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

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1450

2021
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lo Chi Sum (盧志森)
Mr. Li Jun (李鈞) *(appointed on 29 September 2021)*
Mr. Li Jinping (李金平)
Ms. Zhao Hui Li (趙慧利)
(appointed on 29 September 2021)
Mr. Leung Wing Fai (梁榮輝)
(resigned on 29 September 2021)
Mr. Geng Liang (耿亮)
(resigned on 29 September 2021)

Independent non-executive Directors

Mr. Cui Xiao Bo (崔曉波)
(appointed on 29 September 2021)
Mr. Ma Zhan Kai (馬占凱)
(appointed on 29 September 2021)
Dr. Yu Guo Jie (余國杰)
(appointed on 29 September 2021)
Dr. Ng Chi Yeung, Simon (吳志揚)
(resigned on 29 September 2021)
Mr. Hung Muk Ming (洪木明)
(resigned on 29 September 2021)
Mr. Mak Kwok Wing (麥國榮)
(resigned on 29 September 2021)

AUDIT COMMITTEE

Dr. Yu Guo Jie *(Chairman)*
Mr. Cui Xiao Bo
Mr. Ma Zhan Kai

REMUNERATION COMMITTEE

Mr. Ma Zhan Kai *(Chairman)*
Ms. Zhao Hui Li
Mr. Cui Xiao Bo

NOMINATION COMMITTEE

Mr. Ma Zhan Kai *(Chairman)*
Mr. Li Jun
Mr. Cui Xiao Bo

INVESTMENT COMMITTEE

Mr. Lo Chi Sum *(Chairman)*
Ms. Zhao Hui Li
Mr. Ma Zhan Kai

COMPANY SECRETARY

Ms. Chan Sze Ting *(ACG, HKACG)*

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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No. 10 Jiachuang Road
Opto-Mechatronics Industrial Park
Tongzhou District
Beijing 101111
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Tins Enterprises Centre
777 Lai Chi Kok Road
Cheung Sha Wan
Kowloon
Hong Kong

AUDITOR

Mazars CPA Limited

LEGAL ADVISERS TO THE COMPANY AS TO HONG KONG LAW

King & Wood Mallesons

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
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Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

STOCK CODE

1450

WEBSITE AND CONTACT

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CHAIRMAN'S STATEMENT

Dear Shareholders,

The board (the "**Board**") of directors (the "**Directors**") of Century Sage Scientific Holdings Limited (the "**Company**") hereby presents the annual report of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2021 (the "**Reporting Period**").

The Group is a leading all-media service provider in China, mainly providing services of one-stop video application involving full-chain services including product sales, video content production, transmission, live streaming, and system maintenance to broadcasters, government agencies, new media platforms and industrial customers, etc.

REVIEW

In 2021, the COVID-19 pandemic ("**COVID-19**") continued to have a significant impact on the economic environment, social livelihood and business management of enterprises, especially the social distancing restrictions, which led to the postponement or cancellation of many large-scale events and offline activities. Nevertheless, under the strong pandemic prevention and control measures taken by the PRC government, social stability and economy have been recovered gradually, especially the new media market has shown strong resilience and development opportunities. The new media platforms represented by Douyin, Kuaishou and Bilibili have achieved high growth in terms of their daily active users, online hours, gross merchandise volume and revenue in recent years.

Despite the uncertainty of the complex external environment, the Group rose to the challenge in 2021 by accelerating business footprints, increasing marketing channels, enhancing research and development on technology, and expanding the Group's original leading ultra-high definition (UHD) video and live streaming service capabilities to the new media market. During the Reporting Period, the Group has strengthened its approach of development and set the development goals of the Group for the next five years. The Group has also continuously optimised its industrial layout and continued to drive the Group's diversified development with an aim to make new contributions to the society and bring better returns for shareholders of the Company.

The revenue of the Company increased by approximately 32.3% to RMB202.8 million for the Reporting Period from RMB153.3 million for the year ended 31 December 2020 (the "**Corresponding Period**"), and the gross profit of the Company increased by approximately 15.2% to RMB64.3 million for the Reporting Period from RMB55.9 million for the Corresponding Period. 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. Meanwhile, the Group has been closely monitoring the market trends as well as innovative technology development in its industry to ensure that the Group always remains competitive and increases its market share in the all-media industry, and to provide more customers with high quality, efficient and more cost-effective solutions of live streaming and related services. We believe that the Group is building up its strength, consolidating its internal strength, optimising its layout, cultivating its key customers and building up its momentum to move forward steadily.

The year 2021 is of great strategic significance of the Group. In the area of live streaming-related systems and application solutions, the Group still maintains its industry-leading technology and service capabilities, insists on optimising product functions and technological innovation, enhances customer experience, promotes deep integration among products, technologies and business scenarios, accelerates the digital and intelligent transformation and upgrade of system solutions, while continues to improve operational efficiency and service quality and strengthens the marketing and service capabilities for key customers. In the area of new media services, the Group achieved significant development and breakthroughs and recorded revenue of approximately RMB22.0 million from the new media services segment, accounting for approximately 10.8% of the Group's total revenue for the Reporting Period, which is mainly attributable to the rapid development of the new media market in China, the Group's business and organisational synergies, as well as the experience accumulated by the Group in providing services to new media platforms such as Douyin, Bilibili and WeChat mini program since 2019. During the Reporting Period, the Group continued to invest more resources and layout in the new media services segment, continuously learn advanced operation methods, actively explore new channel strategies and seek strategic partners that can bring rapid development to the new media services business of the Group.

In addition, the Group issued the convertible bonds in the principal amount of HKD47.0 million during the Reporting Period, which demonstrates the investors' recognition of the Group's development strategy and improves the Group's cash flow substantially. The Group will use such proceeds prudently to improve its research and development and service capabilities, explore more new customers and expand its profitable business.

CHAIRMAN'S STATEMENT

At the same time, along with the complex external environment as well as the competitive market, the Group has also achieved significant developments in other key areas in terms of operating management, including continuously reforming the Group's organisational structure and optimising the Group's management efficiency to ensure the Group's timely adjustment of its operational strategies. On the one hand, the Group has recruited a number of senior managers and professionals for the Group's management and strategic development, set up the data strategy analysis department and relevant systems to achieve the rational allocation of resources. On the other hand, the Group also encourages the diversified development of the Group, strengthens internal communication as well as develops business synergy and incentive mechanisms.

OUTLOOK

While "media convergence and all-media communication" has been mentioned in the 14th Five-Year Plan of China, advanced technologies such as 4K/8K, 5G, UHD and media integration will bring rapid development to the all-media industry and the business focus of all-media will also convert to a new operational mode containing government affairs, new media and business services. Meanwhile, with the increasingly successful commercialisation of new video platforms such as Douyin, Kuaishou and Bilibili, short video and live-streaming marketing methods have become the new battlefield for e-commerce and internet marketing, which also provides new application scenarios and huge development opportunities for the Group's video live streaming media technology.

The Group always insists, based on excellent video live streaming media technology, to provide systematic application solutions for broadcast institutions, government agencies and new media platforms. The Group will firmly promote the gradual achievement of its strategic objectives, consolidate its leading position among all-media industry and strive to achieve greater breakthroughs and achievements in the new media market. Looking forward, the Group will focus on improving the following core business priorities to build a robust foundation for future profitability and sustainable growth, and to bring better returns for shareholders of the Company:

- **Accelerating cooperation with new media e-commerce organisations and establishing extensive customers relationships**. Although there is a huge opportunity for the development of new media industry, the Group clearly recognises that the new media market is bound to be competitive. To be successful, the Group must make best use of its own advantages and quickly address its shortcomings through strategic cooperation with the upstream and downstream partners of the industry as well as its customers so as to provide one-stop quality products and services to its target customers and address their extensive demand.

- **Adhering to technological innovation, improving technology and service capabilities**. The Group will continue to focus on all-media video application solutions and continue to increase its investment in research and development as well as to continuously improve its video live streaming media technology and new media service capabilities so as to maintain its leading position in the industry and ultimately achieve sustainable growth of the Group.

- **Keeping improvement of the corporate governance structure and attracting outstanding talents**. The Group attaches great importance on team building and human resources. The Group continues to improve the cohesiveness and combat power of its employees through various online and offline training programmes. Meanwhile, the Group will also strive to improve the corporate governance structure and recruit more management talents and professionals specialising in new media. Confronted with the intense competition for talents, the Group will carry out incentive plans from time to time so as to enhance the Group's competitiveness in the talent market and maintain plentiful talent reserve for the Group.

- **Being firmly committed to promoting a diversification strategy**. The development of the new media market in China has achieved a great success, which brings a marvelous opportunity to the Group. Moreover, the Group has started to provide services to new media customers since 2019. Compared with certain market players in the new media market, the Group possesses more than ten years' experience in video live streaming media technology and has been armed with significant advantages in terms of technology and services.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to our shareholders, customers and business partners for their continuous support and trust. We treasure the efforts from the Group's management team and the unwavering commitment of our staff. Please allow me to express my sincere appreciation to our management team and staff for their dedication and commitment.

Lo Chi Sum
Chairman
24 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Under the COVID-19 pandemic, 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.

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 Sports Culture Media Co., Ltd.* (北京永達天恒體育文化傳媒有限公司) ("**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.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 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	
	RMB'000	**% of total revenue**	RMB'000 (re-presented) (Note)	% of total revenue
Segment revenue				
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%
Total	**202,788**	**100.0%**	153,306	100.0%

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.

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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 5 to the consolidated financial statements for more operating segment information.

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.

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:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Segment gross profit and gross profit margin

	For the year ended 31 December			
	2021		2020	
	RMB'000	**Gross profit margin**	RMB'000 (re-presented) (Note)	Gross profit margin
Segment gross profit and gross profit margin				
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%
Total	**64,337**	**31.7%**	55,851	36.4%

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 5 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 fair value through profit or loss ("**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 selling 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 annual report, 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:

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

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.

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. Details of the maturity profile, interest rate structure and currency of the Group's bank and other borrowings are set out in note 27 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

CONTINGENCIES

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

TAX RELIEF

The Company is not aware of any tax relief and exemption available to the shareholders of the Company (the "**Shareholders**") by reason of their holding of the Company's securities. Shareholders are advised to consult an expert on the tax implications of purchasing, holding, disposing of, dealing in or exercising of any rights in relation to the Company's securities.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil). There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividends.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS HELD

Saved as disclosed in note 32 to the consolidated financial statements, there was no other material acquisitions or disposal of subsidiaries, associates and joint ventures during the Reporting Period. There is no plan for material investments or capital assets as at the date of this annual report. There are no significant investments held by the Company during the Reporting Period.

ISSUE OF CONVERTIBLE BONDS

On 30 July 2021, the Company, as the issuer, entered into a subscription agreement (the "**Subscription Agreement**") with three subscribers, namely Silver Eternity Technology Ltd., Trinity Gate Limited and Hongshan Limited (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)(the "**Convertible Bonds**"), at the initial conversion price of HKD0.23 per convertible share (the "**Initial Conversion Price**") (subject to adjustment) (the "**Subscription**"). The Convertible Bonds are unsecured, interest-bearing at 1% per annum and have a term of 3 years. The Subscription was completed on 27 September 2021.

The Convertible Bonds can be converted into shares of the Company (the "**Shares**") at an Initial Conversion Price during the conversion period of 3 years from 27 September 2021. Upon exercise of the conversion rights attached to the Convertible Bonds in full, the Convertible Bonds are convertible into 204,347,826 new Shares (the "**Conversion Shares**") at an Initial Conversion Price. As at 31 December 2021, no Convertible Bonds have been converted into new Shares.

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

The reason for the Subscription is to allow the Group to bring in new cash capital to repay its debt, improve its liquidity and replenish the general working capital for the day-to-day operation of the Group, as well as to develop the Group's businesses.

MANAGEMENT DISCUSSION AND ANALYSIS

The Conversion Shares have a nominal value of HK$2,043,478.26 and a market value of HK$163,478,260.80 based on the closing price of HK$0.8 on 30 July 2021. The net price per convertible share is approximately HK$0.227. The net proceeds from the issue of the Convertible Bonds is approximately HK$46.4 million. The table below is a summary on the details of the use of proceeds:

Intended use of proceeds	Proposed amount to be used (HK$ million)	Actual amount utilized up to 31 December 2021 (HK$ million)	Unused amount as at 31 December 2021 (HK$ million)	Expected timeline
(i) Repayment of liabilities of the Group	10.0	0.6	9.4	The unused amount is expected to be fully utilised on or before 31 December 2022.
(ii) General working capital	10.9	2.0	8.9	The unused amount is expected to be fully utilised on or before 31 December 2022.
(iii) Expansion of video system technologies into other industries	14.8	2.4	12.4	The unused amount is expected to be fully utilised on or before 31 December 2022.
(iv) Exploring and grasping the opportunities of new media market and e-commerce live broadcasting platform by using video streaming media live broadcasting technology	10.7	2.3	8.4	The unused amount is expected to be fully utilised on or before 31 December 2022.

Saved as disclosed in this annual report, the Group did not issue for cash of equity securities (including securities convertible into equity securities) during the Reporting Period.

SHARE AWARD PLAN AND SHARE OPTION SCHEME

Share Award Plan

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

(a) Summary of terms

(i) Purpose and participants

The purpose of the Share Award Plan is to recognise and reward the contribution of certain selected participants to the growth and development of the Group, to give incentives thereto in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group through an award of the Shares. The Board shall, subject to and in accordance with the rules of the Share Award Plan, be entitled to make an award of Shares to any person belonging to any of the following classes of participants:

(aa) any employee (whether full-time or part-time), including any executive director of the Company, any of the subsidiaries or any entity (the "**Share Award Plan Invested Entity**") in which any member of us holds an equity interest (the "**Share Award Plan Eligible Employee**");

(bb) any non-executive directors (including independent non-executive directors) of the Company, any of the subsidiaries or any Share Award Plan Invested Entity;

(cc) any supplier of goods or services to any member of us or any Share Award Plan Invested Entity;

(dd) any customer of any member of the Group or any Share Award Plan Invested Entity;

(ee) any person or entity that provides research, development or other technological support to any member of us or any Share Award Plan Invested Entity;

(ff) any shareholder of any member of us or any Share Award Plan Invested Entity or any holder of any securities issued by any member of us or any Share Award Plan Invested Entity;

(gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of us or any Share Award Plan Invested Entity; and

(hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to our development and growth;

and, for the purposes of the Share Award Plan, the award may be made to any company wholly owned by one or more of the above participants.

The eligibility of any of the above classes of participants to an award shall be determined by the Board from time to time on the basis of the Board's opinion as to his contribution and/or future contribution to the development and growth of the Group.

(ii) *Award of Shares and pool of awarded Shares*

The Board shall notify Teeroy Limited (the "**Share Award Plan Trustee**") in writing upon the making of an award to an eligible participant (the "**Selected Participant**") under the Share Award Plan. Upon the receipt of such notice, the Share Award Plan Trustee shall set aside the appropriate number of awarded Shares pending the transfer and vesting of the same to the Selected Participant out of a pool of Shares comprising the following:

(aa) such Shares as may be (1) transferred to the Share Award Plan Trustee from any person (other than the Group) by way of gift, or (2) purchased by the Share Award Plan Trustee by utilising the funds received by the Share Award Plan Trustee from any person (other than the Group) by way of gift, but subject to the limitations set out in paragraph (iv) below;

(bb) such Shares as may be purchased by the Share Award Plan Trustee on the Stock Exchange by utilising the funds allocated by the Board out of the Company's resources (the "**Group Contribution**"), but subject to the limitations set out in paragraph (iv) below;

(cc) such Shares as may be subscribed for at par value by the Share Award Plan Trustee by utilising Group Contribution, but subject to the limitations set out in (iv) below; and

(dd) such Shares which remain unvested and revert to the Share Award Plan Trustee in accordance with the rules of the Share Award Plan.

The making of an award to any connected person must be approved by majority of the independent non-executive Directors at the relevant time. The Company will comply with the applicable provisions of Chapter 14A of the Listing Rules or otherwise in compliance with the requirements of the Listing Rules when making awards to connected persons.

After an award is made, the Board shall notify the Selected Participant who may decline to accept such award by notifying us in writing within the prescribed period in accordance with the rules of the Share Award Plan. Unless so declined by the Selected Participant, the award shall be deemed irrevocably accepted by the Selected Participant.

(iii) *Subscription and purchase of Shares by the Share Award Plan Trustee*

(aa) The Share Award Plan Trustee may purchase Shares on the Stock Exchange at the prevailing market price or off the market. In respect of off-market transactions, purchases shall not be made with any connected person, nor shall the purchase price be higher than the lower of the following: (1) the closing market price on the date of such purchase; and (2) the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange.

(bb) In the event that the Board considers it appropriate for the Share Award Plan Trustee to subscribe Shares by utilising the Group Contribution, the Share Award Plan Trustee shall, upon the instructions of the Board, apply to the Company for the allotment and issue of the appropriate number of new Shares as instructed by the Board. Such allotment and issue shall only be made upon (i) shareholders' approval in general meeting to authorise the Directors to allot and issue new Shares to the Share Award Plan Trustee, subject to the limitations set out in paragraph (iv) below; and (ii) the Listing Committee of the Stock Exchange has granted the listing of and permission to deal in such Shares, which may be allotted and issued by the Company to the Share Award Plan Trustee pursuant to the Share Award Plan.

(iv) *Maximum number of Shares to be subscribed and purchased*

In any given financial year of the Company, the maximum number of Shares (the "**Max Shares Annual Threshold**") to be subscribed for and/or purchased by the Share Award Plan Trustee by applying the Group Contribution for the purpose of the Share Award Plan shall be fixed by the Board at the beginning of such financial year (after having regard to all the relevant circumstances and affairs including the business and financial performance during the preceding financial year, business plans and cash flow requirements). The Board shall not instruct the Share Award Plan Trustee to subscribe for and/or purchase any Shares for the purpose of the Share Award Plan when such purchase and/or subscription will result in the Max Shares Annual Threshold being exceeded.

(v) *Vesting of the awarded Shares*

Subject to the rules of the Share Award Plan, the legal and beneficial ownership of the relevant awarded Shares shall vest in the relevant Selected Participant within ten business days after the latest of:

(aa) the date specified on the notice of the award given by the Board to the Share Award Plan Trustee (which shall not be earlier than the first business day immediately following the expiry of six months after the Listing Date); and

(bb) where applicable, the date on which the condition(s) or performance target(s) (if any) to be attained by such Selected Participant as specified in the related notice of award have been attained and notified to the Share Award Plan Trustee by the Board in writing.

(vi) *Remaining life*

Subject to any earlier termination in accordance with its rules, the Share Award Plan will remain in force for a period of 10 years commencing on 24 March 2014. As at the date of this annual report, the Share Award Plan had a remaining life of approximately two years.

(b) Movement of the awarded Shares

During the Reporting Period, a total of 2,000,000 awarded Shares were vested in the name of a Selected Participant under the Share Award Plan. No awarded Share was granted and remained unvested as at 31 December 2021.

Movement of the awarded Shares under the Share Award Plan during the Reporting Period is as follows:

				Number of Awarded Shares			
Selected Participants	Date of Award	Vesting Date	Outstanding as at 1 January 2021	Awarded during the Reporting Period	Vested during the Reporting Period	Lapsed/ forfeited during the Reporting Period	Outstanding as at 31 December 2021
Other Employee	10 September 2020	100% on 26 April 2021	2,000,000	–	2,000,000	–	–
			2,000,000	–	2,000,000	–	–

None of the above Selected Participants is Directors.

Share Option Scheme

The share option scheme (the "**Share Option Scheme**") was conditionally adopted by resolutions in writing passed by the shareholders of the Company on 13 June 2014.

(a) Summary of terms

(i) Purpose and participants

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. Eligible participants of the Share Option Scheme include the following classes of participants:

(aa) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of the subsidiaries or any entity (the "**Invested Entity**") in which any member of the Group holds an equity interest;

(bb) any non-executive directors (including independent non-executive directors) of the Company, any of the subsidiaries or any Invested Entity;

(cc) any supplier of goods or services to any member of the Group or any Invested Entity;

(dd) any customer of any member of the Group or any Invested Entity;

(ee) any person or entity that provides research, development or other technological support to the Group or any member of any Invested Entity;

(ff) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

(hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group,

and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants.

The eligibility of any of the above class of participants to the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' opinion as to their contribution to the development and growth of the Group.

(ii) *Total number of Shares available for issue*

The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group shall not in aggregate exceed 30% of the issued share capital (the "**Issued Share Capital**") of the Company from time to time. The total number of Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Group) to be granted under the Share Option Scheme and any other share option schemes of the Group as may from time to time be adopted by the Company as permitted under the Listing Rules initially must not, in aggregate, exceed 10% of the Issued Share Capital as at the time dealings in the Shares first commence on the Main Board of the Stock Exchange (i.e. as at 7 July 2014) (and thereafter, if refreshed, shall not exceed 10% of the Issued Share Capital as at the date of approval of the refreshed limit by the shareholders). The maximum number of Shares that may be granted under the Share Option Scheme was 100 million Shares, representing 10% of the total issued Shares as at 7 July 2014, being the listing date of the Company on the Stock Exchange. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting with such participant and his associates abstaining from voting. As at the date of this annual report, the total number of Shares available for issue under the Share Option Scheme was 372,000, representing approximately 0.03% of the total issued Shares as at the date of this annual report.

(iii) *Maximum entitlement of each participant*

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under Share Option Scheme and any other share option schemes of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the Issued Share Capital for the time being (the "**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the shareholders in general meeting of the Company with such grantee and his associates abstaining from voting.

(iv) *Period within which the Shares must be taken up under an option*

An option may be exercised in accordance with the terms of Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

(v) *Minimum period for which an option must be held before being exercised*

Unless otherwise determined by the Directors and stated in the offer of the grant of options to an eligible participant, there is no minimum period required under Share Option Scheme for the holding of an option before it can be exercised.

(vi) *Amount payable on acceptance of the option and the period within which payments must be paid*

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon receipt by the Company of the payment of a nominal consideration of HK$1 and signed acceptance of offer by the eligible participant.

(vii) *Basis of determining the exercise price*

The subscription price per Share under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant; (ii) the average closing price of the Shares for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share.

(viii) *Remaining life*

Subject to any earlier termination in accordance with its rules, the Share Option Scheme shall remain in force for a period of 10 years commencing on 13 June 2014. As at the date of this annual report, the Share Option Scheme had a remaining life of approximately two years.

(b) 2017 Scheme

On 21 August 2017, the Board approved the share options to subscribe for an aggregate of 7,200,000 underlying Shares at the exercise price of HK$0.435 per Share (the "**2017 Scheme**"). The options were divided into two tranches at the grant date. The respective exercise dates of the options are as follows:

(i) Tranche I: beginning on the 3rd anniversary of the date of the employment agreement between the respective grantee and the Group: not more than 50% of the respective options granted; and

(ii) Tranche II: beginning on the 4th anniversary of the date of the employment agreement between the respective grantee and the Group: the rest of the respective options granted.

