive, multipurpose and multiplatform publishing and data analysis built on cloud-based platform.

The Directors are very excited about the business opportunities in relation to UHD, 5G and cloud-based convergence media solutions and are glad that the Group has invested in R&D for many years which enabled the Group to stay in the frontier of the technology revolution. The Directors are confident to take the Company into another level of success with tremendous business opportunities.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 38.1% from approximately RMB191.9 million for the six months ended 30 June 2018 to approximately RMB118.8 million for the six months ended 30 June 2019. The decrease was due to the all-media projects adopting new technology have not been carried out in large scale. The applications solutions segment decreased by approximately 44.8% while the sales of self-developed products segment decreased by approximately 19.6%. Compared with the Corresponding Period, the revenue from the system maintenance services has increased significantly by approximately 85.2% from approximately RMB6.6 million to RMB12.2 million due to the increased demand for services to maintain the customers facilities. The table below sets out the Group's segment revenue for the six months ended 30 June 2018 and 2019 respectively:

	For the six months ended 30 June			
	2019		2018	
	RMB'000	***% of total revenue***	*RMB'000*	*% of total revenue*
Segment revenue				
Application solutions	**92,891**	**78.2%**	168,314	87.7%
System maintenance services	**12,200**	**10.3%**	6,588	3.4%
Sales of self-developed products	**13,680**	**11.5%**	17,024	8.9%
Total	**118,771**	**100.0%**	191,926	100.0%

Application solutions

Revenue generated by the Group's application solutions business segment represented approximately 87.7% and 78.2% of the total revenue of the Group for the Corresponding Period and the Interim Period, respectively. Such revenue has decreased from approximately RMB168.3 million for the Corresponding Period to approximately RMB92.9 million for the Interim Period. The decrease was mainly attributable to the situation that the all-media industry is still undergoing gradual technology changes, such as the conversion to 4K UHD and the conversion to IP. The all-media projects adopting new technology have not been carried out in large scale, thus leading to a decline of project roll-outs during the Interim Period. However, the Group has been involved in some of the pilot projects of UHD and IP deployment, which provided the Group with valuable experiences and enabled the Group to continue to lead the technology development. The roadmap of launching 4K UHD is still undergoing. Therefore, the Directors are optimistic that the Group will be able to capture the golden opportunities of new projects when they are rolled out.

System maintenance services

Revenue from the system maintenance services business segment represented approximately 3.4% and 10.3% of the total revenue of the Group for the Corresponding Period and the Interim Period, respectively, and increased from approximately RMB6.6 million for the Corresponding Period to approximately RMB12.2 million for the Interim Period, representing an increase of approximately 85.2%. Such increase was mainly attributable to the increase in demand for onsite support services during the Interim Period.

Sales of self-developed products

Revenue from the sales of self-developed products business segment represented approximately 8.9% and 11.5% of the total revenue of the Group for the Corresponding Period and the Interim Period, respectively, and decreased from approximately RMB17.0 million for the Corresponding Period to approximately RMB13.7 million for the Interim Period, representing a decrease of approximately 19.6%. Such decrease was mainly attributable to a short term decline in demand, where the all-media industry is still undergoing gradual technology changes. The new technologies including 4K UHD, conversion to IP, virtualisation and cloud computing are still under development.

Cost of sales

For the six months ended 30 June 2018 and 2019, the Group's cost of sales was approximately RMB148.0 million and RMB83.9 million respectively, representing a decrease of approximately 43.4%. The decline percentage in cost is higher than the decline in sales representing an overall improvement in gross profit margin. The following table sets forth the cost of sales for each business segment for the six months ended 30 June 2018 and 2019 respectively:

	For the six months ended 30 June			
	2019		2018	
	RMB'000	***% of total cost***	*RMB'000*	*% of total cost*
Segment cost of sales				
Application solutions	**72,821**	**86.8%**	140,414	94.8%
System maintenance services	**5,895**	**7.0%**	3,444	2.3%
Sales of self-developed products	**5,135**	**6.1%**	4,189	2.8%
Total	**83,851**	**100.0%**	148,047	100.0%

The Group's cost of sales for the application solutions segment decreased by approximately 48.1% for the Interim Period as compared to the Corresponding Period, which was primarily due to the decrease in revenue of the application solutions segment. The cost of sales for the system maintenance services segment increased by approximately 71.2% for the Interim Period as compared to the Corresponding Period, which was primarily due to the increase in revenue of the system maintenance services segment. The cost of sales of the sales of self-developed products segment increased by approximately 22.6% due to the higher amortisation cost of R&D during the Interim Period as compared to the Corresponding Period.

