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## **Century Sage Scientific Holdings Limited**

**世紀睿科控股有限公司**

*(Incorporated under the laws of the Cayman Islands with limited liability)*

**(Stock Code: 1450)**

### **ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **FINAL RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of Century Sage Scientific Holdings Limited (the “**Company**”) hereby present the audited consolidated final results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2020 (the “**Corresponding Period**”). The audited consolidated final results of the Group have been reviewed by the audit committee of the Company.

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

|   | <i>Note</i> | <b>2021</b><br><b>RMB'000</b> | 2020<br><b>RMB'000</b> |
|---|-------------|-------------------------------|------------------------|
| <b>Revenue</b>  | 4           | <b>202,788</b>                | 153,306                |
| <b>Cost of sales</b>  | 5           | <b>(138,451)</b>              | (97,455)               |
| <b>Gross profit</b>   |             | <b>64,337</b>                 | 55,851                 |
| Other gains, net  | 4           | <b>4,228</b>                  | 6,611                  |
| Selling expenses  | 5           | <b>(10,929)</b>               | (10,922)               |
| Administrative expenses                                     | 5           | <b>(80,178)</b>               | (79,559)               |
| Loss allowance on trade receivables                         |             | <b>(6,124)</b>                | (21,767)               |
| Change in fair value of contingent consideration receivable | 11(ii)      | <b>(17,755)</b>               | –                      |
| Impairment loss on goodwill                                 | 9           | <b>(7,128)</b>                | (13,884)               |
| Impairment loss on intangible assets                        |             | –                             | (5,249)                |
| Impairment loss on interest in an associate                 |             | <b>(1,800)</b>                | –                      |

|  | <i>Note</i> | <b>2021</b><br><b>RMB'000</b> | 2020<br><i>RMB'000</i> |
|--|-------------|-------------------------------|------------------------|
| <b>Operating loss</b>                                    |             | <b>(55,349)</b>               | (68,919)               |
| Finance costs, net                                       | 6           | <b>(16,247)</b>               | (14,624)               |
| Share of results of associates                           |             | <b>(638)</b>                  | (16,115)               |
| <b>Loss before income tax</b>                            |             | <b>(72,234)</b>               | (99,658)               |
| Income tax credit  | 7           | <b>3,510</b>                  | 1,701                  |
| <b>Loss for the year</b>                                 |             | <b>(68,724)</b>               | (97,957)               |
| <b>Loss attributable to:</b>                             |             |                               |                        |
| Owners of the Company                                    |             | <b>(61,615)</b>               | (97,531)               |
| Non-controlling interests                                |             | <b>(7,109)</b>                | (426)                  |
|  |             | <b>(68,724)</b>               | (97,957)               |
| <b>Loss per share (expressed in RMB cents per share)</b> |             |                               |                        |
| — basic and diluted                                      | 8           | <b>(5.83)</b>                 | (9.37)                 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|  | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|--|------------------------|------------------------|
| <b>Loss for the year</b>   | <b>(68,724)</b>        | <b>(97,957)</b>        |
| <b>Other comprehensive income (loss)</b>                                 |                        |                        |
| <i>Item that may be reclassified subsequently to profit or loss:</i>     |                        |                        |
| Currency translation differences   | 3,212                  | 5,968                  |
| <i>Item that may not be reclassified subsequently to profit or loss:</i> |                        |                        |
| Currency translation differences   | <u>(84)</u>            | <u>—</u>               |
| Total other comprehensive income for the year                            | <u>3,128</u>           | <u>5,968</u>           |
| <b>Total comprehensive loss for the year</b>                             | <b><u>(65,596)</u></b> | <b><u>(91,989)</u></b> |
| <b>Total comprehensive loss attributable to:</b>                         |                        |                        |
| Owners of the Company  | (58,487)               | (91,563)               |
| Non-controlling interests  | <u>(7,109)</u>         | <u>(426)</u>           |
|  | <b><u>(65,596)</u></b> | <b><u>(91,989)</u></b> |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|  | <i>Note</i> | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|--|-------------|------------------------|------------------------|
| <b>Assets</b>  |             |                        |                        |
| <b>Non-current assets</b>  |             |                        |                        |
| Property, plant and equipment  |             | 30,326                 | 33,824                 |
| Intangible assets  | 9           | 7,227                  | 17,556                 |
| Right-of-use assets  |             | 4,923                  | 2,746                  |
| Deferred income tax assets   |             | 1,013                  | 1,013                  |
| Trade and other receivables  | 11          | 3,017                  | 19,710                 |
| Interest in an associate   |             | 31,458                 | 33,896                 |
|  |             | 77,964                 | 108,745                |
| <b>Total non-current assets</b>  |             |                        |                        |
| <b>Current assets</b>  |             |                        |                        |
| Inventories  |             | 73,270                 | 89,473                 |
| Other current assets   |             | 25,147                 | 36,194                 |
| Trade and other receivables  | 11          | 134,434                | 193,707                |
| Financial assets at fair value through<br>profit or loss (“ <b>FVPL</b> ”) | 10          | 51,002                 | 52,279                 |
| Pledged bank deposits  |             | 801                    | 5,463                  |
| Bank balances and cash   |             | 60,063                 | 12,781                 |
|  |             | 344,717                | 389,897                |
| <b>Total current assets</b>  |             |                        |                        |
|  |             | 422,681                | 498,642                |
| <b>Total assets</b>  |             |                        |                        |
| <b>Equity and liabilities</b>  |             |                        |                        |
| <b>Equity attributable to owners of the Company</b>                        |             |                        |                        |
| Share capital  | 12          | 8,694                  | 8,290                  |
| Share premium  |             | 281,110                | 269,212                |
| Other reserves   |             | (35,869)               | (59,819)               |
| Accumulated losses   |             | (188,135)              | (136,800)              |
|  |             | 65,800                 | 80,883                 |
| <b>Non-controlling interests</b>   |             |                        |                        |
|  |             | 22,594                 | 24,903                 |
| <b>Total equity</b>  |             |                        |                        |
|  |             | 88,394                 | 105,786                |

|                                     | <i>Note</i> | <b>2021</b><br><b>RMB'000</b> | 2020<br><i>RMB'000</i> |
|-------------------------------------|-------------|-------------------------------|------------------------|
| <b>Liabilities</b>                  |             |                               |                        |
| <b>Non-current liabilities</b>      |             |                               |                        |
| Bank and other borrowings           | <i>13</i>   | <b>19,301</b>                 | 15,457                 |
| Convertible bonds                   | <i>14</i>   | <b>6,894</b>                  | –                      |
| Lease liabilities                   |             | <b>1,620</b>                  | 420                    |
| Deferred income tax liabilities     |             | <b>–</b>                      | 162                    |
|                                     |             | <hr/>                         | <hr/>                  |
| Total non-current liabilities       |             | <b>27,815</b>                 | 16,039                 |
|                                     |             | <hr/>                         | <hr/>                  |
| <b>Current liabilities</b>          |             |                               |                        |
| Contract liabilities                |             | <b>31,068</b>                 | 73,687                 |
| Trade and other payables            | <i>15</i>   | <b>121,475</b>                | 129,098                |
| Current income tax liabilities      |             | <b>7,621</b>                  | 11,288                 |
| Bank and other borrowings           | <i>13</i>   | <b>143,749</b>                | 160,988                |
| Lease liabilities                   |             | <b>2,559</b>                  | 1,756                  |
|                                     |             | <hr/>                         | <hr/>                  |
| Total current liabilities           |             | <b>306,472</b>                | 376,817                |
|                                     |             | <hr/>                         | <hr/>                  |
| <b>Total liabilities</b>            |             | <b>334,287</b>                | 392,856                |
|                                     |             | <hr/>                         | <hr/>                  |
| <b>Total equity and liabilities</b> |             | <b>422,681</b>                | 498,642                |
|                                     |             | <hr/> <hr/>                   | <hr/> <hr/>            |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 Act (Cap. 22, as consolidated and revised) of the Cayman Islands. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Starlink Vibrant Holdings Ltd., a company incorporated in the British Virgin Islands (the “**BVI**”) and wholly owned by an executive director of the Company, Mr. Li Jun, and its subsidiary, Golden Ocean Holdings Corp., hold 33.18% of the Company’s shares issued in aggregate as at 31 December 2021.

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 (together the “**Group**”) are principally engaged in the provision of (i) application solutions; (ii) system maintenance services; (iii) sales of self-developed products; and (iv) new media services, for the all-media industry in the People’s Republic of China (the “**PRC**”). The Group has operations mainly in the PRC.

These consolidated financial statements are presented in Renminbi (“**RMB**”) and rounded to the nearest thousands (“**000**”), unless otherwise stated.

Followed by the issuance of convertible bonds (as mentioned in note 14) during the year, the Directors of the Company are of the view that the functional currency of the Company has been changed from RMB to Hong Kong Dollar (“**HKD**”) from 27 September 2021 onwards. The presentation currency of the Company and the Group would remain to be in RMB for consistent presentation and the convenience of the shareholders.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

#### 2.1 Basis of preparation

##### (a) *Statement of compliance*

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and disclosure requirements of the Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

**(b) *Historical cost convention***

The consolidated financial statements have been prepared on a historical cost basis, except for contingent consideration receivable and financial assets at FVPL which are measured at fair value.