These share options shall expire on the 5th anniversary of the date of grant (i.e. 21 August 2022), or the earlier termination of the Share Option Scheme. During the year ended 31 December 2021, the remaining 5,000,000 options under the 2017 Scheme were exercised.

(c) 2018 Scheme

On 28 November 2018, the Board approved the share options to subscribe for an aggregate of 57,670,000 underlying Shares at the exercise price of HK$0.222 per Share (the "**2018 Scheme**"). The options shall be exercisable from the 2nd anniversary of the date of grant (i.e. 28 November 2020).

These share options shall expire on the 5th anniversary of the date of grant (i.e. 28 November 2023), or the earlier termination of the Share Option Scheme. During the year ended 31 December 2021, 36,640,000 options and 12,300,000 options under the 2018 Scheme were exercised and cancelled respectively.

(d) 2020 Scheme

On 10 September 2020, the Board approved the share options to subscribe for an aggregate of 7,000,000 underlying Shares at the exercise price of HK$0.067 per Share (the "**2020 Scheme**"). 4,000,000 share options under the 2020 Scheme were granted to Mr. Li Jinping, an executive Director, and shall be exercisable from the 2nd anniversary of the date of grant (i.e. 10 September 2022). The remaining 3,000,000 share options under the 2020 Scheme shall be exercisable from the 3rd anniversary of the date of grant (i.e. 10 September 2023).

These share options shall expire on the 10th anniversary date of adoption of the Share Option Scheme (i.e. 13 June 2024), or the earlier termination of the Share Option Scheme. On 7 September 2021, all the options under the 2020 Scheme became exercisable automatically. Details are set out in the Company's composite document dated 7 September 2021. During the year ended 31 December 2021, all the options under the 2020 Scheme were exercised.

(e) Movement of the share options

Movement of the share options under the 2017 Scheme, 2018 Scheme and 2020 Scheme, respectively during the Reporting Period is as follows:

2017 Scheme

Grantee	Date of grant	Vesting period	Exercising period	Exercise price (HK$)	Outstanding as at 1 January 2021	Number of share options: Granted	Exercised	Cancelled	Lapsed/ forfeited	Outstanding as at 31 December 2021
Employees	21 August 2017	50% of the options granted: 21 August 2017 to 20 August 2020 50% of the options granted: 21 August 2017 to 20 August 2021	50% of the options granted: 21 August 2020 to 21 August 2022 50% of the options granted: 21 August 2021 to 21 August 2022	0.435	5,000,000	–	5,000,000	–	–	–
Total					5,000,000	–	5,000,000	–	–	–

2018 Scheme

Grantee	Date of grant	Vesting period	Exercising period	Exercise price (HK$)	Outstanding as at 1 January 2021	Number of share options: Granted	Exercised	Cancelled	Lapsed/ forfeited	Outstanding as at 31 December 2021
Executive Director										
Mr. Li Jinping	28 November 2018	28 November 2018 to 27 November 2020	100% of the options granted: 28 November 2020 to 28 November 2023	0.222	4,000,000	–	4,000,000	–	–	–
Independent Non-executive Directors										
Dr. Ng Chi Yeung, Simon [(1)]	28 November 2018	28 November 2018 to 27 November 2020	100% of the options granted: 28 November 2020 to 28 November 2023	0.222	1,000,000	–	1,000,000	–	–	–
Mr. Hung Muk Ming [(2)]	28 November 2018			0.222	1,000,000	–	1,000,000	–	–	–
Mr. Mak Kwok Wing [(3)]	28 November 2018			0.222	1,000,000	–	1,000,000	–	–	–
Senior Management Member										
Ms. Ye Yang	28 November 2018	28 November 2018 to 27 November 2020	100% of the options granted: 28 November 2020 to 28 November 2023	0.222	3,000,000	–	3,000,000	–	–	–
Others										
Employees	28 November 2018	28 November 2018 to 27 November 2020	100% of the options granted: 28 November 2020 to 28 November 2023	0.222	38,940,000	–	26,640,000	12,300,000	–	–
Total					48,940,000	–	36,640,000	12,300,000	–	–

(1) Dr. Ng Chi Yeung, Simon resigned as an independent non-executive Director with effect from 29 September 2021.

(2) Mr. Hung Muk Ming resigned as an independent non-executive Director with effect from 29 September 2021.

(3) Mr. Mak Kwok Wing resigned as an independent non-executive Director with effect from 29 September 2021.

2020 Scheme

						Number of share options				
Grantee	Date of grant	Vesting period*	Exercising period*	Exercise price (HK$)	Outstanding as at 1 January 2021	Granted	Exercised	Cancelled	Lapsed/ forfeited	Outstanding as at 31 December 2021
Executive Director										
Mr. Li Jinping	10 September 2020	10 September 2020 to 9 September 2022	100% of the options granted: 10 September 2022 to 13 June 2024	0.067	4,000,000	–	4,000,000	–	–	–
Senior Management Member										
Ms. Yang Xiaofan	10 September 2020	10 September 2020 to 9 September 2023	100% of the options granted: 10 September 2023 to 13 June 2024	0.067	3,000,000	–	3,000,000	–	–	–
Total					7,000,000	–	7,000,000	–	–	–

* On 7 September 2021, all the options under the 2020 Scheme became exercisable automatically. Details are set out in the Company's composite document dated 7 September 2021. During the year ended 31 December 2021, all the options under the 2020 Scheme were exercised.

The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the Reporting Period was HKD1.406. Save as disclosed above, there is no any other information required to be disclosed pursuant to Rule 17.07 of the Listing Rules.

Please refer to note 25 to the consolidated financial statements for the accounting policy adopted for the share option and the value of the options granted to the Grantees during the Reporting Period.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, the Company did not enter into any equity-linked agreement during the Reporting Period.

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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Lo Chi Sum ("Mr. Lo") (盧志森), aged 62, is the founder, chief executive officer and chairman of the Group and an executive Director. Mr. Lo is also the chairman of the Investment Committee of the Company. He became a Director since December 2012. He is primarily responsible for the overall business strategies and business operation of the Group. Mr. Lo completed the programme of diploma in business management organised jointly by the Hong Kong Management Association and the Hong Kong Polytechnic University in February 1986. He obtained a master's degree in business administration from Shanghai Jiao Tong University (上海交通大學) in 2006, and he graduated from the doctoral programme in business administration from Wuhan University (武漢大學) in 2013. Mr. Lo has been studying the global finance GFD Programme in PBC School of Finance, Tsinghua University (清華大學五道口金融學院) since September 2017. During 2009 to 2015, Mr. Lo has been awarded seven times as an "Outstanding Entrepreneur in Technological Innovation" (科技創新優秀企業家) or "Outstanding Individual in Scientific and Technological Innovation" (科技創新優秀個人獎) by China Radio and TV Equipment Industry Association* (中國廣播電視設備工業協會). Mr. Lo has accumulated substantial experience in the all-media industry.

In 2007, Mr. Lo invested in the all-media industry in the People's Republic of China (the "**PRC**") and set up Beijing Century Sage Scientific System and Technology Company Limited* (北京世紀睿科系統技術有限公司) ("**CSS Beijing**") in April 2007. Since then he has been in charge of the overall business strategies and business operation of the Group. As at the date of this annual report, Mr. Lo is a director of CSS (Beijing), Cogent Technologies Limited, Evertop Technology (Int'l) Limited ("**Evertop (HK)**"), NI Systems Limited, Century Sage Scientific International Limited, Century Sage Scientific Group Ltd ("**CSS Group Ltd**"), Cortesia Limited, Cogent Tech (Asia) Limited ("**Cogent (HK)**"), Cogent (Beijing) Technology Company Limited* (高駿(北京)科技有限公司) ("**Cogent (Beijing)**"), Times Sage Technology Limited ("**TST (HK)**"), Century Sage Scientific (HK) Limited ("**CSS (HK)**"), Century Sage Scientific (Taiwan) Limited and Century Sage Scientific Solutions Limited. Mr. Lo was the sole shareholder and sole director of Cerulean Coast Limited which was interested in 47,703,522 Shares, which represented approximately 4.38% of the total issued Shares as at the date of this annual report. Please refer to the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company" in the Directors' Report for details of his interest in the Shares and underlying Shares of the Company.

Mr. Lo has over 33 years of experience in the broadcasting and television industry. Prior to the founding of the Group, Mr. Lo started his career in the industry in 1987, and he was first employed as a sales manager by Advanced Communication Equipment (International) Co., Ltd ("**ACE**"), a company which then provided, among others, audio and visual system integration services. Mr. Lo was transferred to the Taiwan office of ACE in 1989 and served as a general manager; subsequently, Mr. Lo became a director of ACE. From 2003 to 2006, Mr. Lo also took up the role of director of New Digital Technology Holdings Limited ("**NDT**"), a company which provided, among others, video system integration services. Through his extensive industry-related working experience, Mr. Lo has accumulated in-depth industry knowledge and market understanding for the all-media industry.

* *For identification purposes only*

Mr. Li Jun ("Mr. Li") (李鈞), aged 32, has been appointed as an executive Director on 29 September 2021. He is currently a member of the Nomination Committee of the Company. Mr. Li graduated from the University of Zhejiang (浙江大學) in the PRC specialising in business administration in 2011. Having served as the researcher of CBN Research Institute* (第一財經研究院), he has developed professional knowledge, market undertaking and experience in the all-media industry. He is also the founder of Hangzhou Jinwei Supply Chain Information Service Co., Ltd.* (杭州盡微供應鏈信息服務有限公司), a software as a service (SaaS) company serving new e-commerce and new media platforms and serves as the chairman of such company. Mr. Li was the sole shareholder and sole director of Starlink Vibrant Holdings Ltd. which was interested in and deemed to be interested in 922,249,964 Shares and underlying Shares, which represented approximately 84.62% of the total issued Shares as at the date of this annual report. Please refer to the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company" in the Directors' Report for details of his interest in the Shares and underlying shares of the Company. Mr. Li also founded various technology companies and has developed entrepreneurial and business management experiences.

The Group engages in all-media related businesses and Mr. Li's experience and his business network in the media industry in the PRC shall assist the Group to further develop its all-media related businesses (including but not limited to TV broadcasting and multi-media production and new media business in the PRC).

Mr. Li Jinping ("Mr. Li") (李金平), aged 39, has been appointed as an executive Director on 24 August 2020. Mr. Li is currently also the president and a director of Times Sage (Beijing) and is mainly in charge of the business management and daily operation of Times Sage (Beijing). Mr. Li joined the Group in October 2007. As at the date of this annual report, Mr. Li is also a director of Beijing BroadVision Information Technology Company Limited* (北京經緯中天信息技術有限公司).

Mr. Li graduated from Harbin Engineering University* (哈爾濱工程大學) in July 2005 with a bachelor's degree in electronic information engineering.

Mr. Li has over 16 years of experience in the all-media industry. Prior to joining the Group, Mr. Li was employed by Beijing New Digital Systems China Co., Ltd.* (北京安達斯信息技術有限公司) as an engineer.

Ms. Zhao Hui Li ("Ms. Zhao") (趙慧利), aged 33, has been appointed as an executive Director, a member of the Remuneration Committee of the Company and a member of the Investment Committee of the Company on 29 September 2021. Ms. Zhao was in charge of the Group's business strategy and provided strategic analysis support for the Group's business. Ms. Zhao has been appointed as a director and the general manager of Hangzhou Century Sage Information Technology Co., Ltd.* (杭州世紀睿科信息技術有限公司), an indirect subsidiary of the Company, and a director of Hangzhou Juhuo Interactive Culture Communication Co., Ltd.* (杭州聚火互動文化傳播有限公司), an indirect subsidiary of the Company, since September 2021. As at the date of this annual report. Ms. Zhao is also a director of Beijing Gefei.

Ms. Zhao obtained a master's degree in accounting from Wuhan University (武漢大學) in June 2012. She served as a reporter of the Shanghai First Financial Newspaper Co., Ltd.* (上海第一財經報業有限公司) from August 2012 to July 2014. She served as a partner, vice president and chief financial officer at Zero One Think Tank Information Technology (Beijing) Co., Ltd.* (零壹智庫信息科技(北京)有限公司), and was responsible for financial technology research, financial management and equity financing.

* *For identification purposes only*

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-Executive Directors ("INED")

Mr. Cui Xiao Bo ("Mr. Cui") (崔曉波), aged 47, has been appointed as an INED, a member of the Audit Committee of the Company, a member of the Remuneration Committee of the Company and a member of the Nomination Committee of the Company on 29 September 2021. Mr. Cui obtained a bachelor's degree in economic information management from Nankai University (南開大學) in July 1997. He served as a telecommunication technology center director of BEA Systems, Inc. (a company delisted from The Nasdaq Stock Market since 2008, stock code: BEAS) from February 2002 to July 2008. He also served as the senior manager of Oracle (China) Software System Co., Ltd. from July 2008 to March 2009. He is also the founder and CEO of TalkingData (北京騰雲天下科技有限公司) since April 2011, a leading Chinese third-party data intelligence solution provider. He also served as a lecturer for an entrepreneurial course at PBC School of Finance, Tsinghua University and a MBA practical instructor at Nankai University. Mr. Cui has received various recognition including, among others, "Top 10 innovative person of China in 2014" by Economic Daily, "Most innovative person of China in 2015" by Fast Company, and "Annual big data person of China in 2016" by Big Data Insight Forum. Mr. Cui has extensive experience in corporate management of multinational companies.

Mr. Ma Zhan Kai ("Mr. Ma") (馬占凱), aged 39, has been appointed as an INED, a member of the Audit Committee of the Company, the chairman of the Remuneration Committee of the Company, the chairman of the Nomination Committee of the Company and a member of the Investment Committee of the Company on 29 September 2021. Mr. Ma obtained a bachelor's degree in Mechanical Design Manufacturing And Automation from Hebei University of Technology (河北工業大學) in July 2004. He worked at Sogou Inc., a company listed on the New York Stock Exchange (stock code: SOGO), from August 2005 to April 2009. Being known as the "Father of Sogou Input Method", Mr. Ma first put forward the product concept of a combination of search and input method and invented the "Sogou Input Method" in 2005. He also worked at Qihoo 360 Technology Co. Ltd.* (三六零安全科技股份有限公司), a company listed on Shanghai Stock Exchange (stock code: 601360), from April 2009 to February 2012. He also joined Meituan, a company listed on the Stock Exchange (stock code: 3690) as a consultant since February 2012 and has been responsible for, among others, product strategy. Mr. Ma has extensive experience in the Internet industry with a focus in product design.

Dr. Yu Guo Jie ("Dr. Yu") (余國杰), aged 58, has been appointed as an INED and the chairman of the Audit Committee of the Company on 29 September 2021. Dr. Yu obtained a doctor's degree in Economics from Wuhan University (武漢大學) in June 2003. He is also a Chinese Certified Public Accountant (non-practicing) and a Chinese Certified Public Valuer. He has successively served as a lecturer, an associate professor and a professor of the accounting department in the School of Economics and Management of Wuhan University since March 1996. He has also served as an independent director of Shenzhen Wenke Landscape Co., Ltd.* (深圳文科園林股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 002775), from July 2011 to July 2017. He has also served as an independent director of Zhongbai Holdings Group Co., Ltd.* (中百控股集團股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 000759), since July 2021.

* *For identification purposes only*

SENIOR MANAGEMENT

Mr. Leung Wing Fai ("Mr. Leung") (梁榮輝), aged 53, was an executive Director and a member of the Remuneration Committee of the Company and a member of the Investment Committee of the Company during the Reporting Period and resigned from the aforesaid positions on 29 September 2021. Mr. Leung joined the Group in April 2007 as deputy operating officer of CSS (Beijing) and he was designated as the chief operating officer of the Group in April 2012. Mr. Leung is currently the director and the chief executive officer of CSS (HK) and is in charge of the business operation of the Group in Hong Kong and Macau. As at the date of this annual report, Mr. Leung is a director of CSS (Beijing), TST (HK), Times Sage (Beijing), Cogent (Beijing), Evertop (HK), CSS Group Ltd, CSS (HK), CSS (Macau) Limited and Cogent (HK).

Mr. Leung graduated with a bachelor's degree in business administration from the Chinese University of Hong Kong in December 1991 and a master's degree in business administration from the Fordham University in May 2003. Mr. Leung is a certified management accountant and has also been a professional member of the Institute of Management Accountants since April 2018.

Mr. Leung has over 27 years of experience in the all-media industry. Before he joined the Group, Mr. Leung started his career at ACE from May 1992 and he was responsible for sales, business coordination and marketing work. From April 1999 to March 2000, Mr. Leung served as sales manager at New Digital Systems China Co. Ltd., a company which provided, among others, video system integration services. Mr. Leung was a colleague of Mr. Lo when they first met at ACE. During the period from 2000 to 2006, Mr. Leung was employed as the marketing director and was later promoted as the vice president at NDT.

Mr. Geng Liang ("Mr. Geng") (耿亮), aged 53, was an executive Director and a member of the Investment Committee of the Company during the Reporting Period and resigned from the aforesaid positions on 29 September 2021. Mr. Geng is currently the director and the chief executive officer of Cogent (Beijing) and the supervisor of Satron Technologies (Beijing) Company Limited* (泰德星創(北京)科技有限公司), both of which are indirect wholly-owned subsidiaries of the Company. Mr. Geng joined the Group in April 2012 and since then he has been in charge of professional technical services of the Group in the PRC. Mr. Geng served as an executive Director from May 2013 to March 2017. As at the date of this annual report, Mr. Geng is also a director of Beijing Gefei.

Mr. Geng graduated with a bachelor's degree in engineering from Beijing Institute of Technology (北京理工大學) in July 1990, subsequently, with a master's degree in engineering from the Beijing Institute of Technology (北京理工大學) in February 1993.

Mr. Geng has over 20 years of experience in the all-media industry. Before he joined the Group, and during the period from March 2001 to May 2008, Mr. Geng was employed as a sales manager and general manager for greater China by Tandberg Television Ltd, a company which provides an advanced compression systems, on-demand and content distribution solutions; he was responsible for the sales and business development of digital TV in China. From June 2008 to December 2008, Mr. Geng joined Multimedia Solutions and Systems Integration of Ericsson (China) Communication Co Ltd., as the head of sales, responsible for sales and business development of Ericsson multimedia solution in China. From March 2009 to March 2012, Mr. Geng was employed by Ericsson Television Limited, a company which provides TV solutions and services, as vice president of Greater China, where he was responsible for sales and business development of digital TV solution.

* *For identification purposes only*

Ms. Yang Xiaofan ("Ms. Yang") (楊小帆), aged 35, is currently the chief financial controller of the Group. Ms. Yang joined the Group in May 2020 and is mainly responsible for the finance management of the Group. Ms. Yang graduated with a bachelor's degree in management from Renmin University of China (中國人民大學) in 2008 and a master's degree in economics from Peking University (北京大學) in 2011.

Ms. Yang has over 10 years working experience in professional service of accounting and finance. Before joining the Group, Ms. Yang served as a senior auditor in Deloitte Touche Tohmatsu Certified Public Accountants LLP (Beijing Branch) from 2011 to 2016, and was employed as senior finance manager in Inagora Technology (Beijing) Limited* (易納購科技(北京)有限公司) from 2016 to 2020.

Ms. Ye Yang ("Ms. Ye") (葉陽), aged 32, is currently the vice president of operation of the Group and the assistant to the chief executive officer of the Group and the secretary to the Board. Ms. Ye is mainly in charge of daily affairs of the Board and the human resources and administration management of the Group. Ms. Ye joined the Group in August 2016. As at the date of this annual report, Ms. Ye is also a director of Cogent (Beijing), Times Sage Technology Limited and TV Logic Technology Limited and a supervisor of Times Sage (Beijing) and Beijing Gefei.

Ms. Ye graduated from University of International Business and Economics (對外經濟貿易大學) in June 2014 with a master's degree in international law. Ms. Ye obtained PRC legal professional qualification certificate in March 2014.

Ms. Ye has over 7 years working experience in professional service of corporate compliance and governance. Prior to joining the Group, Ms. Ye served as a consultant of capital market of Orrick, Herrington & Sutcliffe LLP, Beijing Office from July 2014 to July 2016.

COMPANY SECRETARY

Ms. Chan Sze Ting ("Ms. Chan") (陳詩婷) was appointed as the company secretary of the Company on 18 June 2020. Ms. Chan is an associate director of the corporate services division of Tricor Services Limited, which is a global professional services supplier specialising in integrated business, corporate and investor services. Ms. Chan has over 16 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Chan is a Chartered Secretary (CS), a Chartered Governance Professional (CGP) and an Associate of both The Hong Kong Chartered Governance Institute (HKCGI) (formerly known as The Hong Kong Institute of Chartered Secretaries (HKICS)) and The Chartered Governance Institute (CGI) (formerly known as The Institute of Chartered Secretaries and Administrators (ICSA)) in the United Kingdom. Ms. Chan holds a bachelor of arts degree from Hong Kong Polytechnic University and a bachelor's degree in law from the University of London, Britain.

* *For identification purposes only*

DIRECTORS' REPORT

The Directors hereby present this Directors' Report and the audited consolidated financial statements of the Group for the Reporting Period.

DIRECTORS

The Directors during the Reporting Period and up to the date of this Directors' Report are as follows:

Executive Directors

Mr. Lo Chi Sum (盧志森)
Mr. Li Jun (李鈞) *(appointed on 29 September 2021)*
Mr. Li Jinping (李金平)
Ms. Zhao Hui Li (趙慧利) *(appointed on 29 September 2021)*
Mr. Leung Wing Fai (梁榮輝) *(resigned on 29 September 2021)*
Mr. Geng Liang (耿亮) *(resigned on 29 September 2021)*

Independent Non-executive Directors

Mr. Cui Xiao Bo (崔曉波) *(appointed on 29 September 2021)*
Mr. Ma Zhan Kai (馬占凱) *(appointed on 29 September 2021)*
Dr. Yu Guo Jie (余國杰) *(appointed on 29 September 2021)*
Dr. Ng Chi Yeung, Simon (吳志揚) *(resigned on 29 September 2021)*
Mr. Hung Muk Ming (洪木明) *(resigned on 29 September 2021)*
Mr. Mak Kwok Wing (麥國榮) *(resigned on 29 September 2021)*

The Company has received, from each of the INEDs, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the INEDs are independent.

PRINCIPAL ACTIVITIES

Please refer to note 1 to the consolidated financial statements in this annual report for details regarding the principal activities of the Group.

RESULTS AND DIVIDENDS

The Group's results for the Reporting Period and the state of affairs of the Company and the Group as at 31 December 2021 are set out in the accompanying consolidated financial statements.

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 24 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company (the "**Articles**") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

REDEMPTION, PURCHASE OF CANCELLATION OF THE COMPANY'S REDEEMABLE SECURITIES

Neither the Company nor any of its subsidiaries has redeemed, purchased or cancelled any of the Company's redeemable securities during the Reporting Period. As at the end of the Reporting Period, the Group has an outstanding convertible bond in the principal amount of HKD47,000,000, details of which are set out in the section headed "Issue of Convertible Bonds" in this annual report. Save as disclosed, the Group does not have other redeemable securities outstanding at the end of 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.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 36(b) to the consolidated financial statements and consolidated statement of changes in equity on page 81 and note 26 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution to equity holders, comprising the share premium and accumulated losses, amounted to approximately RMB21.0 million (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, purchases from the Group's five largest suppliers accounted for approximately 36.3% (2020: 30.5%) of the Group's total operating cost and purchases 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for those disclosed in the sections headed "Share Award Plan and Share Option Scheme" in this annual report and "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company" in this Directors' Report, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had a total of 287 employees (2020: 275 employees).