Gross profit and gross profit margin

For the six months ended 30 June 2018 and 2019, the Group's gross profit was approximately RMB43.9 million and RMB34.9 million respectively, representing a decrease of approximately 20.4%. However, the Group's gross profit margin improved from approximately 22.9% from the Corresponding Period to approximately 29.4% for the Interim Period. 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			
	2019		2018	
	RMB'000	***% of Gross profit margin***	*RMB'000*	*% of Gross profit margin*
Segment gross profit and gross profit margin				
Application solutions	**20,070**	**21.6%**	27,900	16.6%
System maintenance services	**6,305**	**51.7%**	3,144	47.7%
Sales of self-developed products	**8,545**	**62.5%**	12,835	75.4%
Total	**34,919**	**29.4%**	43,879	22.9%

For the application solutions segment, the Group noted an increase in the gross profit margin from approximately 16.6% for the Corresponding Period to approximately 21.6% for the Interim Period. The increase was due to the implementation of some new technology pilot projects which carried higher value and margin.

For the system maintenance services segment, the Group noted a slight increase of gross profit margin from approximately 47.7% for the Corresponding Period to approximately 51.7% for the Interim Period. The Group believes the increase was within a reasonable range in its normal operation.

For the sales of self-developed products segment, the gross profit margin decreased from approximately 75.4% for the Corresponding Period to approximately 62.5% for the Interim Period. The decrease was due to the higher amortisation cost of R&D in the Interim Period as compared to the Corresponding Period.

Selling expenses

The selling expenses for the six months ended 30 June 2018 and 2019 were approximately RMB13.1 million and RMB9.3 million respectively, representing a decrease of approximately 29.3%. The decrease of expenses was due to the decrease of marketing activities.

Administrative expenses

The administrative expenses for the six months ended 30 June 2018 and 2019 were approximately RMB26.9 million and RMB22.9 million respectively, representing a decrease of approximately 15.0%. The decrease in administrative expenses was due to the improvement in the Group's operation and the implementation of streamlined cost control.

Research and development expenses

The R&D expenses for the six months ended 30 June 2018 and 2019 were approximately RMB9.4 million and RMB10.0 million respectively, representing an increase of approximately 6.4%. The Group continued to invest in the R&D to maintain the leading edge technology in the industry.

Finance costs

For the six months ended 30 June 2018 and 2019, the net finance costs of the Group were approximately RMB0.7 million and RMB6.4 million respectively, representing an increase of approximately 8.6 times. The finance costs of approximately RMB0.9 million for the Corresponding Period consisted of interest expenses of approximately RMB4.8 million and was offset by the exchange gains of approximately RMB3.9 million. During the Interim Period, the finance costs of approximately RMB6.4 million was composed of interest expenses of approximately RMB6.2 million and exchange loss of RMB0.2 million. The increase in interest expenses was due to the increased interest rate during the Interim Period.

Income tax expense

Income tax expense amounted to RMB0 (Nil) and approximately RMB0.9 million respectively for the six months ended 30 June 2018 and 2019. The increase was due to the profits that the Group had recorded in individual subsidiaries in PRC during the Interim Period.

Loss for the Interim Period

As a result of the aforementioned factors, loss arose from the continuing business of the Company increased from a net loss of approximately RMB2.1 million for the Corresponding Period to a net loss of approximately RMB14.5 million for the Interim Period, representing an increase of approximately 5.9 times. Deducting the minority interests, the loss attributable to the owners of the Company increased from a net loss of approximately RMB6.0 million for the Corresponding Period to a net loss of approximately RMB12.4 million for the Interim Period, representing a gentler degree of increase of approximately 1.1 times.

Liquidity, financial resource and capital structure

Net cash used in the Group's operating activities amounted to approximately RMB19.5 million for the Interim Period while net cash generated from the Group's operating activities amounted to approximately RMB14.8 million for the Corresponding Period. The net cash outflow of the Group's operating activities during the Interim Period mainly arose from the decrease in trade and other payables and the contract liabilities in a total of approximately RMB55.9 million, which was partly offset by the decrease in inventories, other current assets and trade and other receivables in a total of approximately RMB38.2 million, among others, resulted in a net outflow of approximately RMB19.5 million for the Interim Period.