**(c) *New and amended standards adopted by the Group***

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2020 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year:

|   |  |
|---|--|
| Amendments to HKAS 39,<br>HKFRSs 4, 7, 9 and 16 | Interest Rate Benchmark Reform — Phase 2 |
|---|--|

*Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16: Interest Rate Benchmark Reform — Phase 2*

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “**Reform**”). The amendments complement those issued in November 2019 and relate to:

- changes to contractual cash flows — a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting — a company will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and
- disclosures — a company will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

**(d) *New standards and interpretations not yet adopted***

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted:

|                                    |  |
|------------------------------------|--|
| Amendments to HKFRS 16             | Covid-19-Related Rent Concessions beyond 30 June 2021 <sup>1</sup>                                 |
| Amendments to HKAS 16              | Proceeds before Intended Use <sup>2</sup>  |
| Amendments to HKAS 37              | Cost of Fulfilling a Contract <sup>2</sup>   |
| Amendments to HKFRS 3              | Reference to the Conceptual Framework <sup>2</sup>   |
| Annual Improvements to HKFRSs      | 2018–2020 Cycle <sup>2</sup>   |
| Amendments to HKAS 1               | Classification of Liabilities as Current or Non-current <sup>3</sup>                               |
| Amendments to HKAS 1               | Disclosure of Accounting Policies <sup>3</sup>   |
| Amendments to HKAS 8               | Definition of Accounting Estimates <sup>3</sup>  |
| Amendments to HKAS 12              | Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>      |
| HKFRS 17                           | Insurance Contracts <sup>3</sup>   |
| Amendment to HKFRS 17              | Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information <sup>3</sup>                 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup> |

<sup>1</sup> Effective for annual periods beginning on or after 1 April 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> The effective date to be determined

The Group is in the process of making a detailed assessment of the possible impact on the future adoption of the new/revised HKFRSs. So far the management is of the opinion that the adoption of the new/revised HKFRSs will not have any significant impact on the consolidated financial statements.



### 3. SEGMENT INFORMATION

The chief operating decision-maker (“CODM”) mainly include the board of directors of the Company, who is 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.

In 2020, there were three reportable segments, namely (i) application solutions; (ii) system maintenance services; and (iii) sales of self-developed products.

To better reflect current business development and organisation of the Group, as well as resources allocation since early 2021, the CODM decided to add another reportable segment, namely new media services, based on the nature of the products sold and services provided, which are currently the basis used for the purpose of assessing the business performance, allocating resources and managing business operations. Certain comparative amounts in sales of self-developed products segment have been re-presented to conform to the current year’s presentation. There is no change to the organisation of the other two reportable segments.

Therefore, there are four reportable segments in current year as follows:

- Application solutions
- System maintenance services
- Sales of self-developed products
- New media services

Inter-segment revenue and transfers are transacted with reference to the cost of sales and are eliminated on consolidation.

The CODM assess the performance of the operating segments mainly based on segment revenue, gross profit and impairment on non-current assets 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 during the year is as follows:

**For the year ended 31 December 2021**

|  | Application<br>solutions<br><i>RMB'000</i> | System<br>maintenance<br>services<br><i>RMB'000</i> | Sales of self-<br>developed<br>products<br><i>RMB'000</i> | New media<br>services<br><i>RMB'000</i> | Inter-<br>segment<br>elimination<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|--|--|---|---|---|--|-------------------------|
| Revenue (from external customers)                              | 121,390                                    | 11,988  | 47,409  | 22,001                                  | -  | 202,788                 |
| — Inter-segment revenue  | -  | -   | 4,042   | -                                       | (4,042)  | -                       |
| Total revenue  | <u>121,390</u>                             | <u>11,988</u>                                       | <u>51,451</u>   | <u>22,001</u>                           | <u>(4,042)</u>                                     | <u>202,788</u>          |
| <b>Results</b>   |  |   |   |   |  |                         |
| Segment results  | <u>17,470</u>                              | <u>6,438</u>  | <u>22,169</u>   | <u>11,132</u>                           | <u>-</u>   | 57,209                  |
| Unallocated income   |  |   |   |   |  | 5,440                   |
| Unallocated expenses   |  |   |   |   |  | (91,129)                |
| Loss allowance on trade receivables                            |  |   |   |   |  | (6,124)                 |
| Change in fair value of contingent<br>consideration receivable |  |   |   |   |  | (17,755)                |
| Impairment loss on interest in<br>an associate                 |  |   |   |   |  | (1,800)                 |
| Share of results of an associate                               |  |   |   |   |  | (638)                   |
| Gain on disposal of a subsidiary                               |  |   |   |   |  | 87                      |
| Change in fair value on financial<br>assets at FVPL            |  |   |   |   |  | (1,277)                 |
| Finance costs, net   |  |   |   |   |  | <u>(16,247)</u>         |
| Loss before income tax   |  |   |   |   |  | (72,234)                |
| Income tax credit  |  |   |   |   |  | <u>3,510</u>            |
| Loss for the year  |  |   |   |   |  | <u>(68,724)</u>         |
| <b>Other segment information:</b>                              |  |   |   |   |  |                         |
| Impairment loss on goodwill                                    | <u>-</u>                                   | <u>-</u>  | <u>(7,128)</u>  | <u>-</u>                                | <u>-</u>   | <u>(7,128)</u>          |

For the year ended 31 December 2020 (re-presented)

|   | Application<br>solutions<br><i>RMB'000</i> | System<br>maintenance<br>services<br><i>RMB'000</i> | Sales of self-<br>developed<br>products<br><i>RMB'000</i> | New media<br>services<br><i>RMB'000</i> | Inter-<br>segment<br>elimination<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|---|--|---|---|---|--|-------------------------|
| Revenue (from external customers)                   | 95,164                                     | 13,673  | 38,593  | 5,876                                   | –  | 153,306                 |
| — Inter-segment revenue                             | –  | –   | 3,389   | –                                       | (3,389)  | –                       |
| Total revenue                                       | <u>95,164</u>                              | <u>13,673</u>                                       | <u>41,982</u>   | <u>5,876</u>                            | <u>(3,389)</u>                                     | <u>153,306</u>          |
| <b>Results</b>                                      |  |   |   |   |  |                         |
| Segment results                                     | <u>13,948</u>                              | <u>6,665</u>  | <u>11,367</u>   | <u>4,738</u>                            | <u>–</u>   | 36,718                  |
| Unallocated income                                  |  |   |   |   |  | 4,310                   |
| Unallocated expenses                                |  |   |   |   |  | (90,555)                |
| Loss allowance on trade receivables                 |  |   |   |   |  | (21,767)                |
| Share of results of associates                      |  |   |   |   |  | (16,115)                |
| Loss on deemed disposal of<br>an associate          |  |   |   |   |  | (1,608)                 |
| Change in fair value on financial<br>assets at FVPL |  |   |   |   |  | 3,983                   |
| Finance costs, net                                  |  |   |   |   |  | <u>(14,624)</u>         |
| Loss before income tax                              |  |   |   |   |  | (99,658)                |
| Income tax credit                                   |  |   |   |   |  | <u>1,701</u>            |
| Loss for the year                                   |  |   |   |   |  | <u>(97,957)</u>         |
| <b>Other segment informations:</b>                  |  |   |   |   |  |                         |
| Impairment loss on goodwill                         | –  | –   | (13,884)  | –                                       | –  | (13,884)                |
| Impairment loss on intangible assets                | –  | –   | (5,249)   | –                                       | –  | <u>(5,249)</u>          |

## Information about major customers

Revenue from customers from application solutions segment individually accounted for 10% or more of the revenue of the Group is as follows:

|            | Year ended 31 December   |                       |                          |                       |
|------------|--------------------------|-----------------------|--------------------------|-----------------------|
|            | 2021                     |                       | 2020                     |                       |
|            | Amount<br><i>RMB'000</i> | % of total<br>revenue | Amount<br><i>RMB'000</i> | % of total<br>revenue |
| Customer A | <u>N/A</u>               | <u>N/A</u>            | <u>49,513</u>            | <u>32%</u>            |

The revenue from Customer A was less than 10% of the revenue of the Group for the year ended 31 December 2021.

No revenue from any customer individually accounted for 10% or more of the Group's revenue for the year ended 31 December 2021.

The Group's revenue was principally derived from the business carried out in the PRC. The revenue from external customers in the PRC and other countries and districts are disclosed as follows:

|           | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|-----------|------------------------|------------------------|
| The PRC   | <b>192,262</b>         | 151,279                |
| Hong Kong | <b>10,146</b>          | 1,879                  |
| Others    | <b>380</b>             | 148                    |
|           | <u><b>202,788</b></u>  | <u>153,306</u>         |

### As at 31 December

|  | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|--|------------------------|------------------------|
| Total of non-current assets other than deferred income tax assets,<br>trade and other receivables and interest in an associate |                        |                        |
| The PRC  | <b>42,089</b>          | 53,570                 |
| Hong Kong  | <b>387</b>             | 556                    |
|  | <u><b>42,476</b></u>   | <u>54,126</u>          |

#### 4. REVENUE AND OTHER GAINS, NET

Revenue represents the net invoiced value of services provided or goods sold, after allowances for returns and trade discounts, during the year.

An analysis of the Group's revenue is as follows:

|  | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i><br><i>(Note)</i><br><i>(re-presented)</i> |
|--|------------------------|--|
| <b>Revenue from contracts with customers within the scope of HKFRS 15:</b> |                        |  |
| Application solutions  | 121,390                | 95,164   |
| System maintenance services  | 11,988                 | 13,673   |
| Sales of self-developed products   | 47,409                 | 38,593   |
| New media services   | 22,001                 | 5,876  |
|  | <u>202,788</u>         | <u>153,306</u>   |
| <b>Timing of revenue recognition</b>                                       |                        |  |
| At a point in time   | 190,800                | 139,633  |
| Over time  | 11,988                 | 13,673   |
|  | <u>202,788</u>         | <u>153,306</u>   |

*Note:* Certain comparative amounts in “sales of self-developed products” and “new media services” have been re-presented to conform to the current year's presentation.