The Group has formulated its emolument policy which specifies the basis for determining the remuneration of the employees and the remuneration structure of employees that comprises of basic wage, allowances, benefits, and others. The Company has made contributions to, among others, social insurance, medical insurance, housing provident fund and mandatory provident fund on behalf of its employees in accordance with the relevant laws and regulations requirements of the PRC and Hong Kong.

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 and share incentive schemes. Details of training programmes and the shares incentive schemes are set out in the sections headed "Development and Training" of the "Environmental, Social and Governance Report" and "Share Award Plan and Share Option Scheme" in this annual report, respectively.

In respect of the remuneration paid or payable to the members of senior management (except Directors) of the Company for the year ended 31 December 2021, the remuneration paid or payable to members of the senior management of the Company by band is set out below:

	Number of individuals
Nil to RMB408,800 (equivalent to Nil to HKD500,000)	2
	2

Note: The remuneration paid or payable to Mr. Leung Wing Fai ("**Mr. Leung**") and Mr. Geng Liang ("**Mr. Geng**") are not included as Mr. Leung and Mr. Geng were executive Directors during the Reporting Period and resigned with effect from 29 September 2021.

During the year ended 31 December 2021, none of the Directors and the five highest paid individuals of the Group (i) received any emolument from the Group as an inducement to join or upon joining the Group; (ii) received any compensation for loss of office as a director or management of any member of the Group; or (iii) waived or has agreed to waive any emoluments.

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.

In order to reward or make incentive to the employees, Directors and other selected participants for their contributions to our Group, the Company conditionally adopted the Share Option Scheme on 13 June 2014. Please refer to the section headed "Share Award Plan and Share Option Scheme" in this annual report for details.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors is engaged on a Director's service contract with the Company. The letters of appointment of INED also set out the specific terms and conditions relative to their respective appointment. All remuneration paid to executive Directors are covered by respective service contracts and all remuneration paid to non-executive Directors are covered by respective letters of appointment. Details of the terms of appointment of the Directors are disclosed in the section headed "Directors' Service Contracts and Letters of Appointment" of this Directors' Report.

Pursuant to Article 109 of the Articles, any Director appointed by the Board shall hold office until the next following general meeting of the Company and shall then be eligible for re-election. Also, pursuant to Article 105 of the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director (including the non-executive Director and independent non-executive Directors) shall be subject to retirement by rotation at least once every three years.

Every newly appointed Director has been provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations.

DIRECTORS' REPORT

In accordance with Article 105 of the Articles, Mr. Li Jinping will retire by rotation at the forthcoming annual general meeting (the "**AGM**"). In addition, Mr. Li Jun, Ms. Zhao Hui Li, Mr. Cui Xiao Bo, Mr. Ma Zhan Kai and Dr. Yu Guo Jie who have been appointed by the Board as the Directors on 29 September 2021, will hold office until the AGM pursuant to Article 109 of the Articles. All of the retiring Directors, being eligible, will offer themselves for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a Director's service contract for an initial term of three years commencing from their respective date of entering the contract and each of the INEDs has signed a letter of appointment with the Company for an initial term of three years commencing from their respective date of appointment. All of them are subject to retirement by rotation and re-election in accordance with the Articles.

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' remunerations are subject to Shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

Particulars of the Directors' emoluments for the year ended 31 December 2021 are set out in note 37(a) to the consolidated financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors or the management of the Company or their respective close associates (as defined under the Listing Rules) have any interests in a business which competes or may compete with the business of the Group, or has any other conflict of interest with the Group during the year.

The Company has received from each of the Directors an annual confirmation of his/her undertaking as to non-competition with the business of the Group.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, the Directors and other officers for the time being of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group to protect the Directors and officers of the Group against any potential liability arising from the Group's activities which such Directors and officers may be held liable.

FINANCIAL REPORTING AND AUDIT

The Directors acknowledged their responsibility for preparing the financial statements that give a true and fair view in accordance with applicable statutory requirements and accounting standards and the requirements of the Listing Rules. The Group adopted the going concern basis in preparing its consolidated financial statements.

A statement by the external auditor of the Company about their reporting responsibilities is set out in the section headed "Independent Auditor's Report" in this annual report.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACTS

Apart from the particulars disclosed in note 35 to the consolidated financial statements, there were no other transactions, arrangement or contracts of significance in relation to the Company's business, to which the holding company of the Company or any of the Company's subsidiaries or fellow subsidiaries was a party subsisting at the end of the year ended 31 December 2021 or at any time during the year ended 31 December 2021 in which a Director or an entity connected with the Director had, whether directly or indirectly, a material interest.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

For the year ended 31 December 2021, no contract of significance had been entered into between the Company or any of its subsidiaries and the controlling Shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

For the year ended 31 December 2021, no contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling Shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries was entered into.

MANAGEMENT CONTRACTS

For the year ended 31 December 2021, other than the service contracts of the Directors, there was no contract entered into by the Company relating to its management and administration or subsisting during the year under review which is substantial to the entire or any part of the business of the Group.

CONNECTED TRANSACTIONS

Details of the related party transactions of the Company for the year ended 31 December 2021 and undertaken in the usual course of business are set out in note 35 to the consolidated financial statements. None of these related party transactions constitutes a connected transaction or continuing connected transaction which are required to be disclosed in this annual report in compliance with the requirements under Chapter 14A of the Listing Rules. The Directors confirm that they have complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

NON-COMPETITION UNDERTAKINGS

During the period from 1 January 2021 to 31 August 2021, each of the former controlling Shareholders (namely, Cerulean Coast Limited ("**Cerulean**") and Mr. Lo) has given the Non-Competition Undertaking in favour of the Company and its subsidiaries that it and he will provide to the Company and the Directors (including the independent non-executive Directors) from time to time with all information necessary for the annual review by the independent non-executive Directors with regard to compliance of the terms of the Non-Competition Undertaking by the controlling Shareholders and the enforcement of the Non-Competition Undertaking. The Non-Competition Undertaking was expired on 31 August 2021 when Cerulean and Mr. Lo ceased to be controlling shareholders of the Company on the same date.

Each of the former controlling Shareholders (namely, Cerulean and Mr. Lo) has made a declaration as to full compliance with the terms of the Non-Competition Undertaking and that during the period from 1 January 2021 to 31 August 2021, there was no matter which was required to be deliberated by the Board in relation to the compliance and enforcement of the Non-Competition Undertaking.

The Board comprising all the INEDs have reviewed and confirmed that all the terms of the Non-Competition Undertaking have been complied with by the former controlling Shareholders (namely, Cerulean and Mr. Lo) during the period from 1 January 2021 to 31 August 2021.

SHARE AWARD PLAN AND SHARE OPTION SCHEME

Details of movements in the share awards and share options during the year ended 31 December 2021 are set out in the section headed "Share Award Plan and Share Option Scheme" in this annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2021, the Directors and the Company's chief executive, and their respective associates had the following interests in the Shares and underlying Shares and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have been taken under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), or were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO:

Name of Director	Name of Group member/ associated corporation	Capacity/ Nature of interest	Number of Shares and underlying Shares held (Note 1)	Approximate percentage of Shares in issue
Mr. Li Jun ("**Mr. Li**")	The Company	Interest of controlled corporation	361,605,994 Shares (L) (Note 2)	33.18% (L)
	The Company	A concert party to an agreement to buy shares as described in s317(1)(a) of the SFO	560,643,970 Shares (L) (Note 3)	51.44% (L)
		Total	922,249,964 Shares (L)	84.62% (L)
	Starlink Vibrant Holdings Ltd. ("**Starlink Vibrant**")	Beneficial owner	1 share	100%
	Golden Ocean Holdings Corp. ("**Golden Ocean**")	Beneficial owner	90 shares	90%
Mr. Lo Chi Sum ("**Mr. Lo**")	The Company	Interest of controlled corporation	47,703,522 Shares (L) (Note 4)	4.38% (L)
	Cerulean	Beneficial owner	1 share	100%
Mr. Li Jinping	The Company	Beneficial owner	7,000,000 Shares (L) (Note 5)	0.64% (L)

Save as disclosed above, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the Shares and underlying Shares or any of its associated corporations as at 31 December 2021.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2021, the interests or short positions of the persons (other than a Director or chief executive of the Company whose interests are disclosed above) and corporations in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares and underlying Shares held (Note 1)	Approximate percentage of Shares in issue
Starlink Vibrant	Beneficial owner	323,500,334 Shares (L) (Note 2)	29.68% (L)
	Interest in controlled corporation	38,105,660 Shares (L) (Note 2)	3.50% (L)
	A concert party to an agreement to buy shares as described in s317(1)(a) of the SFO	560,643,970 Shares (L) (Note 3)	51.44% (L)
	Total	922,249,964 Shares (L)	84.62% (L)
Golden Ocean	Beneficial owner	38,105,660 Shares (L) (Note 2)	3.50% (L)
	A concert party to an agreement to buy shares as described in s317(1)(a) of the SFO	884,144,304 Shares (L) (Note 3)	81.12% (L)
	Total	922,249,964 Shares (L)	84.62% (L)
Yoshiaki Holding Corp ("**Yoshiaki**") (Note 7)	Beneficial owner	303,594,303 Shares (L)	27.86% (L)
	A concert party to an agreement to buy shares as described in s317(1)(a) of the SFO	618,655,661 Shares (L) (Note 3)	56.76% (L)
	Total	922,249,964 Shares (L)	84.62% (L)

Name of Shareholder	Capacity/ Nature of interest	Number of Shares and underlying Shares held (Note 1)	Approximate percentage of Shares in issue
Orange Grove Global Limited ("**Orange Grove**") (Note 8)	Beneficial owner	20,738,154 Shares (L)	1.90% (L)
	A concert party to an agreement to buy shares as described in s317(1)(a) of the SFO	901,511,810 Shares (L) (Note 3)	82.72% (L)
	Total	922,249,964 Shares (L)	84.62% (L)
Foga Holdings Ltd. ("**Foga**") (Note 9)	Beneficial owner	31,963,687 Shares (L)	2.93% (L)
	A concert party to an agreement to buy shares as described in s317(1)(a) of the SFO	890,286,277 Shares (L) (Note 3)	81.69% (L)
	Total	922,249,964 Shares (L)	84.62% (L)
Silver Eternity Technology Ltd. ("**Silver Eternity**") (Note 10)	Beneficial owner	128,304,348 Shares (L) (Note 6)	11.77% (L)
	A concert party to an agreement to buy shares as described in s317(1)(a) of the SFO	793,945,616 Shares (L) (Note 3)	72.85% (L)
	Total	922,249,964 Shares (L)	84.62% (L)
Trinity Gate Limited ("**Trinity Gate**") (Note 11)	Beneficial owner	37,391,304 Shares (L) (Note 6)	3.43% (L)
	A concert party to an agreement to buy shares as described in s317(1)(a) of the SFO	884,858,660 Shares (L) (Note 3)	81.19% (L)
	Total	922,249,964 Shares (L)	84.62% (L)
Hongshan Limited ("**Hongshan**") (Note 12)	Beneficial owner	38,652,174 Shares (L) (Note 6)	3.55% (L)
	A concert party to an agreement to buy shares as described in s317(1)(a) of the SFO	883,597,790 Shares (L) (Note 3)	81.07% (L)
	Total	922,249,964 Shares (L)	84.62% (L)

Notes:

1. The letter "L" denotes a person's or a corporation's long position in the Shares. The letter "S" denotes a person's or a corporation's short position in the Shares.

2. These Shares included 323,500,334 Shares held by Starlink Vibrant, which was wholly owned by Mr. Li, and 38,105,660 Shares held by Golden Ocean, which was 90% owned by Starlink Vibrant.

3. On 30 July 2021, a concert party agreement was entered into among Golden Ocean, Starlink Vibrant, Yoshiaki, Orange Grove, Foga, Silver Eternity, Trinity Gate and Hongshan (the "**Concert Parties**", each a "**Concert Party**"). Pursuant to the SFO, each of the Concert Parties was deemed to be interested in the Shares held by the other Concert Parties.

4. These Shares were held by Cerulean, which was wholly owned by Mr. Lo. Pursuant to the SFO, Mr. Lo was interested in and deemed to be interested in a total of 47,703,522 Shares.

5. These Shares were held by Mr. Li Jinping, which included (i) 5,900,000 Shares held by him beneficially; and (ii) 100,000 awarded Shares and 1,000,000 awarded Shares under the share award plan of the Company vested to him on 18 May 2019 and 9 November 2020, respectively.

6. Each of Silver Eternity, Trinity Gate and Hongshan holds convertible bonds of the Company with a principal amount of HK$29,510,000, HK$8,600,000 and HK$8,890,000, respectively, which can be converted into 128,304,348 Shares, 37,391,304 Shares and 38,652,174 Shares, respectively at the Initial Conversion Price.

7. Yoshiaki is a company incorporated in the British Virgin Islands, which is wholly owned by Mr. Lu Jiayao. Pursuant to the SFO, Mr. Lu Jiayao was interested in and deemed to be interested in a total of 922,249,964 Shares and underlying Shares.

8. Orange Grove is a company incorporated in the British Virgin Islands, which is wholly owned by Ms. Guo Jing. Pursuant to the SFO, Ms. Guo Jing was interested in and deemed to be interested in a total of 922,249,964 Shares and underlying Shares.

9. Foga is a company incorporated in the British Virgin Islands. It is wholly owned by Hao Dong Trust, a trust with Mr. Liao Dong as the beneficiary and Managecorp Limited as the bare trustee. Pursuant to the SFO, Hao Dong Trust and Mr. Liao Dong were interested in and deemed to be interested in a total of 922,249,964 Shares and underlying Shares.

10. Silver Eternity is a company incorporated in the British Virgin Islands, which is wholly owned by Mr. Xiao Xin. Pursuant to the SFO, Mr. Xiao Xin was interested in and deemed to be interested in a total of 922,249,964 Shares and underlying Shares.

11. Trinity Gate is a company incorporated in the British Virgin Islands, which is wholly owned by Timeness Vision Limited, which in turn is wholly owned by Mr. Teng Rongsong. Pursuant to the SFO, Timeness Vision Limited and Mr. Teng Rongsong were interested in and deemed to be interested in a total of 922,249,964 Shares and underlying Shares.

12. Hongshan is a company incorporated in the British Virgin Islands, which is wholly owned by Mr. Wu Yongming. Pursuant to the SFO, Mr. Wu Yongming was interested in and deemed to be interested in a total of 922,249,964 Shares and underlying Shares.

Save as disclosed above, the Company is not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 31 December 2021.

AUDIT COMMITTEE, REMUNERATION COMMITTEE, NOMINATION COMMITTEE AND INVESTMENT COMMITTEE

Details of the Audit Committee, Remuneration Committee, Nomination Committee and Investment Committee of the Company are set out in the section headed "Corporate Governance Report" of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

During the Reporting Period and up to the date of this Directors' Report, the Company has maintained the prescribed public float under the Listing Rules based on the information that is publicly available to the Company and within the knowledge of the Directors.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company comprises all the three INEDs, namely Dr. Yu Guo Jie, Mr. Ma Zhan Kai and Mr. Cui Xiao Bo. They have reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2021.

DIRECTORS' REPORT

AUDITORS

PricewaterhouseCoopers resigned as the auditor of the Company with effect from 16 December 2019, and Mazars CPA Limited and LKY China were appointed as the joint auditors of the Company with effect from 16 December 2019. Subsequently, LKY China resigned as one of the joint auditors of the Company with effect from 16 December 2020. Save as disclosed, there has been no other change in auditor of the Company during the three years prior to the date of this annual report.

Mazars CPA Limited will retire and a resolution for their re-appointment as the auditor of the Company will be proposed at the forthcoming AGM.

BUSINESS REVIEW

Business Performance and Future Outlook

For the business review and future outlook of the Group, please refer to the paragraphs headed "Business Review" and "Future Outlook" respectively in the section headed "Management Discussion and Analysis" in this annual report. This discussion forms part of this Directors' Report.

Principal Risks and Uncertainties

For the principal risks and uncertainties facing the Group, please refer to the section headed "Management Discussion and Analysis" in this annual report for further details. This discussion forms part of this Directors' Report.

Environmental Policies

The Group recognises its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. The Group aims to maximise energy conservation in its offices by promoting efficient use of resources and adopting green technologies. For instance, the Group seeks to upgrade equipment such as lighting and air-conditioning systems in order to increase overall operating efficiency. To identify energy efficiency opportunities, the Group measures and records the energy consumption intensity from time to time. Details of the Group's environmental policies are set out in the "Environmental, Social and Governance Report" of this annual report.

Compliance with Relevant Laws and Regulations

As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company during the Reporting Period including the Listing Rules, the PRC Labour Law, etc.. Details of the relevant laws and regulations are set out in the "Environmental, Social and Governance Report" of this annual report.

Relationship with Employees

People are the Group's most valuable asset. The Group emphasises communication with staff and provides them with training and career development opportunities. It also recognises good performance and provides a variety of activities for staff to help them achieve a balance between work and life. The Group has established a good relationship with its employees throughout the year.

Relationship with Customers

The Group strives to deliver outstanding experiences and meaningful value to customers. To ensure continuous improvement of the quality of service, the Group pro-actively seeks customer feedback. The Group's superior service has been widely recognised, as evidenced by the growing customer base during the year.

Relationship with Suppliers

The Group has established a long standing cooperation relationship with its suppliers. The Group also consistently upholds and strengthen our cooperation with suppliers.

CHARITABLE DONATIONS

During the year ended 31 December 2021, the Group did not make charitable contributions and other donations (2020: Nil).

CHANGES IN DIRECTORS' INFORMATION

The changes in directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the interim report of the Company for the six months ended 30 June 2021 are set out below:

(1) Mr. Lo Chi Sum resigned as chairman of the Nomination Committee of the Company with effect from 29 September 2021.

(2) Mr. Leung Wing Fai resigned as an executive Director, a member of the Remuneration Committee of the Company and a member of the Investment Committee of the Company with effect from 29 September 2021.

(3) Mr. Geng Liang resigned as an executive Director and a member of the Investment Committee of the Company with effect from 29 September 2021.

(4) Mr. Li Jinping resigned as a member of the Investment Committee of the Company with effect from 29 September 2021.

(5) Dr. Ng Chi Yeung, Simon resigned as an INED, a member of the Audit Committee of the Company, a member of the Remuneration Committee of the Company and a member of the Nomination Committee of the Company with effect from 29 September 2021.

(6) Mr. Hung Muk Ming resigned as an INED, a chairman of the Audit Committee of the Company, a member of the Remuneration Committee of the Company and a member of the Nomination Committee of the Company with effect from 29 September 2021.

(7) Mr. Mak Kwok Wing resigned as an INED, a member of the Audit Committee of the Company and a member of the Remuneration Committee of the Company with effect from 29 September 2021.

(8) Mr. Li Jun has been appointed as an executive Director and chairman of the Nomination Committee of the Company with effect from 29 September 2021. Mr. Li Jun resigned as chairman of the Nomination Committee of the Company on 30 December 2021 and served as a member of the Nomination Committee of the Company since 30 December 2021.

(9) Ms. Zhao Hui Li has been appointed as an executive Director, a member of the Remuneration Committee of the Company and a member of the Investment Committee of the Company with effect from 29 September 2021.

(10) Mr. Cui Xiao Bo has been appointed as an INED, a member of the Audit Committee of the Company, a member of the Remuneration Committee of the Company and a member of the Nomination Committee of the Company with effect from 29 September 2021.

(11) Mr. Ma Zhan Kai has been appointed as an INED, a member of the Audit Committee of the Company, the chairman of the Remuneration Committee of the Company, a member of the Nomination Committee of the Company and a member of the Investment Committee of the Company with effect from 29 September 2021. Mr. Ma Zhan Kai has been appointed as the chairman of the Nomination Committee of the Company with effect from 30 December 2021.

(12) Dr. Yu Guo Jie has been appointed as an INED and the chairman of the Audit Committee of the Company with effect from 29 September 2021.

PLEDGE OF SHARES BY FORMER CONTROLLING SHAREHOLDER

On 20 April 2020, Cerulean Coast Limited, the then controlling shareholder of the Company (as defined under the Listing Rules) and is wholly owned by Mr. Lo (an executive Director), and Future Miracle Limited, a then shareholder of the Company and is wholly owned by Mr. Leung, have respectively pledged 311,960,000 ordinary shares and 28,040,000 ordinary shares (collectively, the "**Pledged Shares**") in the issued capital of the Company, in favour of an independent third party (the "**Lender**") as security for a loan facility in an aggregate amount of RMB50,000,000 provided by the Lender to the Group as general working capital (the "**Pledge**"). The Pledged Shares represented approximately 32.65% of the total issued Shares as at 20 April 2020. On 30 August 2021, the Company received a notice from Mr. Lo and Mr. Leung that the Pledge has been released (the "**Release of the Pledge**"). Such Pledged Shares had been released on 30 August 2021.

For details of the Pledge and the Release of the Pledge, please refer to the announcements of the Company dated 20 April 2020 and 30 August 2021, respectively.

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 Co., Ltd.* (萬達體育有限公司). 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 Group does not have any material subsequent events after the Reporting Period.

On behalf of the Board
Lo Chi Sum
Chairman

Hong Kong, 24 March 2022

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has applied the principles as set out in the Corporate Governance Code (the "**CG Code**") and Corporate Governance Report contained in Appendix 14 to the Listing Rules which is applicable to the corporate governance report of the Company for the financial year ended 31 December 2021. The Company is aware that the Stock Exchange has amended Appendix 14 to the Listing Rules, which has come into effect from 1 January 2022, and the title has also been changed to "Corporate Governance Code". The relevant code provisions numbers of the CG Code disclosed in this Corporate Governance Report will be presented according to the version before the revision.

The Board is of the view that throughout the year ended 31 December 2021, the Company has complied with all the code provisions as set out in the CG Code, except for code provisions A.2.1 and A.5.1 with details set out below.

A. Model Code for Securities Transactions

The Company has adopted a code of conduct regarding Directors' securities transactions (the "**Securities Dealing Code**") on terms no less exacting than the required standard set out in the Model Code (with certain modifications).

The Securities Dealing Code applies to all the Directors and all the employees to whom the Securities Dealing Code is given and who are informed that they are subject to its provisions.

Specific enquiry has been made of all the Directors and all the relevant employees and they have confirmed that they have complied with the required standard set out in the Securities Dealing Code throughout the year ended 31 December 2021.