Net cash used in the Group's investing activities amounted to approximately RMB1.0 million for the Interim Period while net cash generated from the Group's investing activities amounted to approximately 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 approximately RMB31.2 million for the Interim Period while the net cash used in the Group's financing activities amounted to approximately RMB57.0 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 2019, the Group had total assets of approximately RMB640.5 million (31 December 2018: approximately RMB738.3 million) which was financed by current liabilities of approximately RMB361.7 million (31 December 2018: approximately RMB460.5 million) and shareholders' equity of approximately RMB254.7 million (31 December 2018: approximately RMB267.3 million).

As at 30 June 2019, the Group's current ratio (which is calculated by dividing current assets by current liabilities) was 1.16 (31 December 2018: 1.11).

The cash and cash equivalents of the Group as at 30 June 2019 were mainly denominated in Hong Kong Dollar ("**HKD**"), the United States Dollar ("**USD**"), Great British Pound ("**GBP**"), Euro and Renminbi ("**RMB**").

Charge over assets

As at 30 June 2019, bank borrowings of RMB35 million (31 December 2018: RMB25 million) were secured by the buildings of the Group, net book value of which amounted to approximately RMB21.9 million (31 December 2018: approximately RMB22.7 million); trade receivables of approximately RMB31.7 million (31 December 2018: approximately RMB25.8 million) were guaranteed by Beijing Zhongguancun Sic-tech Financing Guarantee Co., Ltd., and independent third party.

Gearing position

The gearing ratio, which represented total borrowings divided by total equity multiplied by 100%, was approximately 72.1% and 62.3% respectively as of 31 December 2018 and 30 June 2019. The total borrowings of the Group decreased from approximately RMB181.4 million as at 31 December 2018 to approximately RMB150.2 million as at 30 June 2019. Such decrease was mainly attributable to the net repayment of term loan to the banks (repayment: approximately RMB47.7 million; new borrowing proceeds: approximately RMB16.6 million).

Foreign exchange exposure

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 Company's subsidiaries to manage their foreign exchange risk against their functional currency. The Company'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

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

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 such subsidiary, who provided the application solutions 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 such subsidiary and the Client to the outstanding amount payable for the sale of the systems.

In October 2017, the court decided that such subsidiary was not liable for compensation. The Claimant then appealed to the higher people's court and brought with total claims of about RMB9.99 million against such subsidiary and the Client. As at 31 December 2017, the Directors consider that the expected outcome of the legal dispute will not have a material adverse effect on the financial statements and therefore, no provision has been made.

According to the written judgement of the higher people's court in June 2018, it was decided that such subsidiary and the Client were jointly liable for the compensation and other expenses amounted to approximately RMB7.60 million. In September 2018, the Claimant and such subsidiary entered into a settlement agreement to reduce the compensation to RMB5.57 million in instalments within one year, out of which RMB3.80 million was paid as at 30 June 2019. According to the opinion of the Group's legal counsel, upon settling total compensation according to the settlement agreement, the Group has the right to ask for compensation from the Client of the same amount. As at 30 June 2019, no contingent assets regarding the compensation receivable was recognised for prudence.

As at 30 June 2019, 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 (2018: Nil).

Employees and remuneration policies

As at 30 June 2019, the Group had a total of 253 employees (as at 31 December 2018: 261 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.

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 2019 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 2019 interim report of the Company.

FUTURE OUTLOOK

The current technology advancements including UHD, 5G and cloud computing technologies have reshaped many sectors and industries, including the audio-visual sector. In addition to the favorable policies launched by the government during the Interim Period, on 19 August 2019, the NRTA has promulgated "The Advice to Promote the High Quality Development of the Broadcasting and Online Audio-visual Industry" (《關於推動廣播電視和網絡視聽產業高質量發展的意見》), which emphasized speeding up and promoting the deployment and application of big data, cloud computing, artificial intelligence, 5G and other new generation information technologies in the audio-visual industry.

The Directors expect that the industry will be continuously driven by the government's favorable policies and powered by advanced techniques. The groundbreaking nature of the UHD, 5G and cloud computing technologies will give a fresh impetus to the audio-visual industry and bring unprecedented opportunities to the Group's development.

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 2019 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, 30 August 2019

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