The revenue from contracts with customers within HKFRS 15 is based on fixed price.

|  | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|--|------------------------|------------------------|
| <b>Other gains</b>   |                        |                        |
| Fair value gains on financial assets at FVPL ( <i>note 10</i> )  | –                      | 3,983                  |
| Gain on disposal of a subsidiary ( <i>note 17</i> )              | 87                     | –                      |
| Government grants  | 599                    | 1,953                  |
| Value added tax refund   | 4,512                  | 2,159                  |
| Others   | 329                    | 198                    |
|  | <u>5,527</u>           | <u>8,293</u>           |
| <b>Other losses</b>  |                        |                        |
| Fair value losses on financial assets at FVPL ( <i>note 10</i> ) | (1,277)                | –                      |
| Loss on deemed disposal of an associate                          | –                      | (1,608)                |
| Loss on disposal of property, plant and equipment                | (22)                   | (74)                   |
|  | <u>(1,299)</u>         | <u>(1,682)</u>         |
| Other losses   | (1,299)                | (1,682)                |
| <b>Other gains, net</b>  | <u>4,228</u>           | <u>6,611</u>           |

## 5. EXPENSES BY NATURE

|  | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i><br><i>(Note)</i><br><i>(re-presented)</i> |
|--|------------------------|--|
| Costs of inventories*                                      | 128,206                | 90,482   |
| Employee benefit expenses                                  | 57,289                 | 50,347   |
| Legal fee and professional charges                         | 7,627                  | 2,823  |
| Provision for inventory obsolescence                       | 4,006                  | 11,487   |
| Office expenses  | 3,818                  | 2,978  |
| Depreciation expenses of property, plant and equipment     | 3,575                  | 4,841  |
| Cost of services   | 3,546                  | 1,138  |
| Travelling and transportation expenses                     | 3,089                  | 3,852  |
| Depreciation expenses of right-of-use assets               | 3,049                  | 2,989  |
| Amortisation expenses of intangible assets <i>(note 9)</i> | 2,962                  | 7,380  |
| Others   | 2,702                  | 2,801  |
| Business development                                       | 2,565                  | 2,085  |
| Amortisation of deferred day-one loss <i>(note 14)</i>     | 2,294                  | –  |
| Value-added tax and other transaction taxes                | 2,002                  | 1,390  |
| Auditor's remuneration                                     | 1,650                  | 1,500  |
| Servicing and agency costs                                 | 655                    | 1,121  |
| Leases expenses under short term leases                    | 355                    | 216  |
| Advertising costs  | 168                    | 506  |
|  | <u>229,558</u>         | <u>187,936</u>   |

\* *Cost of inventories includes RMB2,270,000 (2020: RMB2,299,000) relating to employee benefit expenses.*

*Note:* Comparative amounts in “cost of inventories” and “cost of services” have been re-presented to conform to the current year’s presentation.

## 6. FINANCE INCOME AND COSTS

|  | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|--|------------------------|------------------------|
| Finance income   |                        |                        |
| — Interest income on short-term bank deposits                            | <u>33</u>              | <u>33</u>              |
| Finance costs  |                        |                        |
| — Interest expenses on bank and other borrowings                         | (13,076)               | (10,738)               |
| — Interest expenses on amount due to a related company/<br>a shareholder | (403)                  | (421)                  |
| — Interest expenses on convertible bonds <i>(note 14)</i>                | (727)                  | –                      |
| — Interest expenses on lease liabilities                                 | (152)                  | (166)                  |
| — Interest expenses on amounts due to a director                         | (182)                  | (188)                  |
| — Net foreign exchange loss  | <u>(1,740)</u>         | <u>(3,144)</u>         |
|  | <u>(16,280)</u>        | <u>(14,657)</u>        |
| Finance costs, net   | <u>(16,247)</u>        | <u>(14,624)</u>        |

## 7. INCOME TAX CREDIT

|                                   | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|-----------------------------------|------------------------|------------------------|
| PRC enterprise income tax (“EIT”) |                        |                        |
| — Current income tax              | 936                    | 441                    |
| — Over-provision in prior years   | <u>(4,284)</u>         | <u>(1,861)</u>         |
|                                   | (3,348)                | (1,420)                |
| Deferred income tax               | <u>(162)</u>           | <u>(281)</u>           |
| Income tax credit                 | <u><u>(3,510)</u></u>  | <u><u>(1,701)</u></u>  |

### Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act (Cap. 22, as consolidated and revised) of the Cayman Islands and accordingly, is exempted from the Cayman Islands income tax.

### BVI income tax

Some of the subsidiaries of the Group, incorporated in BVI as exempted companies with limited liability under the Companies Law of BVI, are exempted from BVI income tax.

### Hong Kong profits tax

Entities of the Group incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for the year ended 31 December 2021 (2020: 16.5%) on the estimated assessable profit for the year. Hong Kong profits tax has not been provided as the Group incurred a loss for taxation purposes during both years.

### PRC EIT

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

Cogent (Beijing) Technology Company Limited\* (高駿(北京)科技有限公司), Beijing Century Sage Scientific System and Technology Company Limited\* (北京世紀睿科系統技術有限公司), Times Sage (Beijing) Tech Company Limited\* (時代華睿(北京)科技有限公司), Beijing BroadVision Information Technology Company Limited\* (北京經緯中天信息技術有限公司) and Beijing Gefei Technology Corporation\* (北京格非科技股份有限公司) (2020: *the same*) obtained the High and New Technology Enterprise qualification. A reduced tax rate of 15% (2020: 15%) for the period of three years was granted as long as those PRC subsidiaries meet the high-tech enterprise qualification.

According to the Notice on the Implementation of the Micro-enterprise Universal Tax Relief in accordance with the Regulations of Ministry of Finance and the State Administration of Taxation (Caishui [2019] No. 13) (《關於實施小微企業普惠性稅收減免政策的通知》), Hangzhou Juhuo Interactive Culture Communication Co., Ltd.\* (杭州聚火互動文化傳播有限公司) could enjoy an EIT at 20% on the assessable profits below RMB1,000,000 after reduction of 75% of assessable profits and an EIT tax rate of 20% on the assessable profits between RMB1,000,000 to RMB3,000,000 after reduction of 50% of assessable profits.

### 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 holding company in Hong Kong if the parent company 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.

## 8. LOSS PER SHARE

### (a) Basic

Basic loss per share for the years ended 31 December 2021 and 2020 are calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year:

|   | 2021             | 2020             |
|---|------------------|------------------|
| Loss attributable to owners of the Company ( <i>in RMB'000</i> )              | <u>(61,615)</u>  | <u>(97,531)</u>  |
| Weighted average number of ordinary shares in issue<br>( <i>in thousand</i> ) | <u>1,056,527</u> | <u>1,041,243</u> |
| Basic loss per share ( <i>RMB cents per share</i> )                           | <u>(5.83)</u>    | <u>(9.37)</u>    |

### (b) Diluted

Potential dilutive ordinary shares are not included in the calculation of diluted loss per share because they are anti-dilutive. Therefore, the diluted loss per share equals the basic loss per share.

\* The official names are in Chinese and the English names are translated for identification purpose only.



## 9. INTANGIBLE ASSETS

|                                    | Goodwill<br>RMB'000 | Computer<br>software<br>RMB'000 | Customer<br>relationships<br>RMB'000 | Technical<br>know-how<br>RMB'000 | Development<br>costs<br>RMB'000 | Total<br>RMB'000 |
|------------------------------------|---------------------|---------------------------------|--------------------------------------|----------------------------------|---------------------------------|------------------|
| Reconciliation of carrying amount  |                     |                                 |                                      |                                  |                                 |                  |
| — year ended 31 December 2020      |                     |                                 |                                      |                                  |                                 |                  |
| As at 1 January 2020               | 21,012              | 9,259                           | 3,417                                | 1,541                            | 8,718                           | 43,947           |
| Additions                          | -                   | 122                             | -                                    | -                                | -                               | 122              |
| Amortisation                       | -                   | (1,622)                         | (1,189)                              | (1,100)                          | (3,469)                         | (7,380)          |
| Impairment                         | (13,884)            | -                               | -                                    | -                                | (5,249)                         | (19,133)         |
| As at 31 December 2020             | <u>7,128</u>        | <u>7,759</u>                    | <u>2,228</u>                         | <u>441</u>                       | <u>-</u>                        | <u>17,556</u>    |
| Reconciliation of carrying amount  |                     |                                 |                                      |                                  |                                 |                  |
| — year ended 31 December 2021      |                     |                                 |                                      |                                  |                                 |                  |
| Aa at 1 January 2021               | 7,128               | 7,759                           | 2,228                                | 441                              | -                               | 17,556           |
| Disposal of a subsidiary (note 17) | -                   | -                               | -                                    | (239)                            | -                               | (239)            |
| Amortisation                       | -                   | (1,598)                         | (1,189)                              | (175)                            | -                               | (2,962)          |
| Impairment                         | (7,128)             | -                               | -                                    | -                                | -                               | (7,128)          |
| As at 31 December 2021             | <u>-</u>            | <u>6,161</u>                    | <u>1,039</u>                         | <u>27</u>                        | <u>-</u>                        | <u>7,227</u>     |
| As at 31 December 2020             |                     |                                 |                                      |                                  |                                 |                  |
| Cost                               | 21,012              | 18,851                          | 12,336                               | 6,688                            | 16,933                          | 75,820           |
| Accumulated amortisation           | -                   | (11,092)                        | (10,108)                             | (6,247)                          | (11,684)                        | (39,131)         |
| Accumulated impairment             | (13,884)            | -                               | -                                    | -                                | (5,249)                         | (19,133)         |
| Net book value                     | <u>7,128</u>        | <u>7,759</u>                    | <u>2,228</u>                         | <u>441</u>                       | <u>-</u>                        | <u>17,556</u>    |
| As at 31 December 2021             |                     |                                 |                                      |                                  |                                 |                  |
| Cost                               | 8,912               | 15,771                          | 7,727                                | 3,104                            | 202                             | 35,716           |
| Accumulated amortisation           | -                   | (9,610)                         | (6,688)                              | (3,077)                          | (202)                           | (19,577)         |
| Accumulated impairment             | (8,912)             | -                               | -                                    | -                                | -                               | (8,912)          |
| Net book value                     | <u>-</u>            | <u>6,161</u>                    | <u>1,039</u>                         | <u>27</u>                        | <u>-</u>                        | <u>7,227</u>     |

Amortisation expense of RMB2,962,000 (2020: RMB7,380,000) for the year ended 31 December 2021 has been charged in administrative expenses.