B. Board of Directors

The Board oversees the Company's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from the Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

(1) Board Composition

As at 31 December 2021, the Board comprised seven Directors, consisting of four executive Directors and three independent non-executive Directors, as follows:

Executive Directors:
Mr. Lo Chi Sum *(Chairman of the Board, Chief Executive Officer, Chairman of the Investment Committee)*
Mr. Li Jun *(member of the Nomination Committee)*
Mr. Li Jinping
Ms. Zhao Hui Li *(member of each of the Remuneration Committee and the Investment Committee)*

Independent Non-executive Directors:
Mr. Cui Xiao Bo *(member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee)*
Mr. Ma Zhan Kai *(Chairman of each of the Remuneration Committee and the Nomination Committee and member of each of the Audit Committee and the Investment Committee)*
Dr. Yu Guo Jie *(Chairman of the Audit Committee)*

The biographical information of the Directors as at the date of this annual report are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

None of the members of the Board is related to one another.

(2) Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that 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 positions of the chairman of the Board (the "**Chairman**") and chief executive officer of the Company (the "**Chief Executive Officer**") are held by Mr. Lo. Since the establishment of the Group in 2007, Mr. Lo has been the key leadership figure of the Group who has been primarily involved in formulation of the business strategies and determination of the overall direction of the Group. He has also been chiefly responsible for the Group's operations as he directly supervises the members of senior management. The Directors meet regularly to consider major matters affecting the operation 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 believe that this structure will enable the Group to make and implement decisions promptly and efficiently.

(3) Independent Non-executive Directors

During the year ended 31 December 2021, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

(4) Appointment and Re-election of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 of the CG Code states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

During the period from 1 January 2021 to 29 September 2021, each of the independent non-executive Directors, namely, Mr. Hung Muk Ming, Dr. Ng Chi Yeung, Simon and Mr. Mak Kwok Wing, were appointed for an initial term of two years renewable automatically for successive term of one year each commencing from the next day after the expiry of the current term of their appointment and is subject to retirement by rotation once every three years under the Articles.

Since 29 September 2021, each of the independent non-executive Directors, namely, Mr. Cui Xiao Bo, Mr. Ma Zhan Kai and Dr. Yu Guo Jie, are appointed for an initial term of three years commencing from 29 September 2021, unless terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' notice in writing expiring at the end of the initial term or at any time thereafter, and is subject to retirement by rotation and re-election once every three years under the Articles.

(5) Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors take decisions objectively in the interests of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Board authorises the management to implement the strategies as approved by the Board. The management is responsible for the day-to-day operations of the Group and reports to the Board. For this purpose, the Board has formulated clear written guidelines which stipulate the circumstances where the management should report to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board will conduct regular review on these authorisation and guidelines from time to time.

(6) Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The records of training and continuous professional development that have been received from the Directors for the year ended 31 December 2021 are summarised as follows:

Directors	Type of Training (Note)
Mr. Lo Chi Sum	A & B
Mr. Leung Wing Fai *(resigned on 29 September 2021)*	A & B
Mr. Geng Liang *(resigned on 29 September 2021)*	A & B
Mr. Li Jinping	A & B
Dr. Ng Chi Yeung, Simon *(resigned on 29 September 2021)*	A & B
Mr. Hung Muk Ming *(resigned on 29 September 2021)*	A & B
Mr. Mak Kwok Wing *(resigned on 29 September 2021)*	A & B
Mr. Li Jun *(appointed on 29 September 2021)*	A & B
Ms. Zhao Hui Li *(appointed on 29 September 2021)*	A & B
Mr. Cui Xiao Bo *(appointed on 29 September 2021)*	A & B
Mr. Ma Zhan Kai *(appointed on 29 September 2021)*	A & B
Dr. Yu Guo Jie *(appointed on 29 September 2021)*	A & B

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

C. Board Committees

The Board has established four committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Investment Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

As at 31 December 2021, the majority of the members of the Audit Committee, the Remuneration Committee and the Nomination Committee are independent non-executive Directors. The list of the chairman and members of each Board committee is set out under the section headed "Corporate Information" in this annual report.

(1) Audit Committee

The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial information and oversee the financial reporting, risk management and internal control systems of the Company.

During the year under review, the Audit Committee held two meetings to review the audit plan, the annual financial results and report for the year ended 31 December 2020, the interim financial results and report for the six months ended 30 June 2021 and the risk management and internal control systems of the Company, and to consider and recommend to the Board on the re-appointment of auditor of the Company.

The Audit Committee also met the external auditor without the presence of the executive Directors and the management of the Company.

(2) Remuneration Committee

The primary functions of the Remuneration Committee include making recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management; making recommendations to the Board on the remuneration packages of individual executive Directors and senior management; reviewing performance-based remuneration and ensuring that no Director or any of his associates is involved in deciding his own remuneration.

During the year under review, the Remuneration Committee held two meetings to review the policy, structure and remuneration of the Directors, to consider and recommend to the Board on the service contracts and remuneration packages of Mr. Li Jun and Ms. Zhao Hui Li, the executive Directors appointed during the year, and to consider and recommend to the Board on the appointment letters and remuneration packages of Mr. Cui Xiao Bo, Mr. Ma Zhan Kai and Dr. Yu Guo Jie, the independent non-executive Directors appointed during the year.

(3) Nomination Committee

The primary duties of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experiences) of the Board at least annually and making recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified as potential Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of the independent non-executive Directors; and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning of Directors, in particular that of the Chairman and the Chief Executive Officer.

Pursuant to 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 and Mr. Li Jun was appointed as the 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. As such, during the period from 29 September 2021 to 29 December 2021, the Company has not meet the requirement that the Nomination Committee is chaired by the Chairman of the Board or an independent non-executive Director under the code provision A.5.1 of the CG Code.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree annually on measurable objectives for achieving diversity on the Board, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the year under review, the Nomination Committee held two meetings to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, to consider and recommend to the Board on the appointment of Mr. Li Jun and Ms. Zhao Hui Li as executive Directors, to consider and recommend to the Board on the appointment of Mr. Chui Xiao Bo, Mr. Ma Zhan Kai and Dr. Yu Guo Jie as independent non-executive Directors, and to make recommendation on the re-election of the retiring Directors at the annual general meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board in terms of age, cultural and educational background, professional experience, skills, knowledge and length of service is maintained and did not recommend any changes to the measurable objectives set for implementing diversity on the Board. A summary of the Board Diversity Policy and the Director Nomination Policy are set out below.

- *Board Diversity Policy*

  The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance and adopted a Board Diversity Policy aiming to set out the approach to achieve diversity on the Board on 13 June 2014 and amended the Board Diversity Policy on 28 December 2018. The implementation of the policy is monitored by the Nomination Committee. The Company aims to build and maintain a Board with a diversity of Directors, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender.

  Pursuant to the Board Diversity Policy, the Nomination Committee will discuss and agree annually measurable objectives for implementing diversity on the Board, including but not limited to gender, age, cultural and educational background, race, professional experience, skills, knowledge and length of service, and recommend them to the Board for adoption. The Nomination Committee of the Board will also ensure that recruitment and selection procedures of director candidates are appropriately structured so that a diverse range of candidates are considered by the Company. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

  The Company will review annually on its diversity, including the gender proportion of the Board, senior management and staff, and monitor the progress on achieving these diversity objectives. The Company aims to build and maintain a Board with a diversity of Directors, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender.

  For the purpose of implementation of the Board Diversity Policy, the measurable objectives adopted include (a) at least one-third of the members of the Board shall be independent non-executive directors; (b) at least one of the members of the Board shall have obtained accounting or other professional qualifications ; and (c) at least one of the members of the Board shall be female. In order to fulfill such measurable objectives, the Company has changed its Board composition on 29 September 2021. The current Board's composition under diversified perspectives is disclosed in the biographical information of the Directors set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

- *Director Nomination Policy*
  The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

  The Company adopted a Director Nomination Policy on 28 December 2018 which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

  The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

  - Character and integrity;
  - Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
  - Any measurable objective adopted to achieve diversity of the Board;
  - Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
  - Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

  The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the year ended 31 December 2021, Mr. Li Jun and Ms. Zhao Hui Li were appointed as executive Directors and Mr. Cui Xiao Bo, Mr. Ma Zhan Kai and Dr. Yu Guo Jie were appointed as independent non-executive Directors, and the selection, nomination and appointment were conducted in accordance with the Director Nomination Policy.

  The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

(4) Investment Committee

The primary duties of the Investment Committee are to consider and approve transaction(s) (as defined under Chapter 14 of the Listing Rules) (the "**Transaction(s)**") not being conducted by the Company in its ordinary course of business and having a consideration of not more than HK$30 million (or its Renminbi equivalent); and to consider and approve other relevant matters as referred to it by the Board from time to time (other than some matters specifically reserved for the Board's consideration, such as, connected transactions within the meaning of Chapter 14A of the Listing Rules, share transactions and transactions discloseable under Chapter 14 of the Listing Rules). Any Transaction(s) considered by the Investment Committee shall be approved by Mr. Lo Chi Sum, the Chairman and any one other executive Director.

During the year under review, the Investment Committee held one meeting to discuss and consider the investment of a subsidiary of the Group.

(5) Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The terms of reference of the Board include, among others, (i) developing and reviewing the Group's policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of the Directors and senior management; (iii) reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and (v) reviewing the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

D. Attendance Records of Directors

The attendance records of each Director at the Board meetings, Board committee meetings and the general meetings of the Company held during the year ended 31 December 2021 is set out in the table below:

	Attendance/Number of Meetings						
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Investment Committee	Annual General Meeting	Extraordinary General Meeting
Mr. Lo Chi Sum	6/6	–	2/2	2/2	1/1	1/1	1/1
Mr. Leung Wing Fai (1)	5/6	–	2/2	–	–	1/1	1/1
Mr. Geng Liang (2)	5/6	–	–	–	–	1/1	1/1
Mr. Li Jinping	6/6	–	–	–	–	1/1	1/1
Mr. Li Jun (3)	1/1	–	–	–	–	–	–
Ms. Zhao Hui Li (4)	1/1	–	–	–	1/1	–	–
Dr. Ng Chi Yeung, Simon (5)	5/6	2/2	2/2	2/2	–	1/1	1/1
Mr. Hung Muk Ming (6)	5/6	2/2	2/2	2/2	–	1/1	1/1
Mr. Mak Kwok Wing (7)	5/6	2/2	2/2	–	–	1/1	1/1
Mr. Cui Xiao Bo (8)	1/1	–	–	–	–	–	–
Mr. Ma Zhan Kai (9)	1/1	–	–	–	1/1	–	–
Dr. Yu Guo Jie (10)	1/1	–	–	–	–	–	–

(1) Mr. Leung Wing Fai resigned as an executive Director with effect from 29 September 2021.
(2) Mr. Geng Liang resigned as an executive Director with effect from 29 September 2021.
(3) Mr. Li Jun was appointed as an executive Director with effect from 29 September 2021.
(4) Ms. Zhao Hui Li was appointed as an executive Director with effect from 29 September 2021.
(5) Dr. Ng Chi Yeung, Simon resigned as an independent non-executive Director with effect from 29 September 2021.
(6) Mr. Hung Muk Ming resigned as an independent non-executive Director with effect from 29 September 2021.
(7) Mr. Mak Kwok Wing resigned as an independent non-executive Director with effect from 29 September 2021.
(8) Mr. Cui Xiao Bo was appointed as an independent non-executive Director with effect from 29 September 2021.
(9) Mr. Ma Zhan Kai was appointed as an independent non-executive Director with effect from 29 September 2021.
(10) Dr. Yu Guo Jie was appointed as an independent non-executive Director with effect from 29 September 2021.

During the year ended 31 December 2021, an annual general meeting of the Company was held on 10 June 2021 and an extraordinary general meeting of the Company was held on 24 September 2021. The Company held a total of six Board meetings during the year ended 31 December 2021. Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of executive Directors during the year.

E. Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems of the Group and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. Highlights of the Group's risk management and internal control systems include the following:

- Code of conduct — The Company's code of conduct explicitly communicates to each employee its values, acceptable criteria for decision-making and its ground rules for behavior.

- Process to identify and manage significant risks and material internal control defects — Significant risks or internal control defects identified by the management during the ordinary business operation of the Group will be reported to the Board as soon as practicable for further evaluating and management. A Board meeting will be held to conduct review and evaluation on the significant risks or internal control defects and appropriate actions will be taken to control the risks or to improve the internal control defects. For the year ended 31 December 2021, no significant risks, or material internal control failings or weaknesses have been identified by the Board or the management.

- Internal audit functions — The internal audit functions of the Group have been performed by the collaboration of the Board's office, finance department and human resources department recommending necessary by regular financial and operational review and recommending necessary actions to the management. The works carried out by the aforesaid departments of the Company ensure the risk management and internal control measures are in place and function properly as intended. The results of the internal audit and reviews are reported to the executive Directors and the Audit Committee.

- Compliance with the Listing Rules and relevant laws and regulations — The Group will continue to monitor its compliance with relevant laws and regulations and continue to arrange for various trainings to be provided by its legal advisers or other professional parties to the Directors and management on the Listing Rules, PRC laws and regulations, etc.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems. The management has reported and confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2021.

The Board, as supported by the Audit Committee as well as the management, conducted an annual review on the risk management and internal control systems, including the financial, operational and compliance controls of the Group for the year ended 31 December 2021, to ensure the adequacy of resources, staff qualifications and experience, training programs and budget of accounting, internal audit, training reporting, etc. The Board considered that such systems and the process for financial reporting and Listing Rules compliance are effective and adequate.

The Group has adopted the Guidance on Information Disclosure (《世紀睿科控股有限公司信息披露指引》) which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosures and responding to enquiries. The policy is to ensure potential inside information being captured and confidentiality of such information being maintained until consistent and timely disclosure is made in accordance with the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

- Designated responsible persons and departments for managing and handling the inside information;
- Specified disclosure requirements under the Listing Rules; and
- Stipulated disclosure procedures.

F. Directors' Responsibility In Respect of the Consolidated Financial Statements

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 December 2021.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the independent auditor of the Group about their reporting responsibilities in the consolidated financial statements is set out in the Independent Auditor's Report in this annual report.

G. Auditor's Remuneration

The remuneration paid/payable to the Company's external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2021 amounted to RMB1,650,000 and RMB100,000 respectively.

An analysis of the remuneration paid/payable to the external auditor of the Company, Mazars CPA Limited, in respect of audit services and non-audit services for the year ended 31 December 2021 is set out below:

Service Category	Fees Paid/Payable (RMB)
Audit Services	
— Annual audit for the year ended 31 December 2021	1,650,000
Non-audit Services	
— Including report on indebtedness statement	100,000
TOTAL	1,750,000

H. Non-Competition Undertaking by Former Controlling Shareholders

During the period from 1 January 2021 to 31 August 2021, each of the former controlling Shareholders (namely, Cerulean Coast Limited and Mr. Lo) has given the Non-Competition Undertaking in favour of the Company and its subsidiaries that it and he will provide to the Company and the Directors (including the independent non-executive Directors) from time to time with all information necessary for the annual review by the independent non-executive Directors with regard to compliance of the terms of the Non-Competition Undertaking by the former controlling Shareholders and the enforcement of the Non-Competition Undertaking.

Each of the former controlling Shareholders (namely, Cerulean Coast Limited and Mr. Lo) has made a declaration as to full compliance with the terms of the Non-Competition Undertaking and that during the period from 1 January 2021 to 31 August 2021, there was no matter which was required to be deliberated by the Board in relation to the compliance and enforcement of the Non-Competition Undertaking.

The Board comprising all the independent non-executive Directors have reviewed and confirmed that all the terms of the Non-Competition Undertaking have been complied with by the former controlling Shareholders (namely, Cerulean Coast Limited and Mr. Lo) during the period from 1 January 2021 to 31 August 2021.

I. Company Secretary

Ms. Chan Sze Ting of Tricor Services Limited, external service provider, has been engaged by the Company as the company secretary. Her primary contact person of the Company is Mr. Lo Chi Sum, the Chairman, the Chief Executive Officer and an executive Director.

In compliance with Rule 3.29 of the Listing Rules, Ms. Chan Sze Ting has undertaken no less than 15 hours of relevant professional training for the year ended 31 December 2021.

J. Shareholders' Rights

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

(1) Convening an Extraordinary General Meeting

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings pursuant to article 64 of the Articles. Such requisition shall be made in writing to the Directors or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

(2) Putting Forward Proposals at General Meetings

To put forward proposals at a general meeting of the Company, a shareholder should lodge a written notice of his/her/its proposal (the "**Proposal**") with his/her/its detailed contact information at the Company's address as mentioned below. The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

(3) Procedures for Shareholders to Propose a Person for Election as a Director

If a shareholder wishes to propose a person (the "**Candidate**") for election as a director at a general meeting, he/she should deposit (i) a written notice of the intention to propose the Candidate for election as a director; and (ii) a written notice by the Candidate of his/her willingness to be elected to the Company or the Company's branch share registrar in Hong Kong at the address mentioned below at least seven clear days before the date of the general meeting and the period for lodgement of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and shall be at least seven clear days in length.

(4) Putting Forward Enquiries to the Board

Shareholders may put forward any enquiries or requisitions to the Board by sending written enquiries to the Company.

(5) Procedures for Raising Enquiries

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Unit 910, 9/F., Tins Enterprises Centre, 777 Lai Chi Kok Road, Cheung Sha Wan, Kowloon, Hong Kong
Attention:	Board of Directors
Tel:	(852) 2370 9722
Fax:	(852) 2370 3766
Email:	investor@css-group.net

Shareholders should direct their enquiries about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong, details of which are as follows:

Tricor Investor Services Limited

Address:	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Email:	is-enquiries@hk.tricorglobal.com
Tel:	(852) 2980 1333
Fax:	(852) 2810 8185

Shareholders are encouraged to make enquires via the online enquiry form available on the Company's website at www.css-group.net and are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate. The Company will not normally deal with verbal or anonymous enquiries.

K. Communication with Shareholders and Investors

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

L. Policies relating to Shareholders

The Company has in place a Shareholders' Communication Policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a Dividend Policy on payment of dividends. The Company do not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors, including but not limited to the actual and expected financial performance of the Company, Shareholders' interests and the Group's debt-to-equity ratio and return on equity ratio, etc., as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval.

M. Company's Constitutional Documents

There was no change in the Company's constitutional documents for the year ended 31 December 2021.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE ESG REPORT

Century Sage Scientific Holdings Limited (the "**Company**"), together with its subsidiaries (the "**Group**"), is pleased to present this Environmental, Social and Governance Report 2021 (the "**ESG Report**") to provide an overview of the Group's management of significant issues affecting the operation, including environmental, social and governance issues.

BOARD STATEMENT

The board of directors of the Company (the "**Board**") has overall responsibility for the effectiveness of the Company's strategy and reporting on environmental, social and governance ("**ESG**") in order to ensure the Group is operating its application solutions, system maintenance services, sales of self-developed products and new media services business in a responsible and sustainable manner.

ESG related matters are incorporated in the agenda of Board meetings. The Board will review the progress made towards achieving the ESG-related goals related to the Group's businesses as well as the effectiveness of the management approach and strategy based on the report prepared by the senior management of the Group.

The Board is also responsible for reviewing the material ESG issues and the ESG risk register to ensure appropriate risk mitigation plans and control measures are in place. Goals and targets are derived from ESG issues which have material impact on the business. All sustainability disclosures and internal policies are reviewed and endorsed by the Board, while targets and performance are assessed on a timely basis.

REPORTING PERIOD

This ESG Report covers the ESG activities, challenges and measures taken by the Group during the reporting period from 1 January 2021 to 31 December 2021 (the "**Reporting Period**").

REPORTING BOUNDARY

This ESG Report mainly covers the Group's major operating revenue activities under direct management control, including its provision of application solutions, system maintenance services, sales of self-developed products and new media services business. To better reflect current business development and organisation of the Group, the Company added another reportable segment, namely new media services, based on the nature of the products sold and services provided, for the Reporting Period. Save as the aforesaid, there is no significant change of the ESG Report for the year 2021 as compared with the reporting boundary of ESG Report for the year 2020.

REPORTING STRATEGY AND FRAMEWORK

This ESG Report has been prepared in accordance with the ESG Reporting Guide as set out in the Appendix 27 to the Listing Rules (the "**ESG Guide**").

During the preparation for the ESG Report, the Group has applied the reporting principles stipulated in the ESG Guide as the following:

- **Materiality:** The materiality of each ESG area was determined based on the importance of each ESG area to the Group through internal discussion of the management and the recommendation of ESG Guide. The Group also discussed with key stakeholders on key ESG areas identified to ensure all the key aspects were covered in this ESG Report.

- **Quantitative:** Supplementary notes are added along with quantitative data disclosed in the ESG Report to explain any standards, methodologies, and source of conversion factors used during the calculation of emissions, energy consumption and water consumption.

- **Consistency:** Whenever deemed material, the ESG Report details the standards and tools. Save for the inclusion of new KPIs applicable to reporting period commences on or after 1 July 2020 under Appendix 27 of the Listing Rules, this ESG Report adopts methodologies for the calculation of KPIs that are consistent with previous years.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For the Group's corporate governance practices, please refer to page 41 to page 52 for the "Corporate Governance Report" contained in this annual report.

STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their views relating to its businesses and ESG issues. In order to understand and address stakeholders' concerns, the Group communicates with its key stakeholders, including but not limited to: investors and shareholders, governmental and regulatory authorities, suppliers, employees, customers, and communities through different channels such as conferences, electronic platforms and financial reporting etc. In formulating operational strategies and ESG measures, the Group takes into account the stakeholders' expectations and strives to improve its performance through mutual cooperation with the stakeholders, resulting in creating greater value for the community.