## 10. FINANCIAL ASSETS AT FVPL

|                          | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|--------------------------|------------------------|------------------------|
| At beginning of the year | 52,279                 | 48,296                 |
| Fair value change        | <u>(1,277)</u>         | <u>3,983</u>           |
| At end of the year       | <u><u>51,002</u></u>   | <u><u>52,279</u></u>   |

The financial assets designated at FVPL represented key-man life insurance policies. The Group is the beneficiary of the insurance policies. The insurance policies were pledged to the bank as securities for bank borrowings as disclosed in note 13(d).

## 11. TRADE AND OTHER RECEIVABLES

|   | <i>Note</i> | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|---|-------------|------------------------|------------------------|
| <b>Trade receivables</b>  |             |                        |                        |
| — from third parties  |             | 154,965                | 207,274                |
| — from an associate   |             | <u>3,671</u>           | <u>3,803</u>           |
|   | (i)         | 158,636                | 211,077                |
| Less: provision for impairment of trade receivables                             |             | <u>(57,101)</u>        | <u>(50,977)</u>        |
| Trade receivables, net  |             | <u><u>101,535</u></u>  | <u><u>160,100</u></u>  |
| <b>Other receivables</b>  |             |                        |                        |
| Deposit for guarantee certificate over tendering and performance                |             | 16,384                 | 16,838                 |
| Deposit paid for acquisition of a subsidiary                                    |             | 16,934                 | 16,934                 |
| Cash advance to employees   |             | 6,556                  | 7,716                  |
| Contingent consideration receivable   | (ii)        | –                      | 17,755                 |
| Due from related parties  | (iii)       | 2,578                  | 1,487                  |
| Receivable from disposal of a subsidiary (note 17)                              | (iv)        | 1,200                  | –                      |
| Other deposits paid   |             | 897                    | 915                    |
| Others  |             | <u>8,301</u>           | <u>8,606</u>           |
|   |             | 52,850                 | 70,251                 |
| Less: provision for impairment of deposits paid for acquisition of a subsidiary |             | <u>(16,934)</u>        | <u>(16,934)</u>        |
|   |             | <u><u>35,916</u></u>   | <u><u>53,317</u></u>   |
| Total trade and other receivables   |             | <u><u>137,451</u></u>  | <u><u>213,417</u></u>  |

|   | <i>Note</i> | <b>2021</b><br><b>RMB'000</b> | 2020<br><i>RMB'000</i> |
|---|-------------|-------------------------------|------------------------|
| Less: Non-current portion                           |             |                               |                        |
| Contingent consideration receivable                 | <i>(ii)</i> | –                             | 17,755                 |
| Trade receivables — third parties                   | <i>(i)</i>  | <b>3,071</b>                  | 2,009                  |
| Less: provision for impairment of trade receivables |             | <b>(54)</b>                   | (54)                   |
| <b>Non-current portion</b>                          |             | <b>3,017</b>                  | 19,710                 |
| <b>Current portion</b>                              |             | <b>134,434</b>                | 193,707                |

As at 31 December 2021 and 2020, the fair values of trade and other receivables of the Group approximate their carrying amounts.

*Notes:*

- (i) Invoices issued to our customers (both third parties and an associate) are payable on issuance and no credit terms are stipulated in our project contracts generally. The majority of the Group's trade receivables will be settled from three months to two years based on the historical record. The Group has put in place control measures so that our accounting and finance department will keep regular tracking of outstanding receivables, and our head of sale department would supervise our sale personnel to closely monitor and follow up with our customers on settlement of the outstanding receivables.

The ageing analysis of the trade receivables based on invoice date is as follows:

|                                      | <b>2021</b><br><b>RMB'000</b> | 2020<br><i>RMB'000</i> |
|--------------------------------------|-------------------------------|------------------------|
| Up to 3 months                       | <b>15,718</b>                 | 75,296                 |
| Over 3 months but less than 6 months | <b>3,406</b>                  | 11,045                 |
| Over 6 months but less than 1 year   | <b>47,944</b>                 | 11,734                 |
| Over 1 year but less than 2 years    | <b>19,216</b>                 | 20,799                 |
| Over 2 years but less than 3 years   | <b>11,561</b>                 | 40,144                 |
| Over 3 years                         | <b>60,791</b>                 | 52,059                 |
|                                      | <b>158,636</b>                | 211,077                |

The Group applies simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

- (ii) The amount represented contingent receivable for disposal of Beijing Evertop Sports Culture Media Co., Ltd.\* (北京永達天恒體育文化傳媒有限公司) (“**Beijing Evertop**”) in 2018. The contingent consideration receivable will be settled only when the profits after tax of Beijing Evertop for the three years ended 31 December 2020 (“**Profit Guarantee Period**”) shall not be less than RMB30,000,000 (the “**Target Profits**”) in aggregate.

In view of the coronavirus outbreak in the PRC since early 2020, there has been disruption in the general business operation environment in the PRC, especially to the sports industry, and the business performance of Beijing Evertop was affected. On 8 July 2020, the Group and Wanda Sports Co., Ltd\* (萬達體育有限公司) (“**Wanda Sports**”) entered into a supplemental agreement to the equity transfer agreement dated 9 November 2018 pursuant to which the parties agreed to amend, inter alia, the Profit Guarantee Period from the three years ended 31 December 2020 to the two years ended 31 December 2019 together with the year ended 31 December 2021 (“**Revised Profit Guarantee Period**”). In the event that Beijing Evertop generates profits exceeded RMB21,000,000 (the “**Minimum Profit Target**”) but less than the Target Profits during the Revised Profit Guarantee Period, the consideration shall be adjusted downwards, or additional equity interests in Beijing Evertop shall be transferred to Wanda Sports at the election of Wanda Sports.

As at 31 December 2021, the Group has failed to achieve the Target Profits or Minimum Profit Target during the Revised Profit Guarantee Period, a fair value loss on the contingent consideration receivable of RMB17,755,000 (2020: Nil) was recognised in the consolidated statement of profit or loss.

As at 31 December 2020, it is estimated that a decrease of 10% in the estimated profits of Beijing Evertop, with all other variables held constant, the fair value of the contingent consideration receivable would decrease by RMB1,259,000.

Subsequent to the end of the Reporting Period, the Group and Wanda Sports, after considered the continuous coronavirus outbreak in the PRC remain affecting the sport industry and adversely affect the business performance of Beijing Evertop, entered into the second supplemental agreement to the equity transfer agreement dated 9 February 2022 pursuant to which the parties agreed to amend, inter alia, the Revised Profit Guarantee Period from the two years ended 31 December 2019 together with the year ended 31 December 2021 to the two years ended 31 December 2019 together with the year ending 31 December 2022 (“**Second Revised Profit Guarantee Period**”). The fair value of the contingent consideration receivable will be re-determined by independent valuer by applying income approach on the estimated profits from Beijing Evertop for the Second Revised Profit Guarantee Period and the probability of occurrence of each expected earning scenario accordingly.

In the event that the actual profit of Beijing Evertop does not meet the Minimum Profit Target during the Second Revised Profit Guarantee Period, Wanda Sports shall have the right to request the refund of the total consideration paid of RMB24,900,000 together with interest at the rate of 10% per annum.

Detail of the second supplemental agreement is set out in the Company’s announcement dated 9 February 2022.

\* *The official names are in Chinese and the English names are translated for identification purpose only.*

(iii) The amounts due are unsecured, interest-free and repayable on demand.

Details of amounts due from related companies are as follows:

|                | Note | As at 31 December |                 | Maximum amount<br>During the year ended<br>31 December |                 |
|----------------|------|-------------------|-----------------|--|-----------------|
|                |      | 2021<br>RMB'000   | 2020<br>RMB'000 | 2021<br>RMB'000  | 2020<br>RMB'000 |
| 北京世紀睿科工程技術有限公司 | (a)  | 1,091             | —               | 1,091  | —               |
| 北京格非信息技術有限公司   | (b)  | 1,487             | 1,487           | 1,487  | 1,487           |
|                |      | <u>2,578</u>      | <u>1,487</u>    |  |                 |

Note:

- (a) Mr. Lo Chi Sum (“**Mr. Lo**”), an executive director of the Company, has direct beneficial interests in, and control over, the related company.
- (b) Certain directors of a non-wholly owned subsidiary have direct beneficial interests in, and control over, the related company.

(iv) The amount due is unsecured, interest-free and repayable within one year.

## 12. SHARE CAPITAL

|   | Number of<br>ordinary<br>shares | Nominal<br>value of<br>ordinary<br>shares<br>HKD'000 |
|---|---------------------------------|--|
| <b>Authorised:</b>  |                                 |  |
| Ordinary shares of HKD0.01 each   |                                 |  |
| As at 1 January 2020, 31 December 2020,<br>1 January 2021 and <b>31 December 2021</b> | 5,000,000,000                   | 50,000   |

Ordinary shares of HKD0.01 each, issued and fully paid:

|  | Number of<br>ordinary<br>shares | Nominal<br>value of<br>ordinary<br>shares<br>HKD'000 | Equivalent<br>nominal<br>value of<br>ordinary<br>shares<br>RMB'000 |
|--|---------------------------------|--|--|
| Balance as at 1 January 2020, 31 December 2020<br>and 1 January 2021 | 1,041,243,169                   | 10,412   | 8,290  |
| Exercise of share options  | 48,640,000                      | 487  | 404  |
| <b>Balance as at 31 December 2021</b>                                | <u>1,089,883,169</u>            | <u>10,899</u>  | <u>8,694</u>   |

### 13. BANK AND OTHER BORROWINGS

|  | Note | 2021<br>RMB'000 | 2020<br>RMB'000 |
|--|------|-----------------|-----------------|
| Bank borrowings, unsecured and guaranteed        | (a)  | 3,381           | 2,900           |
| Bank borrowings, secured and guaranteed          | (b)  | 31,000          | 48,000          |
| Bank borrowings, unsecured and unguaranteed      | (c)  | 11,386          | 11,409          |
| Bank borrowings, secured and unguaranteed        | (d)  | 18,022          | 20,228          |
| Other borrowings, unsecured and guaranteed       | (e)  | 15,000          | 20,000          |
| Other borrowings, secured and unguaranteed       | (f)  | –               | 48,917          |
| Other borrowings, unsecured and unguaranteed     | (g)  | 73,754          | 18,785          |
| Loan from a director, unsecured and unguaranteed | (h)  | 5,000           | –               |
|  |      | <u>157,543</u>  | <u>170,239</u>  |
| Bank and other borrowings                        |      | 157,543         | 170,239         |
| Bank overdrafts, unsecured and unguaranteed      | (i)  | 5,507           | 6,206           |
|  |      | <u>163,050</u>  | <u>176,445</u>  |
| Non-current                                      |      | 19,301          | 15,457          |
| Current  |      | 143,749         | 160,988         |
|  |      | <u>163,050</u>  | <u>176,445</u>  |

#### (a) Bank borrowings, unsecured and guaranteed

The bank borrowings are unsecured, bear interest (i) at fixed rate of 5.95% per annum; or (ii) at the prevailing interest rate of 台灣央行專案融通利率 plus 1.4% per annum (2020: at fixed rate of 5.95% per annum).