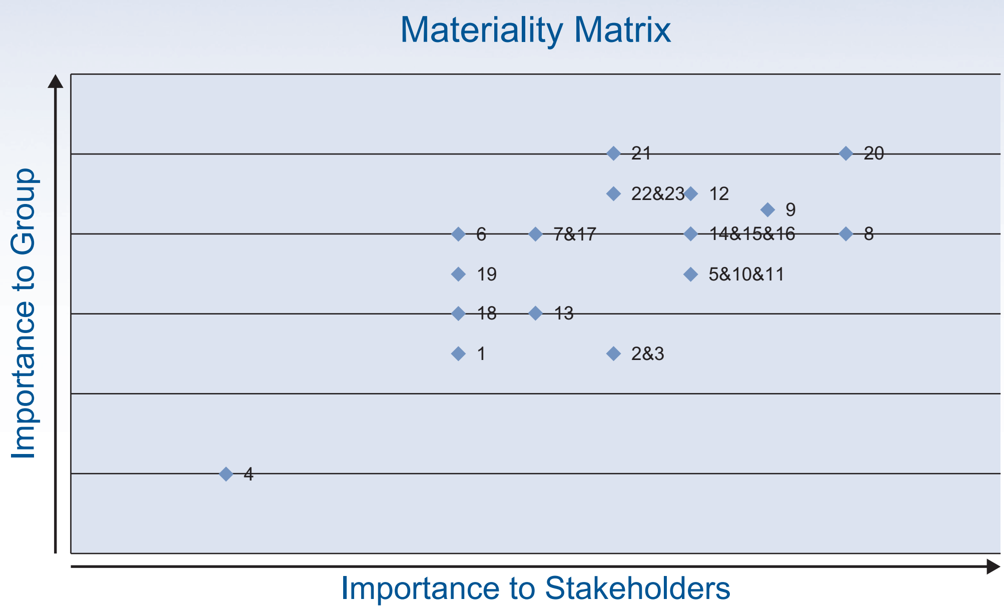
The following table indicates the relevant stakeholders of the Group and the communication channels between the Group and its stakeholders:

Stakeholders	Communication channels	Expectations
Investors and shareholders	• Annual general meeting and other shareholder meetings • Financial reports • Announcements and circulars • Company's official website	• Information disclosure and transparency • Return on the investment • Corporate sustainable and healthy development
Governmental and regulatory authorities	• Regular working meetings and seminars • Financial reports	• Compliance with relevant laws and regulations • Corporate social responsibility
Suppliers	• Business meetings and phone calls • On-site inspections • E-mails	• Fair competition • Business ethics and reputation • Win-win cooperation • Long-term and stable partnership
Customers	• Regular meetings • Company's official website • Financial reports	• Perform product and service responsibilities • High-quality of product and service provided • Stable relationship • Business ethics
Employees	• Internal compliant and feedback mechanism • Regular management communication and performance evaluations	• Health and safety • Remuneration and benefits • Career development
Communities	• Volunteer activities • ESG Reports	• Environmental protection • Compliance operations • Giving back to society

MATERIALITY ASSESSMENT

The management and employees who are responsible for the key functions of the Group have participated in preparing this ESG Report, assisted the Group in reviewing its operation, identifying relevant ESG issues and assessing the importance of these relevant issues to our businesses and stakeholders. We compiled a questionnaire in reference to the identified material ESG issues to collect data from relevant departments and business units of the Group.

To determine the materiality of the selected ESG topics, the Group collected, analysed the feedback of the stakeholder groups, and mapped out the outcome in the materiality matrix below to reflect their level of significance.



Environmental		Employment and Labour Practices		Operating Practices		Governance	
1	Emissions	7	Relevant law	14	Supply chain management	20	Legal compliance
2	Energy consumption	8	Health and safety	15	Product responsibility	21	Anti-corruption, extortion, fraud and money laundering
3	Water consumption	9	Remuneration and benefits	16	Project and service quality	22	Ethics and integrity
4	Use of packaging resources	10	Career development	17	IP management and privacy	23	Risk management
5	Environment and natural resources	11	Training programmes	18	Advertising and promotion		
6	Climate change	12	Prevention of child labour and forced labour	19	Contribution to society		
		13	Recreational activities				

ENVIRONMENTAL

Environmental Policies and Performance

The Group vigorously understands and advocates the vital importance of environmental protection and endeavours to take it into account in major operational decisions. In the course of business development, the Group is committed to minimising any possible impacts that may have on the environment. The Group promotes the idea of green development at multiple levels and through multiple channels, including publicity of the concept of environmental protection, development of green lifestyle and environmental working conditions, and inspiring the staff to practice environmental protection.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition to strictly abiding by the environmental laws and regulations in force in China such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), Law of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) and Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》), the Group also complies with local regulations for the prevention and control of air pollution such as the Regulations on the Control of Air Pollution in Beijing (《北京市大氣污染防治條例》) and the Regulations on Control of Water Pollution in Beijing (《北京市水污染防治條例》). During the year 2021, the Group was not aware of any material non-compliance with relevant laws and regulations.

Emissions

The core businesses of the Group, which mainly involve provision of all-media application solutions, system maintenance services, sales of self-developed products as well as new media services, do not involve any large scale of manufacturing processes in the course of business. Therefore, during the year 2021, the Group and its offices did not generate a significant amount of direct emissions from sources that are owned or controlled by the Group or hazardous and non-hazardous waste from our business activities. During the year 2021, the major source of our greenhouse gas ("**GHG**") emission was carbon emission attributable to electricity consumption. Therefore, the disclosure of direct greenhouse gas emission and hazardous waste and non-hazardous waste are not applicable to the Group.

A summary of the GHG emission of the Group during the year 2021 is as follows:

Emission Category	Key Performance Indicator (KPI)	Unit	Amount in 2021	Intensity (unit amount employee)[2]
GHG Emission[1]	Indirect GHG emission (Scope 2)[3] — electricity consumption	Tonnes CO_2e	133.60	0.47

Notes:

1 GHG emissions data is presented in carbon dioxide equivalent and was in reference to"How to prepare an ESG Report? — Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange

2 As of 31 December 2021, the Group had a total of 287 employees. This data will be also used for calculating other intensity data.

3 Indirect GHG emission (Scope 2) — electricity consumption data has been prepared and presented according to the emission factor of "How to prepare an ESG Report? — Appendix II: Reporting Guidance on Environmental KPIs".

In strict compliance with local laws and regulations in respect of environmental protection, during the year 2021, the Group had implemented a number of environmental management measures including:

- Cancellation of shuttle buses;
- Reducing unnecessary business trips by staff members (e.g. by hosting video conferences instead) after taking into account the environmental impact and the travel restrictions due to the on-going epidemic of COVID-19;
- Encouraging staff to use public transport, bicycles and other low-carbon transport means so as to reduce exhaust emission and petroleum consumption.

During the year 2021, the Group was not aware of any material non-compliance with relevant laws and regulations; and it did not record any major incident related to environmental pollution. The Group targets to reduce the emission of air pollutants by 5% in 2024.

Energy Consumption

The Group considers "energy source" as one of the key elements to achieve sustainable development. Improving energy consumption efficiency not only can enhance the environmental performance of the Group's operations, but also reduce operating cost and improve operational efficiency in the long run.

The Group advocates for environmental protection among its employees on a regular basis and aims to incorporate low-carbon workplace into its organisational culture. Regarding energy consumption, the use of electricity accounts for the Group's major energy consumption.

A summary of the total electricity consumption of the Group during the year 2021 is as follows:

Key Performance Indicator (KPI)	Unit	Amount in 2021	Intensity (unit amount/employee)
Total electricity consumption	kWh	221,184.00	770.68

During the year 2021, the Group had implemented the following energy-saving management measures to save the energy consumption in the daily operations:

- Installing LED lighting and posting energy-saving notices in offices to reduce the energy consumption;
- Encouraging and ensuring every staff is environmentally conscious and gets into the habit of turning off electronic appliances and lights when not in use;
- Controlling usage of air conditioners in places of business and offices, monitoring their temperature settings and turning off air conditioners in unoccupied rooms to save energy;
- Switching relevant office equipment and electronic appliances to energy-saving mode; for example, enabling the printers and computers to automatically power down after a period of inactivity;
- Double-sided printing and recycling used paper; scrap paper is reused or notepads;
- Encouraging the staff to create a paperless working environment and implementing paperless processing in the Company's internal communications such as employee's timesheets and payrolls;
- Teleconference and internet-meeting practices are also encouraged to avoid unnecessary business travels.

Apart from the energy saving in operation process, we always look for possible energy-saving opportunities, especially on choosing environmental friendly equipment and facilities of the Group. In the procurement of office equipment, we always opt for the model with higher energy efficiency. The Group targets to reduce the total electricity consumption by 5% in 2024.

Water Consumption

The Group endeavours to enhance water efficiency and encourages its staff to fulfill their obligation of water saving. The measures taken by the Group to promote water saving including:

- Using water-efficient equipment in offices;
- Monitoring and controlling water flow level and conducting regular patrol inspections to identify any water leakage;
- Posting water-saving notice;
- Cultivating water-saving concepts for employees.

Due to the geographical location of the Group's operation and nature of business, there is no issue in sourcing water that is fit for purpose.

A summary of the total water consumption of the Group during the year 2021 is as follows:

Key Performance Indicator (KPI)	Unit	Amount in 2021	Intensity (unit amount/employee)
Total water consumption	tonnes	1,404.00	4.89

The Group targets to reduce the total water consumption by 5% in 2024.

Use of Packaging Material

Due to our business nature, the Group is mainly a service provider. While the Group also engaged in the sales of self-developed products, such products are equipments and did not involve significant use of packaging materials. Therefore, the disclosures related to use of packaging materials are not applicable to the Group.

Environment and Natural Resources

The Group considers environmental protection and preserving natural resources as an indispensable component of our sustainable and responsible business. Regarding the business nature of the Group, the Group was not aware of any significant impact of the business activities of the Group on the environment and natural resources. We endeavor to consistently improve our environmental performance by implementing the aforesaid energy-saving initiatives and environmental management measures. Despite this, we conduct review on our environmental policy from time to time and continue to seek opportunities to further reduce emission and resources consumption with the aim to reduce the impacts on environment and natural resources to minimal.

In the future, we will continue our commitment to environmental protection and strive to build a greener and healthier environment to fulfill our responsibilities as a member of the community we all live in.

Climate Change

The Group believes that climate change is affecting societies and economies around the world and therefore, it also impacts upon our business. The Group has identified the potential financial or strategic impact on our business are set out below.

Physical Risks		Steps Taken
Acute risks:	Most of the acute physical risks which the Group is exposed to are tied to the potential impact that climate change may have on the risks of extreme events such as super typhoons, floods, pandemics, etc. If these physical risks materialise, it may pose risks to the business operation of the Group's application solutions and system maintenance services segments due to cancelation of the offline large-scale major events and projects.	• Planned to develop climate adaptation and insurance risk solutions. • Planned to devise an action plan to set up the goals and targets of the reductions in GHG emission and energy consumption and outlined the plan to achieving such targets.
Chronic risks:	Gradual changes in mean temperature and rising in sea levels are likely to pose disruptions to communities across the region over the long term, affecting economic output and business productivity.	• Record the energy consumption to identify peaks in usage, thus significant savings could be determined.

Transition Risks		Steps Taken
Policy and legal risks:	The Group may be exposed to litigation risks as we have to adapt the tightened law and regulations imposed by the government due to climate change, as well as bear the risk of potential litigation once we fail to obligate the new regulations.	• Monitor the updates of the relevant environmental laws and regulations against existing business operation of the Group. • Planned to conduct a carbon footprint survey in order to work out the Company's footprint, to prioritize energy and waste reductions.
Market risks:	Customers become more concerned about climate-related risks and opportunities, which may lead to changes in customer preference.	• Prioritize the climate change as a high concern in the market decisions to show to the customers that the Company is concerned about the problem of climate change.
Technology risks:	Use of emerging technologies with low-carbon may increase research and development expenses of the Group while lagging behind of technology advancement may weaken the Group's competitive edges.	• Examined the feasibility and benefits of applying the latest environmental technologies to the projects and services provided by the Group.
Reputation risks:	Negative press coverage related to support of the Group's business projects with negative impacts on the climate, which may affect the Group's reputation and image.	• Fulfilled the social responsibility by organising more public relation activities to show how the Group places importance on climate change. • Planned to participate renewable energy programs and adoption of more energy-efficiency measures.

SOCIAL

The Group aims to build a harmonious and prosperous community environment. Focusing on areas such as employment and labour regulations and operational practices, we set out to build a mutually beneficial relationship with relevant social organisations and individuals, including our investors, staff members, customers, supplier as well as the public and governing authorities. The Group remains committed to maximizing corporate benefits, which form a part of comprehensive benefits for the society.

Employment and Labour Regulations

Adhering to a "people-oriented" core value, the Group endeavours to create a work environment for its staff and ensure their health and safety. We encourage our staff to apply innovative ideas, realise their potential and achieve individual advancement through corporate development, all with a view to promoting shared development between staff members and the Group.

Employment

The Group has a diverse workforce in terms of gender and age, providing a variety of ideas and levels of competency that contribute the Group's success. The Group has developed a number of rules and regulations (e.g. code of conduct and staff handbook) to provide provisions on remuneration, dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity and other benefits as well as welfare for employees. In addition to providing staff with reasonable and competitive compensation packages, the Group also aims to create a fair and non-discriminatory atmosphere where male and female staff are equally entitled to employment and promotion opportunities. Employees, regardless of their gender, age, disability and religion are guaranteed to be treated equally at all times. The dignity and individuality of each employee is respected, and the privacy and confidentiality of employee records is safeguarded. Employees' performance is assessed solely according to their individual ability to meet job requirements. Also, we do not accept any workplace discrimination and harassment. If there is such case, we will take it seriously and conduct timely and thorough investigation and follow-up actions to protect our employees to the largest extent.

The Group earnestly safeguards the legitimate rights and interests of its employees and strictly abides by the applicable laws and regulations such as the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Employment Ordinance of Hong Kong (《僱傭條例》) etc. The human resources department of the Group conducts regular meeting (e.g. at least once per month) to review the Group's performance and compliance on employment and labour related matters. During the year 2021, the Group was not aware of any material non-compliance with relevant laws and regulations.

As at 31 December 2021, the Group had a total of 287 employees, whose details are set out below:

By Nature of Employment (Full Time/Internship & Part-time)	
Full Time	280
Internship & part-time	7
By Gender	
Female	105
Male	182
By Age Group	
30 and below	93
31 to 40	135
41 to 50	40
51 and above	19
By Geographical Region	
Mainland China	280
Hong Kong	7

The following tables show the employee turnover rate by gender, age group and geographical location during the year 2021:

Employee Turnover Rate	
By Gender	
Male	18.55%
Female	13.18%
By Age Group	
30 and below	19.23%
31 to 40	14.97%
41 to 50	15.09%
51 and above	15.00%
By Geographical Region	
Mainland China	15.98%
Hong Kong	33.33%

Health and Safety

The Group prides itself on providing a safe, healthy and hygienic environment for its staff. Clear guidelines on occupational health and safety are set out in the Group's internal rules and its code of conduct, which are also communicated to new employees through proper training.

The Group provides centralised guidance and supervision on its subsidiaries' workplace health and safety in accordance with the laws and regulations of China related to occupational health and safety as well as industry standards, including but not limited to, the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Law of the People's Republic of China on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), the Law of the People's Republic of China on Work Safety (《中華人民共和國安全生產法》 of Mainland China, the Occupational Safety and Health Ordinance (《職業安全及健康條例》) and Employees' Compensation Ordinance (《僱員補償條例》) of Hong Kong. In addition, the Group defines rules about occupational health and safety by formulating various manuals for daily operations, with a view to raising the awareness about occupational safety and health among its entire staff. During the year 2021, the Group was not aware of any material non-compliance with relevant laws and regulations.

During the year 2021, the Group had implemented the following measures to address and monitor health and safety concerns:

- Paying close attention to the mental wellness of the staff and providing the staff with routine medical examination every year. New employees are required to have a thorough check-up at any qualified hospital before admission and shall be admitted only after passing the medical examination;

- Organising regular training on occupational health and safety for new employees;

- Checking on staff to ensure workplace safety and requiring relevant qualifications for workers for particular tasks;

- Preparing first-aid kits, as well as performing inspection on the types and expiry dates of medicines on a monthly basis to ensure the Company has a sufficient supply of medication to meet the first-aid needs of its staff;

- Performing security patrol inspection at normal working hours and during holidays;

- Stating health and safety guidance at work in the staff handbook; and

- Conducting health and safety risk assessment in workstations at least once per month to ensure the Group's measures are in place to minimise relevant risks.

There were no work-related fatalities occurred in each of the past three years including the Reporting Period. There was no lost days due to work injury during the year 2021.

Development and Training

The Group recognises the importance of skilled and professionally trained employees to its business growth and future success. Staff are encouraged to pursue educational or training opportunities that achieve personal growth and professional development. The Group has also introduced a set of training systems and procedure, including:

- ***Orientation Training*** — Providing basic training for new employees in order to let them come to a quick understanding of the Company and its organizational culture, operational standards, work procedures and job specifications as they ease into the Company.

- ***Regular Staff Training*** — Offering regular training on the Group's code of conduct and work ethics by organising educational programs and outdoor activities, aiming to promote ethical conduct and raise ethics awareness.

- ***Professional Training*** — Providing staff with professional training delivered across multiple internal and external channels, with a view to enhancing individual professional competence and productivity for staff members, such as product and technology skills trainings provided by the Company's certain suppliers including top-tier multinational technology companies.

During the year 2021, the percentage of employees of the Group received training by gender and employment category was as follows:

By Gender	Percentage being trained (%)
Male	77.08%
Female	80.95%
By Employment Category	
Senior Management	100.00%
Middle Management	92.31%
General Staff	72.00%

In addition, the average training hours by gender and employment category as of 31 December 2021 was as follows:

By Gender	Average Training Hours Received per Employee
Male	4.90
Female	5.00
By Employee Category	
Senior Management	17.23
Middle Management	6.23
General Staff	3.10

Going forward, the Group will continue to provide staff members with diversified professional training programs by engaging external lecturers, with a view to helping them work in a professional and efficient manner. The Group will also continue to enhance the performance of its executives and provide greater development opportunities for its staff members through systematic training and management, thereby encouraging every staff member to grow with the Company.

Recreational Activities

To create a relaxed and pleasant working environment, the Group organises a wide variety of recreational activities. During the year 2021, the Group had organised annual party, team building events and on-line study trainings etc. The Group believes that by encouraging the employees to actively participate in these activities and strike a proper balance between work and leisure, their work efficiency is evidently improved while keeping a delighted state of mind.

Labour Standards

With a view to supporting the works related to human resources, the Group has formulated a comprehensive set of human resources policies stipulating rules on compensation, recruitment, dismissal, promotion, holidays, training and welfare.

In order to safeguard benefits for its employees, the Group abides by the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Employment Ordinance of Hong Kong (《僱傭條例》) and other employment laws applicable to the Group. The Group also complies stringently with relevant laws on equal employment opportunities, as well as the prevention of child labour and forced labour such as the Child Labour Prohibition Act (《禁止使用童工規定》).

The Group has established a well-defined recruitment process which examines the background of candidates and a formal reporting procedure for handling any exception. During the recruitment process, the age of the applicant is verified against the identity documents of the applicant. In addition, the Group conducts regular reviews and inspections to prevent any child labour or forced labour in operation. In the meantime, the Group also avoids engaging vendors and contractors which are already known to be employing child labour or forced labour in their operations.

Operational Practices

Corporate reputation and product liability are of great importance to the Group. The Company provides its customers with professional and quality services while adhering to the corporate philosophy of "Integrity Comes First", which leads the Group to thoroughly understand its customers and operations, and to follow operational practices based on local and international laws. All our staff members are required to abide by internal and external codes of integrity and conduct; any form of bribery, fraud, competitive conduct and corruption is strictly prohibited.

Data Protection

The Group places the utmost importance on protecting the privacy of its customers, partners and staff in the collection, processing and use of their personal data. The Group complies stringently with the applicable data protection regulations such as the PRC Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》) and the Personal Data (Privacy) Ordinance of Hong Kong and ensures appropriate technical measures are in place to protect personal data against unauthorised use or access. Our daily operations involve the use of personal data of our customers. Employees are not allowed to disclose such information to the third parties without prior consent. Confidential information of our customers is only accessible to employees who are responsible for the corresponding project. The Group also ensures that customers' personal data is securely kept and processed only for the purpose for which it has been collected. Staff are provided with adequate training in compliance with applicable laws on data privacy protection, to strengthen their awareness of safeguarding personal data.

Supply Chain Management

The Group understands the importance of supply chain management in mitigating the indirect environmental and social risks. The Group's procurement and logistics department is responsible for assessing new suppliers or potential suppliers prior to conducting business with them. The assessment on suppliers considers various aspects, including but not limited to, the operational and compliance records, occupational health and safety, employee rights protection, environmental protection and corporate social responsibility. Meanwhile, the Group has formulated and adopted the Procurement Procedure Management Policy, which specifies the procedures such as procurement planning, price enquiry, suppliers selection process to ensure a consistent approach for selecting suppliers who will provide the best terms, conditions and products to meet our standards and requirements. For example, based on the product/material requirement plans and the categories of product/material required, the Group usually conduct price enquiry and bargaining to obtain preferable payment terms for the Group and then the Group will shortlist and handpick suppliers through a screening and evaluation process based on quality and price. Furthermore, the Group also carries out field investigations on its suppliers when necessary, with a view to ensuring that its suppliers are well equipped to provide guaranteed quality and are able to manage safety and other environmental and social issues such as energy-saving measures and legal employment.

We conduct regular review on the Group's major suppliers to ensure that the suppliers of the Group do not impose material negative impact on the environment and society. We are committed to managing environmental and social risks of our suppliers and we mainly engage local suppliers in order to minimise the carbon footprint brought by transportation. The following table shows the number of suppliers of the Group by geographical regions as of 31 December 2021.

By Geographical Region	
Mainland China	267
Hong Kong	19
USA	10
UK	9
German	5
Canada	2
Singapore	2
Sweden	2
Israel	1
Italy	1
Japan	1
Spain	1

Besides, the Group has also maintained good cooperation relationship with the suppliers. Products and technology skills trainings are provided by the Company's certain suppliers including top-tier multinational technology companies from time to time, in an effort to strengthen the marketing sales and cooperation relationship between each other.

Product Responsibility

Client satisfaction and day-to-day quality and safety control are essential to our business. The Group keeps close contact with our customers to take instructions, report work status and provide advices from time to time. Meanwhile, we constantly collect feedback from our customers, monitor public responses and produce evaluation reports for evaluation and fine-tuning purposes. To further enhance our overall product and service quality, half-monthly/monthly meeting will be held to review any incident being reported and the relevant rectification measures, and make recommendations to improve the working procedures and perfect the product features. Minutes of these meetings, together with any improvement proposals, will be passed to the management team for record and further discussion. The Group complies stringently with relevant laws and regulations on product responsibility including but not limited to, the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》), the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), the Electronic Commerce Law of the People's Republic of China (《中華人民共和國電子商務法》), Regulations on the Administration of Webcast Services (《互聯網直播服務管理規定》), the Law of the People's Republic of China on Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) and the Trade Descriptions Ordinance (《商品説明條例》) of Hong Kong. During the year 2021, the Group was not aware of any material non-compliance with the relevant laws and regulations related to product and service responsibility. Due to our business nature, the Group is mainly a service provider. While the Group also engaged in the sales of self-developed products, such products are equipments. Accordingly, the Group has complied with all relevant laws, regulations and standards in relation to product labelling including the State Standard of the People's Republic of China on Plates (中華人民共和國國家標準標牌 [GB/T 13306-2011]).

Project and Service Quality

As a leading one-stop all-media services provider among the industry, we pay high attention to provide our customers with service of the best quality. The Group has implemented stringent control on every step of our workflow for different projects and events to guarantee the quality of products and services provided. Prior to launching any project or event, we communicate with our customers and confirms their expectation and direction. We also actively coordinate projects with customers in the process of providing services. To ensure the quality of products, we only purchase products and equipment from reputable suppliers in accordance with the procurement standards and suppliers selection policy adopted by the Group. After receiving the equipment supplied, we will conduct inspection and testing to ensure the equipment is in satisfactory condition. In case of any abnormalities or defections identified, we will call for replacement promptly. Our technicians will also perform inspection to ensure the equipment are properly functioning before delivering the equipment to our customer.

During the year 2021, the Group did not experience any compliant from our customers which had materially and adversely affected our business nor did the Group recalled any services or products for safety and health reasons.