The bank borrowings of RMB2,000,000 (2020: RMB2,900,000) are guaranteed by non-controlling shareholders of a subsidiary. The remaining bank borrowings of RMB1,381,000 (2020: Nil) are guaranteed by Mr. Lo and a director of a subsidiary. As at 31 December 2021, amount of RMB2,000,000 (2020: RMB2,900,000) included in the balance are repayable within one year.

#### (b) Bank borrowings, secured and guaranteed

The bank borrowings bear interest at the prevailing interest rate of Loan Prime Rate (“LPR”) in the PRC (2020: (i) at the prevailing interest rate of LPR in the PRC; or (ii) at fixed rate of 6.5% per annum).

The bank borrowings are secured by the buildings with carrying amount of RMB27,960,000 (2020: RMB30,441,000) and are guaranteed by two independent third parties, Beijing Zhongguancun Sci-Tech Financing Guaranty Co., Ltd. and Beijing Culture Sci-Tech Financing Guaranty Co., Ltd (2020: the same). The bank borrowings are wholly repayable within one year.

**(c) Bank borrowings, unsecured and unguaranteed**

The bank borrowings are unsecured, bear interest (i) at The Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 4% per annum; or (ii) at fixed rate ranging from 3.5% to 4.25% per annum (2020: (i) at *HIBOR plus 4% per annum*; or (ii) at *fixed rate of 2.61% per annum*). The bank borrowings are wholly repayable within one year.

**(d) Bank borrowings, secured and unguaranteed**

The bank borrowings bear interest at The London Interbank Offered Rate plus 1% per annum (2020: *the same*).

The bank borrowings are secured by the key-man life insurance policies included in financial assets at FVPL with carrying amount of RMB51,002,000 (2020: *RMB52,279,000*). The bank borrowings are wholly repayable within one year.

**(e) Other borrowings, unsecured and guaranteed**

The other borrowings are unsecured, bear interest at fixed rate of 2% per month (2020: *the same*) and are guaranteed by a non-controlling shareholder of a subsidiary and a related company (2020: *the same*). An amount of RMB5,000,000 was repaid during the year and the remaining of RMB15,000,000 has been extended on 31 December 2021. The repayment date is 31 December 2022.

**(f) Other borrowings, secured and unguaranteed**

As at 31 December 2020, the other borrowings bear interest at (i) prevailing interest rate of LPR in the PRC plus 1.35% per annum; or (ii) at rates ranging from 10% to 12% per annum.

As at 31 December 2020, the other borrowings of RMB1,257,000 were secured by inventories of RMB10,409,000. The amount was fully settled during the year.

The remaining other borrowings as at 31 December 2020 of RMB47,660,000 were secured by 311,960,000 shares and 28,040,000 shares of the Company (“**Pledged Shares**”), which were owned by Cerulean Coast Limited (“**Cerulean**”), former ultimate holding company owned by Mr. Lo, and Future Miracle Limited, an ex-shareholder of the Company which was beneficially owned by Mr. Leung Wing Fai (who resigned as an executive director of the Company with effect from 29 September 2021), respectively.

As at 31 December 2020, amount of RMB33,917,000 included in the balance are repayable within one year and classified as current liabilities.

On 30 August 2021, the Pledged Shares have been released and the relevant other borrowings of RMB47,660,000 have become unsecured afterwards (*see note 13(g)*).

**(g) Other borrowings, unsecured and unguaranteed**

The other borrowings are unsecured, bear interest at rates ranging from 1% to 12% per annum (2020: 5.5% to 18% per annum). As at 31 December 2021, amount of RMB55,834,000 (2020: RMB18,328,000) included in the balance are repayable within one year and classified as current liabilities. The remaining balance of RMB17,920,000 (denominated in Japanese Yen) is repayable in June 2025.

**(h) Loan from a director, unsecured and unguaranteed**

The loan from Ms. Zhao Hui Li, an executive director of the Company, is unsecured, bears interest at fixed rate of 1% per annum and is repayable within one year.

**(i) Bank overdrafts, unsecured and unguaranteed**

The bank overdrafts bear interest at the Hongkong and Shanghai Banking Corporation Limited's HKD Best Lending rate plus 0.5% per annum (2020: the same).

#### **14. CONVERTIBLE BONDS**

On 30 July 2021, the Company, as the issuer, entered into a subscription agreement (the “**Subscription Agreement**”) with three subscribers (the “**Subscribers**”), pursuant to which the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for the convertible bonds in the principal amount of HKD47,000,000 (equivalent to approximately RMB39,026,000), at the initial conversion price of HKD0.23 per share (the “**Subscription**”). The Subscription was completed on 27 September 2021. The bondholders have the right, during the period between the issuance date and the date falling on the third anniversary from the issuance date (both dates inclusive), to convert the whole or part of the principal amount of the convertible bonds into the conversion shares at the conversion price.

The convertible bonds are unsecured, interest-bearing at 1% per annum and have a term of 3 years.

If any of the events specified in the Subscription Agreement occurs, the bondholder may give notice to the Company to early redeem the convertible bonds and the Company shall redeem all outstanding convertible bonds held by such bondholder at their face value (plus the accrued but unpaid interest) in advance.

The shares to be allotted and issued upon conversion of the convertible bonds will be duly and validly issued as fully paid and free from any encumbrance and will rank at least pari passu with all other shares then in issue.

At initial recognition, the convertible bonds are separated into a liability component and an equity component representing the conversion options of the bondholders. The values of the liability component and the equity component were determined at the issue date. The fair value of the liability component was calculated using a market interest rate of 8.99% per annum for instruments without a conversion option of comparable credit status which is referenced to professional valuation conducted by Vincorn Consulting and Appraisal Limited. The residual amount, representing the value of the equity component, has been included in the convertible bonds reserve.



The fair value of the convertible bonds is determined using valuation model for which involved unobservable inputs. The day-one loss, which represented the difference between the nominal value and the fair value of the convertible bonds at the issue date, is not recognised in the consolidated statement of profit or loss immediately but is deferred.

The carrying value of the liability component and the equity component of the convertible bonds is net of the deferred day-one loss which is allocated to the liability component and the equity component on the same allocation basis of the allocation of the fair value of the convertible bonds. The deferred day-one loss in the liability component will be amortised over the term of the convertible bonds on the basis similar with the effective interest method and included in “Administrative expenses” in the consolidated statement of profit or loss and the deferred day-one loss in the equity component will be accounted for in the same basis as the equity component.

The effective interest rate of the liability component of the convertible bonds on initial recognition, which excluded the impact of the deferred day-one loss, is 9.49% per annum and is subsequently carried at amortised cost.

Details of the Subscription are set out in the Company’s joint announcements dated 30 July 2021 and 27 September 2021, the Company’s circular dated 6 September 2021 and the Company’s composite document dated 7 September 2021.

The movements of liability component at amortised costs of the convertible bonds is as follows:

|  | <b>Liability<br/>Component<br/>RMB’000</b> | <b>Deferred<br/>day-one loss<br/>RMB’000</b> | <b>Total<br/>RMB’000</b> |
|--|--|--|--------------------------|
| Fair value of liability component at the inception date                                      | 30,752                                     | –  | 30,752                   |
| Day-one loss of newly issued convertible bonds at inception not recognised in profit or loss | –  | (26,689)                                     | (26,689)                 |
| Interest charged for the year (note 6)   | 727  | –  | 727                      |
| Interest payables on convertible bonds included in other payables                            | (100)                                      | –  | (100)                    |
| Amortisation of deferred day-one loss (note 5)   | –  | 2,294  | 2,294                    |
| Exchange realignments  | (505)                                      | 415  | (90)                     |
| Carrying amount as at 31 December 2021   | <u>30,874</u>                              | <u>(23,980)</u>                              | <u>6,894</u>             |

## 15. TRADE AND OTHER PAYABLES

|  | <i>Note</i> | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|--|-------------|------------------------|------------------------|
| <b>Trade payables</b>                                      |             |                        |                        |
| — to third parties   |             | <b>39,118</b>          | 39,644                 |
| — to an associate  |             | <b>13,115</b>          | 7,703                  |
|  | <i>(a)</i>  | <u><b>52,233</b></u>   | <u>47,347</u>          |
| <b>Other payables</b>                                      |             |                        |                        |
| Other taxes payables                                       |             | <b>19,962</b>          | 29,955                 |
| Employee benefits payables                                 |             | <b>14,858</b>          | 17,486                 |
| Due to an associate  | <i>(b)</i>  | <b>2,601</b>           | 8,178                  |
| Due to a director  | <i>(c)</i>  | <b>5,555</b>           | 4,407                  |
| Due to a related company/a shareholder                     | <i>(d)</i>  | <b>4,011</b>           | 4,870                  |
| Accrual for professional service fees                      |             | <b>1,650</b>           | 1,500                  |
| Interest payables  |             | <b>10,759</b>          | 9,799                  |
| Consideration payables for the acquisition of a subsidiary |             | –                      | 558                    |
| Loans from third parties                                   | <i>(e)</i>  | <b>8,500</b>           | 3,500                  |
| Others   |             | <b>1,346</b>           | 1,498                  |
|  |             | <u><b>69,242</b></u>   | <u>81,751</u>          |
|  |             | <u><b>121,475</b></u>  | <u>129,098</u>         |