IP Management

The Group's daily operations involve the use of the IP owned by customers, suppliers or the Group itself. Therefore, the protection of IP rights is an extremely important task for the Group. When the Group engages with its customers or suppliers, it will include the protection of IP in the contractual terms. The Group will also review all the contracts in operation and ensure that the contractual terms protect both parties' IP rights. The Group also requires technical professionals to sign strict confidentiality agreements. Moreover, the Group usually sets securities codes for internal data and confidential documents. Employees of the Group are required to strictly follow the Group's IP management procedures to ensure no illegal recording.

Our daily operations involve the use of confidential business information of the Group. Employees are not allowed to disclose such information to the third parties without prior consent. Every new joiner of the Group is also required to enter into a confidentiality agreement with the Group to ensure that the employee will comply with the relevant rules and regulations in relation to the protection of confidential information of the Group. We have also outlined in our staff handbook that employees are expected to protect intellectual property rights and avoid any infringement.

During the year 2021, the Group complies with relevant laws governing the confidentiality of data and IP, including but not limited to, the Patent Law of the People's Republic of China (《中華人民共和國專利法》), the Trademark Law of the People's Republic of China (《中華人民共和國商標法》) and the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》). The Group builds up and protects its intellectual property rights by prolonged use and registration of domain names, various trademarks and copyrights. The Group has applied or registered trademarks in various classes in Hong Kong, mainland China and other relevant jurisdictions. In addition, trademarks, copyrights and domain names of the Group are being constantly monitored and renewed upon their expiration.

Advertising

In terms of advertising and promotion of the Group's products and services, we are in stringent compliance with applicable laws and regulations, including but not limited to the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), the Measures for the Administration of Webcast Marketing (Trial Implementation) (《網絡直播營銷管理辦法（試行）》), Interim Measures for the Administration of Internet Advertising (《互聯網廣告管理暫行辦法》) and the Consumer Protection Law of the People's Republic of China (《中華人民共和國消費者權益保護法》). During the year 2021, the Group was not aware of any material non-compliance with relevant rules and regulations in relation to advertising and promotion of the Group's products and services.

Anti-corruption, Extortion, Fraud and Money Laundering

The Group strictly complies with the provisions in respect of corruption and bribery of the Criminal Law and the Company Law of the places where it operates, and has developed the Anti-fraud Management System of the Group (《世紀睿科集團反舞弊管理制度》), which outlines the goal, policies and procedures for anti-corruption, extortion, fraud and money laundering of the Group in prevention and crackdown of corruption behaviour, so as to ensure the healthy development and operation of the Company with integrity. The Group has also established Whistleblowing Policy (《舉報政策》) to enable the employees and those who deal with the Company to raise concerns, in confidence and anonymity, in order to help detect and deter misconduct or malpractice or unethical acts in the Company.

The Group performs annual self-evaluation to look at the implementation of its regulations and other relevant code of conducts, the objective of which is to ensure their thorough and consistent execution in actual operations and management practices, with a view to balancing and safeguarding interests of the Group and its stakeholders, and establishing long-term partnerships. The Group also employs independent auditor to carry out external audits on the Group, aiming to prevent and control corruptive or unethical behaviors within the Group through internal supervision and external audits. Corruption prevention training programmes and materials, which mainly highlight the anti-corruption laws, the pitfalls of corruption and staff integrity, are provided to the Directors and employees of the Group from time to time to enhance their awareness on anti-corruption.

During the year 2021, the Group was not aware of any material non-compliance with relevant laws and regulations relating to corruption, extortion, fraud or money laundering, including but not limited to, the Law of the People's Republic of China on Anti-Unfair Competition (《中華人民共和國反不正當競爭法》), the Criminal Law of the People's Republic of China (《中華人民共和國刑法》) and Prevention of Bribery Ordinance (Chapter 201) of Hong Kong. Furthermore, there were no complaints of corruption against the Group or any of its staff during the year 2021.

Community Investment

The Group always stays grateful to the society and adheres to its long-standing principles of sharing its development achievements with the society. The Group encourages employees to participate in charity events, volunteer works, and environmental protection activities in order to make contributions to our society. We believe that our employee could build up positive value and to be socially responsible through participate in those activities. The Group has also made donations to establish "Hope Primary School" in China to give those poverty-stricken children the opportunity to change their lives with knowledge. As at the date of this ESG Report, the Group has helped set up a total of four "Hope Primary School" in Yuncheng of Shanxi Province (山西省運城市), Wuchang of Heilongjiang Province (黑龍江省五常市), Xingan County of Jiangxi Province (江西省新幹縣) and Jiangkou County of Guizhou Province (貴州省江口縣), respectively. The Group will continue fulfilling its corporate citizen responsibility by proactively initiating public welfare charity projects and organising volunteer activities, extending love and care to the society.

INDEPENDENT AUDITOR'S REPORT

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To the members of Century Sage Scientific Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Century Sage Scientific Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 76 to 179, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(continued)*

Key audit matters identified in our audit are summarised as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition for application solution services *Refer to notes 4.1(f), 5 and 6 to the consolidated financial statements* The Group offers application solution services to customers which include sales of equipment together with integration and installation services. Revenue for application solution services of the Group amounted to approximately RMB121,390,000 for the year ended 31 December 2021. The sales of equipment and relevant services are highly interdependent and regarded as one performance obligation. Revenue for the application solutions is recognised at a point in time when the equipment is delivered, and the installation is completed and accepted by the customers. We have identified this area as a key audit matter due to the complexity of contract terms and the significance of the amount of the revenue recognised.	Our procedures, among others, included: — Obtaining an understanding of the controls over the revenue recognition, evaluating and testing the effectiveness of the controls; — Obtaining and reviewing major contracts of the application solution services and evaluating the accounting treatment based on major terms of the contracts, on a sample basis; — Obtaining and inspecting the acceptance document confirmed by the customers as evidence for delivery of the equipment, completion of the installation and acceptance by the customers, on a sample basis; and — Sending confirmations to major customers to confirm the amount payable to the Group as at 31 December 2021 and the revenue amount for the year then ended, on a sample basis.

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of trade receivables *Refer to notes 3.1(b), 4.1(a) and 18 to the consolidated financial statements* As at 31 December 2021, the Group's trade receivables amounted to approximately RMB101,535,000, net of credit loss provision for impairment of trade receivables of approximately RMB57,101,000, which accounted for 24% of the Group's total assets. Loss allowances for trade receivables are based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement. We identified assessing the impairment of trade receivables as a key audit matter because the amount is significant and the assessment of the impairment of trade receivables and recognition of loss allowance are inherently subject to significant judgement, which increases the risk of error or potential management bias.	Our procedures, among others, included: — Understanding and evaluating the design, implementation and operating effectiveness of key internal controls which govern credit control, debt collection and estimate of expected credit losses; — Assessing, on a sample basis, whether items in the trade receivables ageing report were classified within the appropriate ageing category by comparing individual items in the report with the relevant sales invoices and completion dates of relevant projects; — Assessing and challenging the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements; and — Inspecting subsequent cash receipts from customers relating to those balances as at 31 December 2021, on a sample basis.

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for inventories *Refer to notes 4.1(d) and 19 to the consolidated financial statements* As at 31 December 2021, the carrying amount of inventories amounted to approximately RMB73,270,000, net of provision for inventories of approximately RMB11,702,000, which accounted for 17% of the Group's total assets. When the cost of inventories was higher than their net realisable value, the Group made the provision for inventories based on the difference between the cost and the net realisable value. The recognition of net realisable value involved significant accounting estimation, including estimations on expected sales volume, sales price and related costs to sell. We have identified the above matter as a key audit matter because of its significance to the consolidated financial statements and the recognition of net realisable value involved significant management judgements and estimations.	Our procedures, among others, included: — Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls relating to the identification of slow moving and obsolete inventories, monitoring inventory ageing and making relevant inventory provisions; — Evaluating and challenging the Group's inventory write-down and provision policy with reference to the requirements of the prevailing accounting standards; — Assessing whether the inventory write-downs and provisions made were consistent with the Group's inventory write-down and provision policy by recalculating the inventory write-downs and provisions based on the relevant parameters in the Group's policy; — Assessing, on a sample basis, whether items in the inventory ageing report were classified within the appropriate ageing category by comparing individual items in the report with underlying documentation, which included purchase invoices, goods receipt notes and production records; and — Assessing, on a sample basis, whether inventories were stated at the lower of cost and net realisable value with reference to selling volume and prices achieved and related costs to sell after year end.

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of the convertible bonds *Refer to notes 4.1(e) and 28 to the consolidated financial statements* As at 31 December 2021, the liability component (net of deferred day-one loss) and the equity component of the convertible bonds amounted to RMB6,894,000 and RMB34,364,000 respectively. The Group engaged an independent professional valuer to determine the fair value of the convertible bonds. We have identified the valuation of the convertible bonds as a key audit matter because of its significance to the consolidated financial statements and the fair value calculation, in particular the use of significant unobservable inputs, involved subjective judgements and assumptions.	Our procedures, among others, included: — Obtaining and examining the agreement in relation to the convertible bonds; — Assessing the competence, capabilities, objectivity and results of the work of independent professional valuer that was appointed by the management and assisted management to determine the fair value of the convertible bonds; — Engaging auditor's expert to assist us in assessing the reasonableness of assumptions and judgements used by management and the independent professional valuer appointed by the management; — Assessing the competency, objectivity, capabilities and results of the work of the auditor's expert; — Evaluating and challenging the reasonableness of key assumptions based on our knowledge of the business and industry; — Evaluating and challenging the reasonableness of key parameters and source data used based on our knowledge and understanding of the financial instruments; and — Checking and evaluating arithmetic accuracy and relevance of the input data (including the comparable transactions) used.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in Company's 2021 annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 24 March 2022

The engagement director on the audit resulting in this independent auditor's report is:

So Chun Wai
Practising Certificate number: P07513

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	6	**202,788**	153,306
Cost of sales	7	**(138,451)**	(97,455)
Gross profit		**64,337**	55,851
Other gains, net	6	**4,228**	6,611
Selling expenses	7	**(10,929)**	(10,922)
Administrative expenses	7	**(80,178)**	(79,559)
Loss allowance on trade receivables	3.1(b) & 18	**(6,124)**	(21,767)
Change in fair value of contingent consideration receivable	18(iii)	**(17,755)**	–
Impairment loss on goodwill	15	**(7,128)**	(13,884)
Impairment loss on intangible assets	15	**–**	(5,249)
Impairment loss on interest in an associate	11	**(1,800)**	–
Operating loss		**(55,349)**	(68,919)
Finance costs, net	9	**(16,247)**	(14,624)
Share of results of associates	11	**(638)**	(16,115)
Loss before income tax		**(72,234)**	(99,658)
Income tax credit	12	**3,510**	1,701
Loss for the year		**(68,724)**	(97,957)
Loss attributable to:			
Owners of the Company		**(61,615)**	(97,531)
Non-controlling interests	10	**(7,109)**	(426)
		(68,724)	(97,957)
Loss per share (expressed in RMB cents per share)			
— basic and diluted	13	**(5.83)**	(9.37)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

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

The notes on pages 83 to 179 are integral parts of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	14	**30,326**	33,824
Intangible assets	15	**7,227**	17,556
Right-of-use assets	16	**4,923**	2,746
Deferred income tax assets	30	**1,013**	1,013
Trade and other receivables	18	**3,017**	19,710
Interest in an associate	11	**31,458**	33,896
Total non-current assets		**77,964**	108,745
Current assets			
Inventories	19	**73,270**	89,473
Other current assets	20	**25,147**	36,194
Trade and other receivables	18	**134,434**	193,707
Financial assets at fair value through profit or loss ("FVPL")	17	**51,002**	52,279
Pledged bank deposits	21	**801**	5,463
Bank balances and cash	22	**60,063**	12,781
Total current assets		**344,717**	389,897
Total assets		**422,681**	498,642
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	24	**8,694**	8,290
Share premium	26(e)	**281,110**	269,212
Other reserves	26	**(35,869)**	(59,819)
Accumulated losses		**(188,135)**	(136,800)
		65,800	80,883
Non-controlling interests	10	**22,594**	24,903
Total equity		**88,394**	105,786

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Liabilities			
Non-current liabilities			
Bank and other borrowings	27	**19,301**	15,457
Convertible bonds	28	**6,894**	–
Lease liabilities	16	**1,620**	420
Deferred income tax liabilities	30	**–**	162
Total non-current liabilities		**27,815**	16,039
Current liabilities			
Contract liabilities	23	**31,068**	73,687
Trade and other payables	29	**121,475**	129,098
Current income tax liabilities		**7,621**	11,288
Bank and other borrowings	27	**143,749**	160,988
Lease liabilities	16	**2,559**	1,756
Total current liabilities		**306,472**	376,817
Total liabilities		**334,287**	392,856
Total equity and liabilities		**422,681**	498,642

The notes on pages 83 to 179 are integral parts of the consolidated financial statements.

The consolidated financial statements on pages 76 to 179 were approved and authorised for issue by the Board of Directors on 24 March 2022 and signed on its behalf by

Lo Chi Sum
Chairman

Li Jun
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

		Attributable to owners of the Company						
	Notes	Share capital RMB'000	Share premium RMB'000 (note 26(e))	Other reserves RMB'000 (note 26)	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance as at 1 January 2020		8,290	269,212	(66,164)	(40,419)	170,919	11,404	182,323
Loss for the year		–	–	–	(97,531)	(97,531)	(426)	(97,957)
Other comprehensive income								
Item that may be reclassified subsequently to profit or loss:								
Currency translation differences		–	–	5,968	–	5,968	–	5,968
Total comprehensive loss		–	–	5,968	(97,531)	(91,563)	(426)	(91,989)
Transactions with owners								
Changes in ownership interests								
Non-controlling interests arising from business combination		–	–	–	–	–	13,925	13,925
Contributions and distributions								
Employee share option and share award scheme — value of employee services		–	–	1,527	–	1,527	–	1,527
Share option forfeited during the year		–	–	(1,150)	1,150	–	–	–
Total transactions with owners		–	–	377	1,150	1,527	13,925	15,452
Balance as at 31 December 2020		8,290	269,212	(59,819)	(136,800)	80,883	24,903	105,786

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

		Attributable to owners of the Company						
	Notes	Share capital RMB'000	Share premium RMB'000 (note 26(e))	Other reserves RMB'000 (note 26)	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance as at 1 January 2021		8,290	269,212	(59,819)	(136,800)	80,883	24,903	105,786
Loss for the year		–	–	–	(61,615)	(61,615)	(7,109)	(68,724)
Other comprehensive income (loss):								
Item that may be reclassified subsequently to profit or loss:								
Currency translation differences		–	–	3,212	–	3,212	–	3,212
Item that may not be reclassified subsequently to profit or loss:								
Currency translation differences		–	–	(84)	–	(84)	–	(84)
Total other comprehensive income		–	–	3,128	–	3,128	–	3,128
Total comprehensive loss		–	–	3,128	(61,615)	(58,487)	(7,109)	(65,596)
Transactions with owners								
Contributions and distributions								
Capital injections from non-controlling interests		–	–	–	–	–	4,800	4,800
Employee share option — value of employee services	25	–	–	93	–	93	–	93
Exercise of share options	24	404	11,898	(3,355)	–	8,947	–	8,947
Transfer of share option reserve upon the expiry of share options	25	–	–	(10,280)	10,280	–	–	–
Recognition of equity component of convertible bonds	28	–	–	34,364	–	34,364	–	34,364
Total transactions with owners		404	11,898	20,822	10,280	43,404	4,800	48,204
Balance as at 31 December 2021		8,694	281,110	(35,869)	(188,135)	65,800	22,594	88,394

The notes on pages 83 to 179 are integral parts of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES			
Cash generated from operations	34(a)	**20,893**	4,253
Interest received		**33**	33
Interest paid		**(12,801)**	(4,785)
Income tax paid		**(319)**	(1,115)
Net cash from (used in) operating activities		**7,806**	(1,614)
INVESTING ACTIVITIES			
Net cash inflow arising from business combination		**–**	304
Purchase of intangible assets		**–**	(122)
Purchases of property, plant and equipment		**(371)**	(906)
Decrease (Increase) in pledged deposits		**4,662**	(5,356)
Settlement of consideration receivable		**–**	2,900
Net cash outflow arising from disposal of a subsidiary	32	**(7)**	–
Net cash from (used in) investing activities		**4,284**	(3,180)
FINANCING ACTIVITIES			
Proceeds from bank and other borrowings	34(b)	**88,646**	106,121
Repayments of bank and other borrowings	34(b)	**(101,342)**	(97,923)
Interest of lease liabilities		**(152)**	(166)
Capital injection from non-controlling interests		**4,800**	–
Proceeds from exercise of share options		**8,947**	–
Proceeds from issue of convertible bonds, net of issuance cost	34(b)	**38,427**	–
Repayment of lease liabilities	34(b)	**(3,227)**	(3,031)
Net cash from financing activities		**36,099**	5,001
Net increase in cash and cash equivalents		**48,189**	207
Cash and cash equivalents at beginning of year		**6,575**	6,466
Effect of foreign exchange rate changes		**(208)**	(98)
Cash and cash equivalents at end of the year	22	**54,556**	6,575

The notes on pages 83 to 179 are integral parts of 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 ("Mr. Li"), and its subsidiary, Golden Ocean Holdings Corp. ("Golden Ocean"), 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 28) 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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(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 as explained in the accounting policies set out below.

(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, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

1 Effective for annual periods beginning on or after 1 April 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Principles of consolidation and equity accounting

(i) Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.3).

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are presented, separately from owners of the Company, in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by HKFRSs.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

Goodwill arising on an acquisition of an associate is measured as the excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the acquired associate. Such goodwill is included in interests in associates. On the other hand, any excess of the Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately in the consolidated statement of profit or loss as an income.

The Group determines at each reporting date whether there is any objective evidence that the interests in associates are impaired. If this is the case, the Group calculates the amount of impairment as the excess of the carrying value of the associate over its recoverable amount. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Principles of consolidation and equity accounting *(continued)*

(iii) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as equity transactions. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in the consolidated statement of profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs. If the ownership interest in an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of profit or loss where appropriate.

(v) Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Principles of consolidation and equity accounting *(continued)*

(vi) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated statement of profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, a joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means that amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interests in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests' proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred;
- amount of any non-controlling interests in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the consolidated statement of profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in the consolidated statement of profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Business combinations *(continued)*

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in the consolidated statement of profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted by the Company at cost less impairment. Cost also includes direct attributable costs of investment. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

2.6 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss within "finance cost". All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss within "other gains, net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Foreign currency translation *(continued)*

(iii) Group companies

The results and financial position of all the Group entities have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(2) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(3) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to the consolidated statement of profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Buildings	20–40 years
Vehicles and machinery	3–5 years
Furniture, fixtures and equipment	3–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Property, plant and equipment *(continued)*

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of profit or loss in the period in which the item is derecognised.

2.8 Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value-in-use ("VIU") and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Customer relationships

Customer relationships acquired in a business combination is recognised at fair value at the acquisition date and are amortised using the straight-line method over their estimated useful lives of 5 to 7 years.

(iii) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years.

(iv) Technology know-how

Acquired technology know-how is shown at historical cost. Technology know-how acquired in a business combination is recognised at fair value at the acquisition date. Technology know-how has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of technology know-how over their estimated useful lives of 5 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Intangible assets *(continued)*

(v) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new and improved products) or expenditures incurred in the development related to the application and infrastructure development are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the product so that it will be available for use;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;
- it can be demonstrated how the product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- the expenditure attributable to the product during its development can be reliably measured.

Directly attributable costs that are capitalised include the development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense is not recognised as an asset in a subsequent period.

(vi) Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

Computer software	5 years
Customer relationships	5–7 years
Technical know-how	5 years
Development costs	5 years

2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and VIU. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in the consolidated statement of profit or loss or OCI.

For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis. A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire, or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the consolidated statement of profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Investments and other financial assets *(continued)*

(iii) Measurement *(continued)*

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated statement of profit or loss and presented in other gains (losses) together with foreign exchange gains and losses. Impairment losses are included in administrative expenses in the consolidated statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the consolidated statement of profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statement of profit or loss and recognised in other gains (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains (losses) and impairment expenses are presented as separate line item in the consolidated statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss is recognised in the consolidated statement of profit or loss and presented net within other gains (losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in the consolidated statement of profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains (losses) in the consolidated statement of profit or loss as applicable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Investments and other financial assets *(continued)*

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 3.1(b) for further details.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of the inventories for specific application solutions project is determined individually. Cost of other inventories is determined using the weighted average method. The cost comprises acquisition cost purchased from third parties includes purchase price, related taxes, labour costs, transportation cost and insurance cost but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for goods sold and services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts (if any).

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in share premium as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets is substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated statement of profit or loss in the period in which they are incurred.

2.17 Convertible bonds

The component of the convertible bonds that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of issue costs.

On the issue of the convertible bonds, the fair value of the liability component is determined using a market rate for a similar bond that does not have a conversion option; and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The early redemption option components are measure at fair value at the issue date. In subsequent period, the early redemption option component is measure at fair value with changes in fair value recognised in profit or loss.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in the convertible bonds equity reserve within shareholders' equity, net of issue costs. The value of the conversion option carried in equity is not changed in subsequent years. When the conversion option is exercised, the balance of the convertible bonds equity reserve is transferred to share capital or other appropriate reserve. When the conversion option remains unexercised at the expiry date, the balance remained in the convertible bonds equity reserve is transferred to accumulated profits (losses). No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Issue costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised. Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.

When the Group extinguishes a convertible instrument before maturity through an early redemption or repurchase in which the original conversion privileges are unchanged, the Group allocates the consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the instrument at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received by the entity when the convertible instrument was issued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries and associates where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities and when the deferred income tax balances relate to the same taxation authority. Current income tax assets and income tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred income tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Employee benefits

(i) Retirement benefits

The Group provides defined contribution retirement plans based on local laws and regulations. The plans cover full-time employees and provide for contributions at certain percentage of salary as determined by the respective local government authorities. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

(ii) Employee leaves entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.20 Share-based payments

Share-based compensation benefits are provided to employees via the share option scheme and share award plan. Information relating to these schemes is set out in note 25.

Share Option Scheme

The fair value of options granted under the share option scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium. When the options are cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. When the options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits (losses).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Share-based payments *(continued)*

Share Award Plan

The share award plan is administered by the trustee of the share award plan. The fair value of shares granted under the plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by the market value of the shares on grant date.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

When exercised, the trust transfers the appropriate amount of shares to the employee for no cash consideration. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

When the granted shares are forfeited before the vesting date, the amount previously recognised in share award reserve will be transferred to accumulated profits (losses).

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2.22 Revenue recognition

Revenue comprises the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after elimination of sales made within the Group.

The Group recognises revenue when control of the products has transferred, and when specific criteria have been met for each of the Group's activities as described below. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Revenue recognition *(continued)*

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

The Group's revenue mainly includes application solutions, system maintenance services, sales of self-developed products and new media services.