### *Notes:*

- (a) The credit period of trade payables is normally within 60 (2020: 60) days. The ageing analysis of the trade payables based on invoice date is as follows:

|                                   | 2021<br><i>RMB'000</i> | 2020<br><i>RMB'000</i> |
|-----------------------------------|------------------------|------------------------|
| Within 3 months                   | <b>23,137</b>          | 30,564                 |
| Over 3 months but within 6 months | <b>1,140</b>           | 67                     |
| Over 6 months but within 1 year   | <b>7,377</b>           | 417                    |
| Over 1 year but within 2 years    | <b>9,682</b>           | 12,865                 |
| Over 2 years but within 3 years   | <b>7,481</b>           | 991                    |
| Over 3 years                      | <b>3,416</b>           | 2,443                  |
|                                   | <u><b>52,233</b></u>   | <u>47,347</u>          |

- (b) The amounts due to Beijing Evertop are unsecured, interest-free and repayable on demand.
- (c) The balance represents the amount due to Mr. Lo. As at 31 December 2021, except for balance of RMB556,000 (2020: RMB425,000) which is interest-free, the balance is unsecured, bear interest at rate of 5.25% per annum (2020: at rates ranging from 5% to 5.25% per annum) and repayable on demand.
- (d) The balance represents the amount due to Cerulean. As at 31 December 2021, except for the balance of RMB1,799,000 (2020: RMB1,396,000) which is interest-free, the balance is unsecured, bears interest at rate of 5.25% per annum (2020: the same) and repayable on demand.
- (e) The loans are unsecured, interest-free and repayable within one year.

## 16. DIVIDENDS

The Directors of the Company do not recommend payment of any final dividend for the year ended 31 December 2021 (2020: Nil).

## 17. DISPOSAL OF A SUBSIDIARY

On 30 April 2021, the Group disposed of its entire equity interests in Shanghai Cogent Info-tech Co., Limited\* (上海高駿科技有限公司) (“AVIT”) to an independent third party at a total consideration of RMB1,200,000. AVIT was principally engaged in research and development of TV broadcasting and multi-media production in the PRC.

The details are as follows:

|  | <i>RMB'000</i> |
|--|----------------|
| <b>Net assets disposed of:</b>   |                |
| Property, plant and equipment  | 394            |
| Intangible assets (note 9)   | 239            |
| Inventories  | 1,531          |
| Trade and other receivables  | 1,089          |
| Bank balances and cash   | 7              |
| Trade and other payables   | (1,393)        |
| Contract liabilities   | (754)          |
|  | <hr/>          |
|  | 1,113          |
| Gain on disposal of a subsidiary (note 4)  | 87             |
|  | <hr/>          |
| Total consideration receivable (note 11(iv))   | <u>1,200</u>   |
| Analysis of net outflow of cash and cash equivalents in respect of disposal of a subsidiary: |                |
| Bank balances and cash disposed  | <u>(7)</u>     |

\* The official name is in Chinese and the English name is translated for identification purpose only.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Under the COVID-19 pandemic (“**COVID-19**”), protracted social distancing restrictions posed constant influence to the Group’s business especially the postponement and cancellation of the offline large-scale major events, which make a huge impact to the Group’s event broadcasting and operation services. The Group took certain measures to manage the relevant risks and challenges, such as optimising the industrial layout, promoting the diversified development of the Group's business, especially focusing on exploring new media services business to hedge against the adverse effects of COVID-19. The Group has also made efforts in expense management and efficiency enhancement. The revenue of the Group increased from approximately RMB153.3 million for the Corresponding Period to approximately RMB202.8 million for the Reporting Period, while the gross profit of the Group increased from approximately RMB55.9 million for the Corresponding Period to approximately RMB64.3 million for the Reporting Period.

During the Reporting Period, the Group conducted its business with strategic focus on projects with favourable payment terms and concrete measures were taken to ensure the Company has been on track to achieve orderly business operation and its long-term ambition. The Group had continued to cooperate with a number of major customers with leading technology or who are highly recognised throughout the industry for certain projects. For instance, one of the Group’s indirect wholly-owned subsidiary, Times Sage (Beijing) Tech Company Limited\* (時代華睿(北京)科技有限公司) (“**Times Sage (Beijing)**”), which mainly engages in provisions of application solutions services to major customers, had successfully completed provisions of 4K video microwave transmission and relay system and the related application solutions services for the 4K/8K aerial helicopter of China Media Group (中央廣播電視總台) in April 2021. Times Sage (Beijing) has accumulated extensive experience on one-stop turnkey application solutions services and forged closer relationships with relevant major authorities since its establishment and such project is another remarkable program which demonstrates the Group’s leading technical capability in the industry. In addition, the Group insisted on technological innovation and put emphasis on market demand and changes. The Group continued to adhere to promote technology and product optimization and conduct innovative research and development (“**R&D**”) by carrying out a number of R&D projects and research. During the Reporting Period, the Group’s self-developed transmission products had been successfully applied in the live streaming of the celebration ceremony of the 100th anniversary of the founding of the Central Committee of the Communist Party of China and the launch of the Shenzhou XII.

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Another exciting development during the Reporting Period was that the revenue from the new media services segment of the Group increased by approximately 274.4% during the Reporting Period. The revenue from new media services segment in 2019, 2020 and 2021 is approximately RMB1.9 million, RMB5.9 million and RMB22.0 million respectively, which accounts for approximately 1.0%, 3.8% and 10.8% of the total revenue of the Group for the years ended 31 December 2019, 2020 and 2021, respectively. The new media industry, represented by new media e-commerce and new media marketing, have experienced a rapid development along with the rise of video platforms such as Douyin, Kuaishou and Bilibili. To better seize the business opportunities of new media services business, the Group started to lay out new media services business since 2019, and offer the brand clients a number of live-streaming services in Douyin, Bilibili and Wechat mini program through Beijing Evertop which is an associate of the Group. The Group further increased the resources and innovations to the new media services since 2020, introducing and reserving more outstanding talent in the area of operation, data & strategic analysis and corporate management. During the Reporting Period, the headcount of employees in new media services business increased from 22 to 108. Through establishing an operation and data-analysis & strategic department, setting up the corresponding system and shifting its main resources to key clients, the Group successfully served several new media companies and well-known brand companies, which have further enhanced the Group's brand influence and performance capabilities in new media services business. The rapid development of new media services business makes it a highlight of the Group's performance during the Reporting Period.

During the Reporting Period, while the Group made steady progress against challenging market environment, the Group also actively spent great efforts in expense management and efficiency enhancement and continued to uphold stringent management standards. In doing so, the Group aims to build stable and healthy operation environment to support high-quality transformation and development of the Group's business.

2021 is also a meaningful year of the Group, during which, there were important steps undertaken to inspire sustainable success of the Group for the future. The introduction of a new expression of the vision, mission and values to the Group shall be a core part of an integrated, long-term approach to embedding sustainability throughout the business lifecycle of the Group.

## FINANCIAL REVIEW

### Revenue

Based on the financial information, the Group's revenue increased by approximately 32.3% to RMB202.8 million (2020: RMB153.3 million) during the Reporting Period. The increase was due to inclusion of revenue generated from Beijing Gefei Technology Corporation\* (北京格非科技股份有限公司) ("**Beijing Gefei**") in the consolidated

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statement of profit or loss subsequent to the reclassification of Beijing Gefei from interests in associates to subsidiary since 31 August 2020. For details, please refer to the announcement of the Company dated 31 August 2020. Revenue from the applications solutions segment increased by approximately 27.6% while the revenue from the system maintenance services segment decreased by approximately 12.3% during the Reporting Period. Revenue from the sales of self-developed products segment increased by approximately 22.8% while the revenue from the new media services segment increased by approximately 274.4% during the Reporting Period. The table below sets out the Group's segment revenue for the years ended 31 December 2021 and 2020 respectively:

|                                  | For the year ended 31 December |                           |                |                           |
|----------------------------------|--------------------------------|---------------------------|----------------|---------------------------|
|                                  | 2021                           |                           | 2020           |                           |
|                                  | <i>RMB'000</i>                 | <i>% of total revenue</i> | <i>RMB'000</i> | <i>% of total revenue</i> |
|                                  |                                |                           | (re-presented) | <i>(Note)</i>             |
| <b>Segment revenue</b>           |                                |                           |                |                           |
| Application solutions            | 121,390                        | 59.9%                     | 95,164         | 62.1%                     |
| System maintenance services      | 11,988                         | 5.9%                      | 13,673         | 8.9%                      |
| Sales of self-developed products | 47,409                         | 23.4%                     | 38,593         | 25.2%                     |
| New media services               | 22,001                         | 10.8%                     | 5,876          | 3.8%                      |
| <b>Total</b>                     | <b>202,788</b>                 | <b>100.0%</b>             | <b>153,306</b> | <b>100.0%</b>             |

#### *Application solutions*

Revenue generated from the Group's application solutions segment represented approximately 62.1% and 59.9% of the total revenue of the Group for the Corresponding Period and the Reporting Period, respectively. Such revenue increased from approximately RMB95.2 million for the Corresponding Period to approximately RMB121.4 million for the Reporting Period. The increase was mainly attributable to the inclusion of revenue generated from Beijing Gefei for full year.

#### *System maintenance services*

Revenue from the system maintenance services segment represented approximately 8.9% and 5.9% of the total revenue of the Group for the Corresponding Period and the Reporting Period, respectively. Such revenue decreased from approximately RMB13.7 million for the Corresponding Period to approximately RMB12.0 million for the Reporting Period. The decrease was mainly attributable to the decrease in demand for onsite support services during the Reporting Period.

*Note:* The comparative segment information has been re-presented to reflect the change of the reporting segments of the Group from three segments to four segments. Please refer to note 3 to the consolidated financial statements for more operating segment information.