(i) Application solutions

The Group provides application solutions including design, implementation and support services and provides broadcasting equipment under fixed-price contract. The components of application solutions are highly interdependent and regarded as one performance obligation.

Revenue for the application solutions is recognised at a point in time when the equipment is delivered, the installation is completed and accepted by the customers.

(ii) System maintenance services

System maintenance services include maintenance, extended warranty, training and other supporting services are provided in the form of fixed-price contracts. Revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

(iii) Sales of self-developed products

The Group sells self-developed equipment and related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

(iv) New media services

Revenue from new media services are recognised at the point in time upon the completion of sale transaction of goods or live-streaming activities.

2.23 Interest income

Interest income is recognised using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.24 Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.24 Leases *(continued)*

As lessee *(continued)*

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is re-measured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is re-measured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group re-measures the lease liability using a revised discount rate.

The Group recognises the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the re-measurement in the consolidated statement of profit or loss.

A lease modification is accounted for as a separate lease if

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.24 Leases *(continued)*

As lessee *(continued)*

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.

(b) the Group determines the lease term of the modified contract.

(c) the Group re-measures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the re-measurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in the consolidated statement of profit or loss.

(e) for all other lease modifications, the Group accounts for the re-measurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

2.25 Dividend distribution

Dividend distribution to the Company's ordinary shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or board of directors, where appropriate.

2.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

2.27 Contract assets and contract liabilities

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

For the business of application solutions, it is common for the Group to receive from the customer the whole or some of the contractual payments before the services are completed or when the goods are delivered (i.e., the timing of revenue recognition for such transactions). The Group recognises a contract liability until it is recognised as revenue. During that period, any significant financing components, if applicable, will be included in the contract liability and will be expensed as accrued unless the interest expense is eligible for capitalisation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.28 Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of the holding company of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the holding company of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC and Hong Kong and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollar ("USD") and HKD. Foreign exchange risk arose from future commercial transactions, recognised assets and liabilities which are not denominated in RMB.

Management has set up a policy to require 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 all over the world and the management control the payment schedule to reduce the foreign exchange risk.

As at 31 December 2021, if USD and HKD had weakened/strengthened by 5% (2020: 5%) against the RMB with all other variables held constant, loss before income tax for the year and other comprehensive income would have changed mainly as a result of foreign exchange gains/losses on translation of USD/HKD bank balances and cash, trade and other receivables, trade and other payables, bank and other borrowings and convertible bonds denominated in USD and HKD.

	2021 **RMB'000**	2020 RMB'000
Increase (decrease) in loss before income tax for the year		
Weakened 5% (2020: 5%)		
— USD	**(878)**	(1,240)
— HKD	**(53)**	(757)
Strengthened 5% (2020: 5%)		
— USD	**878**	1,240
— HKD	**53**	757

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign exchange risk (continued)

	2021 RMB'000	2020 RMB'000
Decrease (Increase) in other comprehensive loss for the year		
Weakened 5% (2020: 5%)		
— HKD	**129**	–
Strengthened 5% (2020: 5%)		
— HKD	**(129)**	–

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes in foreign currency represent management's assessment of reasonably possible changes in foreign exchange rates over the year until the end of the next annual reporting period.

(ii) Interest rate risk

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

The Group's interest rate risk arises from bank and other borrowings with variable interest rates. Borrowings 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.

As at 31 December 2021, if the interest rate on all bank and other borrowings had been 1% (2020: 1%) higher/lower with all other variables held constant, the Group's loss before income tax for the year would have been increased/decreased by approximately RMB292,000 (2020: RMB689,000).

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

Credit risk arises mainly from trade and other receivables and cash at bank. The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The credit risk of bank balances is limited because the counterparties are banks with good reputation and most of them are the state-owned banks in the PRC or licensed banks in Hong Kong.

As at 31 December 2021, the largest and the five largest customers contributed over 10% (2020: 14%) and 40% (2020: 41%) of the Group's total trade and other receivables respectively.

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of each reporting period, without taking into account any collateral held or other credit enhancements. A summary of the maximum exposure to credit risk is as follows:

	2021 RMB'000	2020 RMB'000
Trade receivables, net	**101,535**	160,100
Other receivables excluding prepayments	**35,246**	51,314
Bank balances and cash	**60,063**	12,781
Pledged bank deposits	**801**	5,463
	197,645	229,658

(i) Risk management

Credit risk is managed on a group basis. The Group has policies to limit the credit exposure on trade receivables. The Group assesses the credit quality of and sets credit limits on their customers by taking into account their financial position, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders to ensure the overall credit risk of the Group is limited to a controllable extent.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

The Group accounts for its credit risk by appropriately providing for ECL on a timely basis. In calculating the ECL rates, The Group considers historical loss rates for each category of receivables and adjusts for forward-looking macroeconomic data.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets

Trade receivables and other receivables (other than the contingent consideration receivable) are subject to the ECL model. While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

The Group applies the HKFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade receivables. For other receivables, the Group involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes.

The expected loss rates are based on the payment profiles of sales over a period of 48 months at the end of the reporting period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the region, relationship and credit of client which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categories a receivable for write off when a debtor fails to make contractual payments/repayable. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the consolidated statement of profit or loss.

To measure the ECLs, trade receivables has been grouped based on shared credit risk characteristics and the days past due.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets (continued)

The expected loss rates are based on the historical payment profiles of sales and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables

31 December 2021	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000	Credit-impaired
Non-credit impaired				
Less than 1 year past due	1.16%	67,068	778	No
More than 1 year but less than 2 years past due	10.23%	18,414	1,883	No
More than 2 years but less than 3 years past due	29.62%	9,384	2,780	No
More than 3 years but less than 4 years past due	39.03%	19,861	7,751	No
More than 4 years past due	100.00%	32,702	32,702	No
		147,429	45,894	
Credit-impaired				
More than 1 year but less than 2 years past due	100.00%	802	802	Yes
More than 2 years but less than 3 years past due	100.00%	2,177	2,177	Yes
More than 3 years but less than 4 years past due	100.00%	8,228	8,228	Yes
		11,207	11,207	
		158,636	57,101	

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets (continued)

Trade receivables *(continued)*

31 December 2020	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000	Credit-impaired
Non-credit impaired				
Less than 1 year past due	0.96%	98,075	938	No
More than 1 year but less than 2 years past due	8.90%	20,799	1,851	No
More than 2 years but less than 3 years past due	23.20%	40,144	9,312	No
More than 3 years but less than 4 years past due	33.52%	19,831	6,648	No
More than 4 years past due	100.00%	32,228	32,228	No
		211,077	50,977	

During the year ended 31 December 2021, a customer was involved in litigation and the management assessed that the customer was credit-impaired and collectability of balance of RMB11,207,000 was remote. Therefore, a full provision on such balance was made during the year.

The movements in loss allowances are summarised as follows:

	2021 RMB'000	2020 RMB'000
As at 1 January	**50,977**	29,210
Increase in loss allowance recognised in the consolidated statement of profit or loss	**6,124**	21,767
As at 31 December	**57,101**	50,977

In respect of other receivables (other than the contingent consideration receivable), the balances are considered to be low risk based on the past history of making payments when due and current ability to pay, adjusted for forward-looking factors specific to the debtors and the economic environment, and therefore the impairment provision is determined based on 12 months ECL. After applying the ECL model, the management considered, other than provision for impairment of deposits paid for acquisition of a subsidiary, that no additional impairment provision at the end of the reporting period is necessary.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and longer term. Management believes there is no significant liquidity risk as the Group has sufficient committed facilities to fund their operations.

The following table details the remaining contractual maturities at each of the reporting dates during the period of Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the year-end dates during the year) and the earliest date the Group may be required to pay.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total contractual undiscounted cash flows total RMB'000	Total carrying amounts RMB'000
As at 31 December 2021					
Trade and other payables (excluding non-financial liabilities)	86,655	–	–	86,655	86,655
Lease liabilities (including interest)	2,690	1,015	669	4,374	4,179
Bank and other borrowings (including interest)	153,464	198	19,682	173,344	163,050
Convertible bonds (including interest)	100	384	39,059	39,543	6,894
	242,909	1,597	59,410	303,916	260,778

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total contractual undiscounted cash flows total RMB'000	Total carrying amounts RMB'000
As at 31 December 2020					
Trade and other payables (excluding non-financial liabilities)	81,657	–	–	81,657	81,657
Lease liabilities (including interest)	1,808	300	135	2,243	2,176
Bank and other borrowings (including interest)	171,506	16,342	–	187,848	176,445
	254,971	16,642	135	271,748	260,278

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity.

	2021 RMB'000	2020 RMB'000
Bank and other borrowings	**163,050**	176,445
Convertible bonds	**6,894**	–
Lease liabilities	**4,179**	2,176
Total debts	**174,123**	178,621
Less: Pledged bank deposits	**(801)**	(5,463)
Less: Bank balances and cash	**(60,063)**	(12,781)
Net debts	**113,259**	160,377
Total equity	**88,394**	105,786
Gearing ratio	**128%**	152%

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation

(a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under HKFRS 13 "*Fair Value Measurement*".

The following table presents the Group's financial assets that are measured at fair value:

As at 31 December 2021	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Contingent consideration receivable	–	–	–
Financial assets at FVPL	–	–	**51,002**
	–	–	**51,002**
As at 31 December 2020			
Contingent consideration receivable	–	–	17,755
Financial assets at FVPL	–	–	52,279
	–	–	70,034

There were no transfers between Level 1, 2 and 3 during the year (2020: Nil).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting date;
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

All of the resulting fair value estimates are included in Level 3.

(c) Fair value measurements using significant unobservable inputs (Level 3)

The following table presents the changes in Level 3 instruments:

Description	Financial assets at FVPL — key-man life insurance policies RMB'000	Contingent consideration receivable RMB'000	Total RMB'000
As at 31 December 2021			
At beginning of the reporting period	52,279	17,755	70,034
Fair value changes	(1,277)	(17,755)	(19,032)
At end of the reporting period	51,002	–	51,002

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

(c) Fair value measurements using significant unobservable inputs (Level 3) *(continued)*

Description	Financial assets at FVPL — key-man life insurance policies RMB'000	Contingent consideration receivable RMB'000	Total RMB'000
As at 31 December 2020			
At beginning of the reporting period	48,296	17,755	66,051
Fair value changes	3,983	–	3,983
At end of the reporting period	52,279	17,755	70,034

The above fair value changes are reported in "Other gains, net" or "Change in fair value of contingent consideration receivable" in the consolidated statement of profit or loss.

Description of the valuation techniques and inputs used in Level 3 fair value measurement
The Group recognises the fair value of key-man life insurance policies at the end of each reporting period and fair value is based on cash flows discounted using a rate based on the market interest and risk premium specific to the financial instrument.

The Group recognises the fair value of contingent consideration receivable at the end of each reporting period and fair value is based on profits projections for aggregate performance of the disposed subsidiary.

Valuation process of the Group
The Group reviews estimation of fair values of key-man life insurance policies and contingent consideration receivable which are categorised into Level 3 of the fair value hierarchy. Reports with estimation of fair value prepared by the independent valuer on annually basis.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of trade and other receivables (other than the contingent consideration receivable)

The impairment provisions for trade receivables are based on assumptions about the expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss.

Management also reviews its trade and other receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables.

(b) Impairment of property, plant and equipment, right-of-use assets and intangible assets

The management determines the impairment loss on property, plant and equipment, right-of-use assets and intangible assets if circumstances indicate that the carrying value of an asset may not be recoverable. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amounts reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs of disposal and the VIU. In determining the VIU, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.8(i). The recoverable amounts of CGUs have been determined based on VIU calculations. These calculations require the use of estimates.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

4.1 Critical accounting estimates and assumptions *(continued)*

(c) Recognition of income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(d) Provision for inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value when there is objective evidence that the cost of inventories may not be recoverable. The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also be not recoverable if the estimated costs to be incurred to make the sale have increased. The amount written off to the consolidated statement of profit or loss is the difference between the carrying value and net realisable value of the inventories. In determining whether the cost of inventories can be recoverable, significant judgment is required. In making this judgment, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

(e) Fair value estimation

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The management have determined the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of the Group's financial assets at FVPL, contingent consideration receivable and the convertible bonds, the Group uses market-observable data to the extent it is available. The management of the Group will exercise their judgements based on their experience to establish and determine the appropriate valuation techniques and inputs to the valuation model. Where there is a material change in the fair value of the assets/liabilities, the causes of the fluctuations will be reported to the management of the Group. The information about the valuation techniques, inputs and key assumptions used in the determination of those assets and liabilities are detailed in notes 17, 18 and 28 respectively.

(f) Identification of performance obligations

For application solution services, the Group assesses the nature of the goods or services provided and determines that the sales of equipment and the relevant service are regarded as one performance obligation after considering the factors of significant integration, significant modification or customisation, and highly interdependence or interrelation.

(g) Impairment of interest in an associate

When there is an indication that interest in an associate may suffer an impairment loss, management assesses the recoverable amounts of an associate, taking into account its current financial performance and position, and the cash flows of an associate, which require significant judgment.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

4.2 Judgement

(a) Control over Beijing Gefei Technology Co., Limited ("Beijing Gefei")

The Group holds 49% equity interests in Beijing Gefei through Cogent (Beijing) Technology Company Limited ("Cogent (Beijing)"). On 31 August 2020, Cogent (Beijing) and one of the other investors of Beijing Gefei, namely Beijing Yutai Investment Co., Limited ("Yutai"), a company incorporated in the PRC which holds 2% equity interests in Beijing Gefei, entered into an agreement (the "Voting Rights Arrangement") pursuant to which Yutai agreed to irrevocably appoint Cogent (Beijing) to exercise all of Yutai's rights to vote at the shareholders general meetings of Beijing Gefei at nil consideration. The Voting Rights Arrangement will be terminated upon mutual agreement in writing between the Group and Yutai is made. The Voting Rights Arrangement remained effective during the year ended 31 December 2021.

The relevant activities which significantly affect Beijing Gefei's return are determined by shareholders based on a simple majority vote during shareholders' meeting. As the Group's voting rights in Beijing Gefei's shareholders' meeting exceed 50% followed by execution of the Voting Rights Arrangement, the directors of the Company have concluded that the Group has control over Beijing Gefei since 31 August 2020.

(b) Control over Beijing Yanhe Vision Technology Co., Ltd. ("Beijing Yanhe")

The Group holds 40% equity interests in Beijing Yanhe through Hangzhou Century Sage Information Technology Co., Ltd. ("Hangzhou CSIT"), a company established in the PRC on 29 September 2021.

At the date of establishment of Beijing Yanhe, Hangzhou CSIT and one of the other independent investors of Beijing Yanhe, Mr. Lo Yiu Fong, who holds 30% equity interests in Beijing Yanhe, entered into a concerted action agreement (the "Concerted Action Agreement") pursuant to which Mr. Lo Yiu Fong agreed to irrevocably follow Hangzhou CSIT's decision at the shareholders general meetings of Beijing Yanhe. The Concerted Action Agreement will be terminated upon mutual agreement in writing between Hangzhou CSIT and Mr. Lo Yiu Fong is made.

The relevant activities which significantly affect Beijing Yanhe's return are determined by shareholders based on a simple majority vote during shareholders' meeting. As the Group's voting rights in Beijing Yanhe's shareholders' meeting exceed 50% followed by execution of the Concerted Action Agreement, the directors of the Company have concluded that the Group has control over Beijing Yanhe since its establishment.

5. 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.

5. SEGMENT INFORMATION *(continued)*

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

5. SEGMENT INFORMATION *(continued)*

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

	Application solutions RMB'000	System maintenance services RMB'000	Sales of self-developed products RMB'000	New media services RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Revenue (from external customers)	95,164	13,673	38,593	5,876	–	153,306
— Inter-segment revenue	–	–	3,389	–	(3,389)	–
Total revenue	95,164	13,673	41,982	5,876	(3,389)	153,306
Results						
Segment results	13,948	6,665	11,367	4,738	–	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 an associate						(1,608)
Change in fair value on financial assets at FVPL						3,983
Finance costs, net						(14,624)
Loss before income tax						(99,658)
Income tax credit						1,701
Loss for the year						(97,957)
Other segment informations:						
Impairment loss on goodwill	–	–	(13,884)	–	–	(13,884)
Impairment loss on intangible assets	–	–	(5,249)	–	–	(5,249)

5. SEGMENT INFORMATION *(continued)*

Information about major customers

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

	Year ended 31 December			
	2021		2020	
	Amount RMB'000	**% of total revenue**	Amount RMB'000	% of total revenue
Customer A	**N/A**	**N/A**	49,513	32%

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 RMB'000	2020 RMB'000
The PRC	**192,262**	151,279
Hong Kong	**10,146**	1,879
Others	**380**	148
	202,788	153,306

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Total of non-current assets other than deferred income tax assets, trade and other receivables and interest in an associate		
The PRC	**42,089**	53,570
Hong Kong	**387**	556
	42,476	54,126

6. 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 RMB'000	2020 RMB'000 (Note) (re-presented)
Revenue from contracts with customers within the scope of HKFRS 15:		
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
	202,788	153,306
Timing of revenue recognition		
At a point in time	**190,800**	139,633
Over time	**11,988**	13,673
	202,788	153,306

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

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.

	2021 RMB'000	2020 RMB'000
Other gains		
Fair value gains on financial assets at FVPL (note 17)	**–**	3,983
Gain on disposal of a subsidiary (note 32)	**87**	–
Government grants	**599**	1,953
Value added tax refund	**4,512**	2,159
Others	**329**	198
Other gains	**5,527**	8,293
Other losses		
Fair value losses on financial assets at FVPL (note 17)	**(1,277)**	–
Loss on deemed disposal of an associate	**–**	(1,608)
Loss on disposal of property, plant and equipment	**(22)**	(74)
Other losses	**(1,299)**	(1,682)
Other gains, net	**4,228**	6,611

7. EXPENSES BY NATURE

	2021 RMB'000	2020 RMB'000 (Note) (re-presented)
Costs of inventories (note 19)*	**128,206**	90,482
Employee benefit expenses (note 8)	**57,289**	50,347
Legal fee and professional charges	**7,627**	2,823
Provision for inventory obsolescence (note 19)	**4,006**	11,487
Office expenses	**3,818**	2,978
Depreciation expenses of property, plant and equipment (note 14)	**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 (note 16)	**3,049**	2,989
Amortisation expenses of intangible assets (note 15)	**2,962**	7,380
Others	**2,702**	2,801
Business development	**2,565**	2,085
Amortisation of deferred day-one loss (note 28)	**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
	229,558	187,936

* 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.

8. EMPLOYEE BENEFIT EXPENSES

	2021 RMB'000	2020 RMB'000
Wages and salaries	**45,845**	42,140
Contributions to defined contribution plans (Note)	**5,667**	2,505
Welfare and other allowances	**4,501**	4,175
Bonus	**1,183**	–
Share based payment expenses (Note 25)	**93**	1,527
	57,289	50,347

Note: During the year ended 31 December 2020, the Group was benefited from the preferential policy of social insurance contribution reduction and exemption during the coronavirus outbreak epidemic.

8. EMPLOYEE BENEFIT EXPENSES *(continued)*

(a) Defined contribution plans

The Group has arranged its Hong Kong employees to join Mandatory Provident Fund ("MPF") Scheme. Under the MPF Scheme, each of the Group's companies (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the MPF Scheme Ordinance. The contributions from each of the employers and employees are subject to a cap of HKD1,500 per month and thereafter contributions are voluntary.

The Group's employees in the PRC are required to participate in a defined contribution retirement scheme administered and operated by local municipal governments. The Group's PRC subsidiaries contribute funds which are calculated on fixed percentage of the employees' salaries (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefit of the employees during the year.

No forfeited contributions for the above plans may be used by the employer to reduce the existing level of contributions.

(b) Five highest paid individuals

Of the five highest paid individuals in the Group, four (2020: five) individuals were directors of the Company and whose emoluments are set out in note 37. The emoluments of the remaining one (2020: Nil) non-director individual for 2021, are as follows:

	2021 RMB'000	2020 RMB'000
Salaries	**385**	–
Discretionary bonus	**539**	–
Contributions to defined contribution plans	**71**	–
	995	–

8. EMPLOYEE BENEFIT EXPENSES *(continued)*

(b) Five highest paid individuals *(continued)*

The number of the highest paid individuals (excluding the directors of the Company) whose remuneration fell within the following band is as follows:

	Number of individuals	
	2021	2020
Emolument band		
HKD1,000,001–HKD1,500,000	**1**	–

No remuneration was paid or payable by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of these individuals waived any emoluments during the years ended 31 December 2021 and 2020.