### *Sales of self-developed products*

Revenue from the sales of self-developed products segment represented approximately 25.2% and 23.4% of the total revenue of the Group for the Corresponding Period and the Reporting Period, respectively. Such revenue increased from approximately RMB38.6 million for the Corresponding Period to approximately RMB47.4 million for the Reporting Period. The increase was mainly due to the inclusion of revenue of Beijing Gefei for full year.

### *New media services*

Revenue from the new media services segment represented approximately 3.8% and 10.8% of the total revenue of the Group for the Corresponding Period and the Reporting Period, respectively. Such revenue increased from approximately RMB5.9 million for the Corresponding Period to approximately RMB22.0 million for the Reporting Period. The increase was mainly due to the rapid development of new media industry in China. Simultaneously, the Group's increasing layout and innovations in new media services business also accelerate the growth of revenue from new media services.

### **Cost of sales**

The Group's cost of sales increased by approximately 42.1% from approximately RMB97.5 million for the Corresponding Period to approximately RMB138.5 million for the Reporting Period. The table below sets out the Group's segment cost of sales for the years ended 31 December 2021 and 2020 respectively:

|                                  | <b>For the year ended 31 December</b> |                        |  |                        |
|----------------------------------|---------------------------------------|------------------------|--|------------------------|
|                                  | <b>2021</b>                           |                        | <b>2020</b>                            |                        |
|                                  | <i>RMB'000</i>                        | <i>% of total cost</i> | <i>RMB'000</i>                         | <i>% of total cost</i> |
|                                  |                                       |                        | <i>(re-presented)<sup>(Note)</sup></i> |                        |
| <b>Segment cost of sales</b>     |                                       |                        |  |                        |
| Application solutions            | <b>103,920</b>                        | <b>75.1%</b>           | 81,216                                 | 83.3%                  |
| System maintenance services      | <b>5,550</b>                          | <b>4.0%</b>            | 7,008                                  | 7.2%                   |
| Sales of self-developed products | <b>18,112</b>                         | <b>13.1%</b>           | 8,093                                  | 8.3%                   |
| New media services               | <b>10,869</b>                         | <b>7.8%</b>            | 1,138                                  | 1.2%                   |
| <b>Total</b>                     | <b>138,451</b>                        | <b>100.0%</b>          | 97,455                                 | 100.0%                 |

*Note:* The comparative segment information has been re-presented to reflect the change of the reporting segments of the Group from three segments to four segments. Please refer to note 3 to the consolidated financial statements for more operating segment information.



The cost of sales for the application solutions segment increased by approximately 28.0% for the Reporting Period as compared to the Corresponding Period, which was primarily due to the increase in revenue of the application solutions segment of the Group during the Reporting Period. The cost of sales for the system maintenance services segment decreased by approximately 20.8% for the Reporting Period as compared to the Corresponding Period, which was primarily due to the decrease in revenue of the system maintenance services segment. The cost of sales for the sales of self-developed products segment increased by approximately 123.8% for the Reporting Period as compared to the Corresponding Period, which was primarily due to the inclusion of the cost of sales from Beijing Gefei for full year, which is mainly engaged in the development and production of core technology equipment systems. The cost of sales for the new media services increased by approximately 855.1% for the Reporting Period as compared to the Corresponding Period, which was due to firstly, the reasonable growth of the costs as the revenue of the new media services increased by approximately 274.4% during the Reporting Period as compared to the Corresponding Period, secondly, during the Reporting Period, the Group has strategically reduced the gross profit margin of the new media services business to increase the scale of revenue, resulting in a faster increase in costs than revenue growth, furthermore, the Group invested more resources in the new media services segment to seize the market opportunities of the new media services business and actively explored more market opportunities in the area of new media services which resulted in higher initial cost. During the Reporting Period, the headcount of employees in the new media services segment increased from 22 to 108. Although the aforesaid measures led to a rapid increase in the cost of sales of the new media services segment of the Group during the Reporting Period, they have also laid a good foundation for the further development of the Group's new media services business in the future. The Group believes that the aforesaid measures would bring considerable economic benefits to its new media services segment.

### **Gross profit and gross profit margin**

The Group's gross profit was approximately RMB64.3 million and approximately RMB55.9 million for the Reporting Period and the Corresponding Period, respectively, representing an increase of approximately 15.2%. The Group's gross profit margin was approximately 31.7% and approximately 36.4% for the Reporting Period and the Corresponding Period, respectively. The following table sets out the gross profit and gross profit margin of each of the Group's business segments for the years ended 31 December 2021 and 2020 respectively:



## Segment gross profit and gross profit margin

|   | For the year ended 31 December |                            |                                  |                            |
|---|--------------------------------|----------------------------|----------------------------------|----------------------------|
|   | 2021                           |                            | 2020                             |                            |
|   | <i>RMB'000</i>                 | <i>Gross profit margin</i> | <i>RMB'000</i>                   | <i>Gross profit margin</i> |
|   |                                |                            | (re-presented) <sup>(Note)</sup> |                            |
| <b>Segment gross profit and gross profit margin</b> |                                |                            |                                  |                            |
| Application solutions                               | 17,470                         | 14.4%                      | 13,948                           | 14.7%                      |
| System maintenance services                         | 6,438                          | 53.7%                      | 6,665                            | 48.7%                      |
| Sales of self-developed products                    | 29,297                         | 61.8%                      | 30,500                           | 79.0%                      |
| New media services                                  | 11,132                         | 50.6%                      | 4,738                            | 80.6%                      |
| <b>Total</b>  | <b>64,337</b>                  | <b>31.7%</b>               | <b>55,851</b>                    | <b>36.4%</b>               |

For the application solutions segment, the Group noted a slight decrease in the gross profit margin from approximately 14.7% for the Corresponding Period to approximately 14.4% for the Reporting Period. The Group believes such decrease was within a reasonable range in its normal operation.

For the system maintenance services segment, the Group noted an increase of gross profit margin from approximately 48.7% for the Corresponding Period to approximately 53.7% for the Reporting Period. The increase was due to improvement of cost management of the Group.

For the sales of self-developed products segment, the gross profit margin decreased from approximately 79.0% for the Corresponding Period to approximately 61.8% for the Reporting Period. The decrease was mainly due to the inclusion of Beijing Gefei which engaged in different fields of sales of self-developed products in the consolidated results.

For the new media services segment, the gross profit margin decreased from approximately 80.6% for the Corresponding Period to approximately 50.6% for the Reporting Period. The decrease was due to that the Group reduced the gross profit margin strategically in order to attract and reserve more talents. Meanwhile, in order to seize the business opportunities of new media services, the Group is also exploring more segmented market opportunities, which leads to a higher initial cost, striving for the expansion of the revenue scale of the new media business.

*Note:* The comparative segment information has been re-presented to reflect the change of the reporting segments of the Group from three segments to four segments. Please refer to note 3 to the consolidated financial statements for more operating segment information.

### **Other gains, net**

Other gains was approximately RMB6.6 million and RMB4.2 million for the Corresponding Period and the Reporting Period, respectively. Such decrease was mainly due to fair value loss on financial assets at FVPL denominated in US Dollar (“USD”) during the Reporting Period.

### **Administrative expenses**

Administrative expenses increased by approximately 0.8% from approximately RMB79.6 million for the Corresponding Period to approximately RMB80.2 million for the Reporting Period. The Group made great efforts in expense management and efficiency enhancement during the Reporting Period and the administrative expenses only recorded a slight increase despite the combination of the administrative expenses of Beijing Gefei during the Reporting Period.

### **Selling expenses**

Selling expenses for the Reporting Period was approximately RMB10.9 million, which was kept at similar level as the Corresponding Period despite the consolidation of sales expenses of Beijing Gefei during the Reporting Period. This offset was due to the strict expense control measures taken by the Group during the Reporting Period.

### **Finance costs**

Net finance costs increased by approximately 11.1% from approximately RMB14.6 million for the Corresponding Period to approximately RMB16.2 million for the Reporting Period. The increase was mainly attributable to the higher average balance of borrowing during the Reporting Period.

### **Income tax credit**

Income tax credit amounted to approximately RMB1.7 million and RMB3.5 million for the Corresponding Period and the Reporting Period, respectively.

## **Loss for the Reporting Period**

As a result of the forgoing factors, the loss attributable to owners of the Company was decreased by approximately 36.8% from a loss of approximately RMB97.5 million for the Corresponding Period to a loss of approximately RMB61.6 million for the Reporting Period.

## **Reconciliation of Non-HKFRS Measures to the Nearest HKFRS Measures**

To supplement this announcement, which are presented in accordance with HKFRSs, the Company also uses adjusted net loss as additional financial measures, which are not required by, or presented in accordance with, HKFRSs. The Company believes adjusted net loss facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items which the management considers non-indicative of operating performance of the Group, such as certain non-cash items.

The Company believes adjusted net loss provides useful information in understanding and evaluating its consolidated results of operations in the same manner as they help management. However, the presentation of adjusted net loss of the Group may not be comparable to similarly titled measures presented by other companies. The use of adjusted net loss has limitations as an analytical tool, and anyone should not consider it in isolation from, or as a substitute for an analysis of, its results of operations or financial condition as reported under HKFRSs. In addition, these non-HKFRS financial measures may be defined differently from similar terms used by other companies, and may not be comparable to other similarly titled measures used by other companies.

Adjusted net loss was defined as loss for the year, excluding impairment loss on goodwill, interest in an associate and intangible assets, share-based compensation expenses, amortisation of deferred day-one loss of convertible bonds and fair value changes of certain financial assets. The Company excludes these items because they do not involve any cash outflow and are neither operating in nature nor indicative of the core operating results and business outlook of the Group.

The following table sets forth the reconciliations of non-HKFRS financial measures of the Group for the years ended 31 December 2021 and 2020, respectively, to the nearest measures prepared in accordance with HKFRS:

|   | <b>2021</b>            | 2020                   |
|---|------------------------|------------------------|
|   | <b>RMB'000</b>         | RMB'000                |
| <b>Loss for the year</b>                                    | <b>(68,724)</b>        | (97,957)               |
| <b>Adjusted for:</b>  |                        |                        |
| Change in fair value of contingent consideration receivable | <b>17,755</b>          | –                      |
| Impairment loss on goodwill                                 | <b>7,128</b>           | 13,884                 |
| Amortisation of deferred day-one loss                       | <b>2,294</b>           | –                      |
| Impairment loss on interest in an associate                 | <b>1,800</b>           | –                      |
| Share based payment expenses                                | <b>93</b>              | 1,527                  |
| Impairment on intangible assets                             | <b>–</b>               | 5,249                  |
|   | <u>–</u>               | <u>5,249</u>           |
| <b>Adjusted net loss</b>                                    | <b><u>(39,654)</u></b> | <b><u>(77,297)</u></b> |

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net cash generated from the Group's operating activities amounted to approximately RMB7.8 million for the Reporting Period and net cash used in the Group's operating activities amounted to approximately RMB1.6 million for the Corresponding Period.

Net cash generated from the Group's investing activities amounted to approximately RMB4.3 million for the Reporting Period and net cash used in the Group's investing activities amounted to approximately RMB3.2 million for the Corresponding Period.

Net cash generated from the Group's financing activities amounted to approximately RMB36.1 million for the Reporting Period and net cash generated from the Group's financing activities amounted to approximately RMB5.0 million for the Corresponding Period.

As at 31 December 2021, the Group had current assets of approximately RMB344.7 million (as at 31 December 2020: approximately RMB389.9 million) and current liabilities of approximately RMB306.5 million (as at 31 December 2020: approximately RMB376.8 million). The current ratio (which is calculated by dividing current assets by current liabilities) increased to approximately 1.12 as at 31 December 2021 from approximately 1.03 as at 31 December 2020.

## **FOREIGN EXCHANGE EXPOSURE**

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD and HKD. 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 companies to manage their foreign exchange risk against their functional currency. The Group companies are required to control the exposure of the foreign currency during the business operation. The foreign currency exposure is mainly due to the purchase of the equipment from other countries and the management controls on the payment schedule to reduce the foreign exchange risk. Save for certain bank balances and accounts payables in USD and HKD, the impact of foreign exchange exposure on the Group was minimal and there was no significant adverse effect on normal operations. During the Reporting Period, the Group did not commit to any financial instruments to hedge its exposure to foreign exchange risk. However, the management of the Group monitors foreign exchange exposure of the Group and will consider hedging significant foreign currency exposure should the need arise.

## **INTEREST RATE RISK**

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

## **CHARGE OVER ASSETS OF THE GROUP**

As at 31 December 2021, (i) bank borrowings of RMB31,000,000 (2020: RMB48,000,000) are secured by the buildings with carrying amount of RMB27,960,000 (2020: RMB30,441,000); and (ii) bank borrowings of RMB18,022,000 (2020: RMB20,228,000) are secured by the key-man life insurance policies included in financial assets at FVPL with carrying amount of RMB51,002,000 (2020: RMB52,279,000).

## **GEARING POSITION**

The gearing ratio, which represented net debt (total debts less pledged bank deposits and bank balances and cash) divided by total equity multiplied by 100%, was 152% and 128% as at 31 December 2020 and 2021, respectively. The total borrowings of the Group decreased from approximately RMB176.4 million as at 31 December 2020 to approximately RMB163.1million as at 31 December 2021. Such decrease was mainly attributable to repayment of borrowings.

## **CONTINGENCIES**

As at 31 December 2021, the Directors were not aware of any significant events that would have resulted in material contingent liabilities.

## **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

## **DISTRIBUTABLE RESERVES**

As at 31 December 2021, based on the financial information, the Company's reserves available for distribution to equity holders, comprising the share premium and accumulated loss, amounted to approximately RMB21.0 million (as at 31 December 2020: approximately RMB58.2 million).

## **MAJOR CUSTOMERS AND SUPPLIERS**

For the Reporting Period, revenue from the Group's five largest customers accounted for approximately 35.9% (2020: 51.4%) of the Group's total revenue and the revenue from the largest customer included therein accounted for approximately 9.6% (2020: 32.0%) of the Group's total revenue.

For the Reporting Period, supplies from the Group's five largest suppliers accounted for approximately 36.3% (2020: 30.5%) of the Group's total operating cost and supplies from the largest supplier included therein accounted for approximately 14.8% (2020: 10.6%) of the Group's total operating cost.

None of the Directors or any of their close associates or any shareholders of the Company (which, to the knowledge of the Directors, own more than 5% of the Company's issued shares) had any interests in the Group's five largest customers and/or five largest suppliers for the Reporting Period.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2021, the Group had a total of 287 employees (as at 31 December 2020: 275 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. Other benefits to the employees of the Group include, among other things, medical insurance, retirement scheme, training programmes.

## **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**”). 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 Reporting Period will be set out in the 2021 annual report of the Company.

In order to reward or make incentive to the employees, Directors and other selected participants for their contributions to the Group, the Company conditionally adopted the Share Option Scheme on 13 June 2014 (the “**Share Option Scheme**”). Details of the Share Option Scheme and movement in the share options during the Reporting Period will be set out in the 2021 annual report of the Company.

## **FUTURE OUTLOOK**

The Group has dedicated itself to video industry since its establishment and maintained the leading position in providing one-stop video application solutions among the industry. The video industry has been powered by advanced techniques including ultra-high-definition (UHD), 4K/8K, 5G, video media live streaming technology and etc., which have reshaped the all-media industry these years. The rise of new video platforms such as Douyin, Kuaishou and Bilibili turns short video and live streaming marketing into the new battlefield of mobile internet marketing, which provides a new application scenario and opportunity for the Group. Going forward, the Group will focus on expanding its new media services business based on its video live-streaming technology business with live streaming and new media marketing as its core. The Group’s recent partnership with several major institutions such as China Media Group further highlights the advanced technology and service capability of the Group in live-streaming business. At the same time, the Group will deploy additional resources to accelerate the construction and development of various brands of e-commerce live streaming to enhance the stickiness of the Group’s services to brands in various consumer segments.



In the future, the Group strives to establish strategic cooperation relationships with many large new media industry companies in the areas of video technology services, new media services and related businesses, leveraging the strengths of both parties to further empower the e-commerce live streaming business and create a new ecology for better consumption. The Group believes that this move will further optimise its industrial layout, promote the diversified development of the Group's business, expand the Group's customer base and diversify the Group's revenue stream.

Although there are still considerable uncertainties for the duration of the COVID-19 outbreak and expectation of returning to normal life largely depends on the severity of the new coronavirus variants, the Group is cautious but hopeful about the prospects for the macro-environment ahead and the outlook of the business development of the Group in long term. The Group will promote the diversification of the Group's business by optimising its industrial layout and will continue to focus on the area of video service in all-media application solutions, and constantly promote the ability in video stream media broadcast and new media services. Meanwhile, the establishment of data visualization system, optimisation of organisational structure and introduction of outstanding talent will further increase the Group's operating efficiency and revenue generation ability, eventually realise the sustainable growth of the Group and enhance the Group's risk-resistance ability.

#### **EVENTS AFTER THE REPORTING PERIOD**

Reference is made to the Company's announcements dated 9 November 2018, 4 December 2018, 8 July 2020 and 9 February 2022, respectively, relating to the disposal of Beijing Evertop to Wanda Sports. On 9 February 2022 (after trading hours), the parties entered into a supplemental agreement to the equity transfer agreement dated 9 November 2018, pursuant to which the parties agreed to, among other things, amend the profit guarantee period from the two years ended 31 December 2019 together with the year ended 31 December 2021 to the two years ended 31 December 2019 together with the year ending 31 December 2022.

Save as the aforesaid, the Company does not have any material subsequent events after the Reporting Period.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.



## CORPORATE GOVERNANCE

Throughout the Reporting 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”) as its own code of corporate governance.

The Directors consider that the Company has complied with all the applicable code provisions under the CG Code during the Reporting Period, save as the following:

- Under the code provision A.2.1 of the CG code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Currently, the roles of the chairman of the Board and the chief executive officer of the Company (the “CEO”) was not separated and was performed by the same individual, Mr. Lo Chi Sum, who acted as both the chairman of the Board and CEO throughout the Reporting 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.
  
- Under the code provision A.5.1 of the CG Code, the nomination committee is required to be chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. Mr. Lo Chi Sum, the chairman of the Board, resigned as the chairman of the nomination committee of the Company (the “**Nomination Committee**”) and Mr. Li Jun was appointed as chairman of the Nomination Committee on 29 September 2021 in order to achieve better synergy and efficiency during the initial stage after the change of Board composition of the Company in late September 2021. Thereafter, Mr. Ma Zhan Kai, an independent non-executive Director and a member of the Nomination Committee, has been appointed as the chairman of the Nomination Committee in place of Mr. Li Jun with effect from 30 December 2021. Despite the Company does not fulfill the requirement under code provision A.5.1 of the CG Code during the period from 29 September 2021 to 29 December 2021, the Nomination Committee comprised Directors with competencies, skills and perspectives that align with the Group’s strategy and objectives for the long-term development of the Group and the majority of which comprised of independent non-executive Directors, and the Directors consider that this structure had an independent oversight of matters in relation to Board recruitment, Board diversity and succession planning.

## **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 during the Reporting Period.

## **SCOPE OF WORK OF AUDITOR**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary results announcement have been agreed by the Group's auditor, Mazars CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2021. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Mazars CPA Limited on this preliminary results announcement.

## **PUBLICATION**

This final results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.css-group.net](http://www.css-group.net)) respectively. The 2021 annual report of the Company 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, 24 March 2022

*As at the date of this announcement, the executive Directors are Mr. Lo Chi Sum, Mr. Li Jun, Mr. Li Jinping and Ms. Zhao Hui Li; and the independent non-executive Directors are Mr. Cui Xiao Bo, Mr. Ma Zhan Kai and Dr. Yu Guo Jie.*