9. FINANCE INCOME AND COSTS

	2021 RMB'000	2020 RMB'000
Finance income		
— Interest income on short-term bank deposits	**33**	33
Finance costs		
— Interest expenses on bank and other borrowings	**(13,076)**	(10,738)
— Interest expenses on amount due to a related company/a shareholder	**(403)**	(421)
— Interest expenses on convertible bonds (note 28)	**(727)**	–
— Interest expenses on lease liabilities	**(152)**	(166)
— Interest expenses on amounts due to a director	**(182)**	(188)
— Net foreign exchange loss	**(1,740)**	(3,144)
	(16,280)	(14,657)
Finance costs, net	**(16,247)**	(14,624)

10. SUBSIDIARIES

Name of subsidiaries	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Effective equity interests held
Directly owned:				
Century Sage Scientific International Limited	BVI, limited liability company	Investment holding company, Hong Kong	10,000 ordinary shares of USD1 each	100%
Yijiang Information Technology Co., Limited	BVI, limited liability company	Investment holding company, Hong Kong	50,000 ordinary shares of USD1 each	100%
Indirectly owned:				
Cortesia Limited	BVI, limited liability company	Investment holding company, Hong Kong	1 ordinary share of USD1	100%
Century Sage Scientific Group Ltd	BVI, limited liability company	TV broadcast application solutions industry, the PRC	1 ordinary share of USD50	100%
Century Sage Scientific Solutions Limited	BVI, limited liability company	Investment holding company, Hong Kong	1 ordinary share of USD1	100%
Yijiang Technology HK Limited	Hong Kong, limited liability company	Investment holding company, Hong Kong	10,000 ordinary shares of HKD10,000	100% (2020: Nil)
北京世紀睿科系統技術有限公司 (Beijing Century Sage Scientific System and Technology Company Limited *) ("CSS (Beijing)")	The PRC, limited liability company	TV broadcast application solutions industry, the PRC	Registered capital of RMB20,000,000	100%
Times Sage Technology Limited	BVI, limited liability company	TV broadcast application solutions industry, the PRC	1 ordinary share of USD1	100%
時代華睿(北京)科技有限公司 (Times Sage (Beijing) Tech Company Limited *) ("Times Sage (Beijing)")	The PRC, limited liability company	TV broadcast application solutions industry, the PRC	Registered capital of RMB30,000,000	100%
Evertop Technology (Int'l) Limited	Hong Kong, limited liability company	TV broadcast application solutions industry, Hong Kong	2 ordinary shares of HKD2	100%
Cogent Technologies Limited	BVI, limited liability company	TV broadcast application solutions industry, the PRC	1 ordinary share of USD1	100%
Cogent Tech (Asia) Limited	Hong Kong, limited liability company	Investment holding company, Hong Kong	1 ordinary share of HKD1	100%
高駿(北京)科技有限公司 (Cogent (Beijing) Technology Company Limited *) ("Cogent (Beijing)")	The PRC, limited liability company	Research, development and sale of technical products, the PRC	Registered capital of RMB12,000,000	100%

10. SUBSIDIARIES *(continued)*

Name of subsidiaries	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Effective equity interests held
Indirectly owned: *(continued)*				
Century Sage Scientific (HK) Limited	Hong Kong, limited liability company	TV broadcast application solutions industry, Hong Kong	1 ordinary share of HKD1	100%
Fineone International Limited	BVI, limited liability company	Equipment trading, the PRC	1 ordinary share of USD1	100%
TV Logic Technology Limited	BVI, limited liability company	Equipment trading, the PRC	1 ordinary share of USD1	100%
NI Systems Limited	BVI, limited liability company	Equipment trading, the PRC	1 ordinary share of USD1	100%
天維通達(北京)數碼科技有限公司 (Tianwei Tongda (Beijing) Digital Technology Company Limited *)	The PRC, limited liability company	TV broadcast application solutions industry, the PRC	Registered capital of RMB6,000,000	100%
北京經緯中天信息技術有限公司 (Beijing BroadVision Information Technology company Limited *) (“Beijing BroadVision”)	The PRC, limited liability company	Research and development of TV broadcasting and multi-media, new media production, the PRC	Registered capital of RMB10,010,000	55%
泰德星創（北京）科技有限公司 (Satron Technologies (Beijing) Company Limited *)	The PRC, limited liability company	Research and development and sales of professional video products, and transmission and communication equipment, the PRC	Registered capital of RMB5,000,000	100%
台灣世紀睿科有限公司 (Century Sage Scientific (Taiwan) Limited)	Taiwan, limited liability company	TV broadcast application solutions industry, Taiwan	New Taiwan dollar (“TWD”) 10,000	51%
世紀睿科(澳門)一人有限公司 (CSS Macau Limited)	Macau, limited liability company	TV broadcast application solutions industry, Macau	Macau Pataca 25,000	100%
北京格非科技股份有限公司 (Beijing Gefei Technology Co., Limited *) (“Beijing Gefei”) (note (i))	The PRC, limited liability company	Development and production of core technology equipment systems for the production and processing of radio, television media and new media	Registered capital of RMB15,800,000	49%
易匠未來科技（杭州）有限公司 (Yijiang Future Technology (Hangzhou) Co., Ltd.*)	The PRC, limited liability company	Investment holding company, the PRC	Registered capital of RMB40,000,000	100% (2020: Nil)
杭州世紀睿科信息技術有限公司 (Hangzhou Century Sage Information Technology Co., Ltd. *)	The PRC, limited liability company	Provision of new media service, the PRC	Registered capital of RMB40,000,000	100% (2020: Nil)

10. SUBSIDIARIES *(continued)*

Name of subsidiaries	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Effective equity interests held
Indirectly owned: *(continued)*				
杭州聚火互動文化傳播有限公司 (Hangzhou Juhuo Interactive Culture Communication Co., Ltd. *) ("Hangzhou Juhuo")	The PRC, limited liability company	Provision of new media service, the PRC	Registered capital of RMB10,000,000	52% (2020: Nil)
北京言和視際科技有限公司 (Beijing Yanhe Vision Technology Co., Ltd. *) ("Beijing Yanhe") (note (ii))	The PRC, limited liability company	Provision of new media service, the PRC	Registered capital of RMB2,000,000	40% (2020: Nil)
杭州易匠未來智慧科技有限公司 (Hangzhou Yijiang Future Wisdom Technology Co., Ltd. *)	The PRC, limited liability company	Provision of new media service, the PRC	Registered capital of RMB1,000,000	100% (2020: Nil)

Unless stated otherwise, the percentage of equity interests held by the Company for the years ended 31 December 2021 and 2020 are the same.

None of the subsidiaries had issued any debt securities during the year.

Notes:

(i) As mentioned in note 4.2(a), Beijing Gefei is classified as a subsidiary of the Group followed by execution of the Voting Rights Arrangement since 31 August 2020. The financial position and results of Beijing Gefei have been consolidated into the financial statements of the Group since 31 August 2020.

(ii) As mentioned in note 4.2(b), Beijing Yanhe is classified as a subsidiary of the Group followed by execution of the Concerted Action Agreement since 29 September 2021. The financial position and results of Beijing Yanhe have been consolidated into the financial statements of the Group since 29 September 2021.

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

Material non-controlling interests

Set out below are the summarised financial information for Beijing BroadVision, Beijing Gefei and Hangzhou Juhuo (2020: Beijing BroadVision and Beijing Gefei) of which non-controlling interests are material to the Group. The summarised financial information represents amounts before inter-company eliminations since acquisition.

10. SUBSIDIARIES *(continued)*

Material non-controlling interests *(continued)*

Summarised statement of financial position

	Beijing BroadVision	
	2021	2020
	RMB'000	RMB'000
Current assets	**14,885**	18,348
Current liabilities	**(6,552)**	(6,036)
Net current assets	**8,333**	12,312
Non-current assets	**4,545**	5,001
Non-current liabilities	**(1,339)**	–
Net assets	**11,539**	17,313
Carrying amount of non-controlling interests	**6,054**	8,652

Summarised statement of profit or loss

	Beijing BroadVision	
	2021	2020
	RMB'000	RMB'000
Revenue	**11,817**	13,399
Loss before income tax	**(5,569)**	(5,174)
Income tax expense	**(204)**	(14)
Loss and total comprehensive loss	**(5,773)**	(5,188)
Loss attributable to non-controlling interests	**(2,598)**	(2,335)
Dividend paid to non-controlling interests	**–**	–

10. SUBSIDIARIES *(continued)*

Material non-controlling interests *(continued)*

Summarised cash flows

	Beijing BroadVision	
	2021 **RMB'000**	2020 RMB'000
Operating activities		
Cash (used in) from operations	**(1,788)**	1,184
Income tax paid	**(152)**	–
Net cash (used in) from operating activities	**(1,940)**	1,184
Net cash used in investing activities	**(13)**	(93)
Net (decrease) increase in cash and cash equivalents	**(1,953)**	1,091
Cash and cash equivalents at beginning of year	**2,809**	1,718
Cash and cash equivalents at end of year	**856**	2,809

Summarised statement of financial position

	Beijing Gefei	
	2021 **RMB'000**	2020 RMB'000
Current assets	**99,741**	120,299
Current liabilities	**(79,049)**	(88,698)
Net current assets	**20,692**	31,601
Non-current assets	**1,658**	343
Net assets	**22,350**	31,944
Carrying amount of non-controlling interests	**11,398**	16,291

10. SUBSIDIARIES *(continued)*

Material non-controlling interests *(continued)*

Summarised statement of profit or loss

	Beijing Gefei	
	Year ended 31 December 2021 RMB'000	Period from 31 August 2020 to 31 December 2020 RMB'000
Revenue	**93,371**	38,463
(Loss) Profit before income tax	**(8,847)**	4,641
Income tax expenses	**(747)**	–
(Loss) Profit and total comprehensive income	**(9,594)**	4,641
(Loss) Profit attributable to non-controlling interests	**(4,893)**	2,367
Dividend paid to non-controlling interests	**–**	–

Summarised cash flows

	Beijing Gefei	
	Year ended 31 December 2021 RMB'000	Period from 31 August 2020 to 31 December 2020 RMB'000
Operating activities		
Cash from (used in) operations	**371**	(586)
Income tax paid	**–**	–
Net cash from (used in) operating activities	**371**	(586)
Net cash used in investing activities	**(249)**	–
Net cash (used in) from financing activities	**(2,490)**	2,954
Net (decrease) increase in cash and cash equivalents	**(2,368)**	2,368
Cash and cash equivalents at beginning of the year/period	**2,672**	304
Cash and cash equivalents at end of year/period	**304**	2,672

10. SUBSIDIARIES *(continued)*

Material non-controlling interests *(continued)*

Summarised statement of financial position

	Hangzhou Juhuo As at 31 December 2021 RMB'000
Current assets	26,200
Current liabilities	(2,156)
Net current assets	24,044
Non-current assets	353
Non-current liabilities	(147)
Net assets	24,250
Carrying amount of non-controlling interests (note)	5,415

Note: The Group had injected RMB13,000,000 during the year while non-controlling interests did not inject any additional capital. The non-controlling interests are not entitled to the excess contribution made by the Group of approximately RMB13,000,000 in accordance with agreements entered into between the shareholders.

Summarised statement of profit or loss

	Hangzhou Juhuo Period from 13 September 2021 (date of establishment) to 31 December 2021 RMB'000
Revenue	5,873
Profit before income tax	1,339
Income tax expenses	(59)
Profit and total comprehensive income	1,280
Profit attributable to non-controlling interests	615
Dividend paid to non-controlling interests	–

10. SUBSIDIARIES *(continued)*

Material non-controlling interests *(continued)*

Summarised cash flows

	Hangzhou Juhuo
	Period from 13 September 2021 (date of establishment) to 31 December 2021 RMB'000
Operating activities	
Cash used in operations	(4,166)
Income tax paid	–
Net cash used in operating activities	(4,166)
Net cash used in investing activities	(162)
Net cash from financing activities	23,000
Cash and cash equivalents at end of period	18,672

11. INTEREST IN AN ASSOCIATE

The amount recognised in the consolidated statement of financial position is as follows:

	2021 RMB'000	2020 RMB'000
Cost of investment	34,410	34,410
Accumulated impairment loss	(1,800)	–
Share of post-acquisition loss and other comprehensive loss, net of dividends received	(1,152)	(514)
	31,458	33,896

11. INTEREST IN AN ASSOCIATE *(continued)*

The amount recognised in the consolidated statement of profit or loss is as follows:

	2021 RMB'000	2020 RMB'000
Share of results of associates	**(638)**	(16,115)

Details of the associate at the end of the reporting period are as follows:

Name of associates	Place of business, country of incorporation	% of ownership interest		Carrying amount	
		2021	2020	**2021 RMB'000**	2020 RMB'000
北京永達天恒體育文化傳媒有限公司 (Beijing Evertop Sports Culture Media Co., Ltd *) ("Beijing Evertop")	Beijing, The PRC	**45%**	45%	**31,458**	33,896

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

(i) Beijing Evertop is a private company and there is no quoted market price available for the investment.

(ii) Beijing Evertop is accounted for using the equity method in the consolidated financial statements.

(iii) The principal activity of Beijing Evertop is engaged in sports broadcasting, as well as media copyright promotion.

Relationship with an associate

Beijing Evertop, a non-wholly owned subsidiary of the Wanda Group, a multinational conglomerate company in the PRC, provides business synergy between the Group and the Wanda Group by putting together the skills and techniques of the Group and the Wanda Group to provide more diversified solutions to its customers and participate in more sports and events.

Summarised financial information

Summarised financial information prepared using the same accounting policies as adopted by the Group is set out below. The information for 2020 includes the results of Beijing Gefei for the period from 1 January 2020 to the date which the Group obtain control over Beijing Gefei (i.e. 31 August 2020) as mentioned in note 4.2(a).

11. INTEREST IN AN ASSOCIATE *(continued)*

Summarised financial information *(continued)*

(a) Beijing Gefei

(i) Summarised statement of comprehensive income

	Period from 1 January 2020 to 31 August 2020 RMB'000
Revenue	33,580
Loss before income tax	(17,518)
Income tax expense	–
Loss and total comprehensive loss	(17,518)

(ii) Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in an associate.

	As at 31 August 2020 RMB'000
Opening net assets	44,822
Loss for the period	(17,518)
Closing net assets	27,304
Share of net assets (49%)	13,379
Fair value adjustments	605
Goodwill	1,003
Carrying value of interest in an associate	14,987
Disposal of interest in an associate	(14,987)
Carrying value	–

11. INTEREST IN AN ASSOCIATE *(continued)*

Summarised financial information *(continued)*

(b) Beijing Evertop

(i) Summarised statement of financial position

	2021 RMB'000	2020 RMB'000
Current assets	**37,795**	61,218
Current liabilities	**(18,858)**	(44,147)
Net current assets	**18,937**	17,071
Non-current assets	**8,264**	9,491
Non-current liabilities	**(677)**	(1,044)
Net assets	**26,524**	25,518

(ii) Summarised statement of comprehensive income

	2021 RMB'000	2020 RMB'000
Revenue	**16,331**	5,636
Loss before income tax	**(2,170)**	(16,457)
Income tax credit	**752**	2,409
Loss and total comprehensive loss	**(1,418)**	(14,048)

(iii) Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in an associate.

	2021 RMB'000	2020 RMB'000
Opening net assets	**23,548**	37,596
Loss for the year	**(1,418)**	(14,048)
Closing net assets	**22,130**	23,548
Share of net assets (45%)	**9,959**	10,597
Goodwill	**23,299**	23,299
Accumulated impairment loss on goodwill	**(1,800)**	–
Carrying value of interest in an associate	**31,458**	33,896

11. INTEREST IN AN ASSOCIATE *(continued)*

Impairment test

The Group has engaged an independent valuer, Vincorn Consulting and Appraisal Limited ("Vincorn"), to perform the valuation of carrying amount of the Group's interest in Beijing Evertop as at 31 December 2021. The recoverable amount of Beijing Evertop has been determined based on the basis of VIU. The VIU calculation use cash flow projections based on financial budgets prepared by the management covering a 5-year period, and pre-tax discount rate of 14.4% (2020: 16%). The cash flow beyond the 5-year period are extrapolated using a 3% (2020: 3%) growth rate with the cooperation with the Group to provide more diversified solutions to its customers and participate in more sports and events, the management of the Group considers the growth rate is reasonable.

The key assumptions for the VIU calculation are budgeted growth rate and budgeted gross margin, which are determined based on the past performance and the management's expectation of the market development, future performance of Beijing Evertop and market growth forecast.

Based on the valuation prepared by Vincorn, the recoverable amounts are determined lower than the carrying amounts.

The recoverable amount of the CGU of Beijing Evertop, comprising goodwill, measured at VIU, is RMB48,023,000 (2020: RMB51,348,000). Accordingly, impairment losses of RMB1,800,000 (2020: Nil) was provided for goodwill in relation to interest in an associate during the year ended 31 December 2021.

12. INCOME TAX CREDIT

	2021 **RMB'000**	2020 RMB'000
PRC enterprise income tax ("EIT")		
— Current income tax	**936**	441
— Over-provision in prior years	**(4,284)**	(1,861)
	(3,348)	(1,420)
Deferred income tax (note 30)	**(162)**	(281)
Income tax credit	**(3,510)**	(1,701)

12. INCOME TAX CREDIT *(continued)*

Reconciliation of income tax credit:

	2021 RMB'000	2020 RMB'000
Loss before income tax	**(72,234)**	(99,658)
Tax calculated at applicable tax rates of 25% (2020: 25%)	**(18,058)**	(24,915)
Tax effects of:		
— Expenses not deductible for tax purpose	**6,975**	5,357
— Effect of preferential/different tax rate	**2,406**	3,127
— Share of results of associates	**160**	4,028
— Unrecognised temporary differences	**7,247**	7,098
— Reversal of temporary differences for which deferred income tax asset was recognised	**–**	14
— Utilisation of temporary difference previously not recognised	**(670)**	–
— Unrecognised tax losses	**2,714**	5,451
— Over-provision in prior years	**(4,284)**	(1,861)
Income tax credit	**(3,510)**	(1,701)

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.

12. INCOME TAX CREDIT *(continued)*

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), CSS (Beijing), Times Sage (Beijing), Beijing BroadVision and Beijing Gefei (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 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.

13. 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 (in RMB'000)	**(61,615)**	(97,531)
Weighted average number of ordinary shares in issue (in thousand)	**1,056,527**	1,041,243
Basic loss per share (RMB cents per share)	**(5.83)**	(9.37)

(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.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Vehicles and machinery RMB'000	Furniture, fixture and equipment RMB'000	Total RMB'000
Reconciliation of carrying amount — Year ended 31 December 2020				
As at 1 January 2020	33,707	1,711	1,934	37,352
Exchange realignments	–	–	113	113
Additions	40	68	798	906
Additions — acquisition of a subsidiary	–	19	349	368
Disposals	–	(7)	(67)	(74)
Depreciation	(2,726)	(613)	(1,502)	(4,841)
As at 31 December 2020	31,021	1,178	1,625	33,824
Reconciliation of carrying amount — Year ended 31 December 2021				
As at 1 January 2021	**31,021**	**1,178**	**1,625**	**33,824**
Exchange realignments	**–**	**–**	**122**	**122**
Additions	**–**	**–**	**371**	**371**
Disposal of a subsidiary (note 32)	**(163)**	**(231)**	**–**	**(394)**
Written off	**–**	**(19)**	**(3)**	**(22)**
Depreciation	**(2,798)**	**(425)**	**(352)**	**(3,575)**
As at 31 December 2021	**28,060**	**503**	**1,763**	**30,326**
As at 31 December 2020				
Cost	53,664	6,314	21,023	81,001
Accumulated depreciation	(22,643)	(5,136)	(19,398)	(47,177)
	31,021	1,178	1,625	33,824
As at 31 December 2021				
Cost	**53,436**	**3,761**	**14,504**	**71,701**
Accumulated depreciation	**(25,376)**	**(3,258)**	**(12,741)**	**(41,375)**
	28,060	**503**	**1,763**	**30,326**

The Group's buildings are located in the PRC.

Depreciation expenses of RMB3,575,000 (2020: RMB4,841,000) has been charged in administrative expenses for the year ended 31 December 2021.

As at 31 December 2021, buildings with carrying amount of RMB27,960,000 (2020: RMB30,441,000) have been pledged for bank borrowings (note 27(b)).

15. INTANGIBLE ASSETS

	Goodwill RMB'000 (note a)	Computer software RMB'000	Customer relationships RMB'000	Technical know-how RMB'000	Development costs RMB'000	Total 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	7,128	7,759	2,228	441	–	17,556
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 32)	**–**	**–**	**–**	**(239)**	**–**	**(239)**
Amortisation	**–**	**(1,598)**	**(1,189)**	**(175)**	**–**	**(2,962)**
Impairment	**(7,128)**	**–**	**–**	**–**	**–**	**(7,128)**
As at 31 December 2021	**–**	**6,161**	**1,039**	**27**	**–**	**7,227**
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	7,128	7,759	2,228	441	–	17,556
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	**–**	**6,161**	**1,039**	**27**	**–**	**7,227**

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

15. INTANGIBLE ASSETS *(continued)*

15(a) Goodwill

Goodwill acquired through business combinations has been allocated to two individual CGUs for impairment test:

	CGUs					
	AVIT		Beijing BroadVision		Total	
	2021 RMB'000	2020 RMB'000	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
Goodwill	**–**	–	**–**	7,128	**–**	7,128

Impairment tests for CGUs containing goodwill

CGU of Shanghai Cogent Info-Tech Co., Limited ("AVIT")

The goodwill arising from acquisition of AVIT of RMB12,100,000 has been fully impaired in previous year. AVIT was disposed during the year ended 31 December 2021.

CGU of Beijing BroadVision

The Group has engaged Vincorn to perform an appraisal of the recoverable amount of the CGU of Beijing BroadVision. The recoverable amount of CGU has been determined on the basis of higher of the CGU's fair value less costs of disposal and VIU calculations.

The recoverable amount of Beijing BroadVision has been determined on the basis of VIU. The VIU calculation uses cash flow projection based on financial budgets approved by management covering a 5-year period by applying certain key assumptions below:

	2021	2020
Gross margin	**55.0%**	57.0%
Pre-tax discount rate	**16.8%**	16.4%
Average growth rate	**4.6%**	4.8%
Perpetual growth rate	**3.0%**	3.0%

The pre-tax discount rates used reflects the specific risks relating to the relevant business. The perpetual growth rates are based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Other key assumptions for the VIU calculation are budgeted growth rate and budgeted gross margin, which are determined based on the past performance and the management's expectation of the market development, future performance of the CGU and market growth forecast.

Based on the valuation prepared by Vincorn, the recoverable amounts of the CGU of Beijing BroadVision are determined lower than its carrying amounts.

The recoverable amount of the CGU of Beijing BroadVision, comprising goodwill, right-of-use assets and intangible assets, measured at VIU, is RMB10,635,000 (2020: RMB16,165,000). Accordingly, impairment losses of RMB7,128,000 (2020: RMB1,784,000) was provided for goodwill in relation to this CGU during the year ended 31 December 2021.

The directors of the Company considered that the goodwill related to the CGU in Beijing BroadVision was fully impaired for the year ended 31 December 2021 as significant reduction in broadcasting projects in the PRC caused by the continuous coronavirus outbreak that resulted in a decline of revenue during the current year and reduced anticipated cash flows from the future operating synergies from exploiting the customer base of the Group's existing businesses.

16. LEASES

Right-of-use assets	Properties RMB'000
Reconciliation of carrying amount — year ended 31 December 2020	
As at 1 January 2020	4,295
Additions	1,461
Depreciation	(2,989)
Exchange realignments	(21)
As at 31 December 2020	2,746
Reconciliation of carrying amount — year ended 31 December 2021	
As at 1 January 2021	**2,746**
Additions	**5,230**
Depreciation	**(3,049)**
Exchange realignments	**(4)**
As at 31 December 2021	**4,923**
As at 31 December 2020	
Cost	8,215
Accumulated depreciation	(5,469)
Net book amount	2,746
As at 31 December 2021	
Cost	**8,122**
Accumulated depreciation	**(3,199)**
Net book amount	**4,923**

16. LEASES *(continued)*

Depreciation expenses of RMB3,049,000 (2020: RMB2,989,000) for the year ended 31 December 2021 has been charged in administrative expenses.

The Group's right-of-use assets in respect of properties represent the prepaid operating lease payment of car parks located in the PRC with lease term of 46 years and leases of various offices and warehouses respectively. Rental contracts relation to various offices and warehouses are typically made for fixed periods of 2 to 3 years (2020: 2 to 3 years). Lease terms are negotiated on an individual basis and contain similar terms and conditions.

As at 31 December 2021 and 2020, the Group's right-of-use assets were located in the PRC and Hong Kong.

Restrictions or covenants

Most of the leases impose a restriction that, unless the approval is obtained from the lessor, the right-of-use asset can only be used by the Group and the Group is prohibited from selling or pledging the underlying assets.

For leases of properties, the Group is required to keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

Lease liabilities

	2021 RMB'000	2020 RMB'000
Lease liabilities		
Non-current	**1,620**	420
Current	**2,559**	1,756
	4,179	2,176

Note: The incremental borrowing rate applied to the lease liabilities during the year ended 31 December 2021 is 4.82% (2020: 4.73%).

	2021 RMB'000	2020 RMB'000
Lease payments:		
Short-term leases	**355**	216
Expenses recognised in the consolidated statement of profit or loss	**355**	216
Lease payments:		
Interest on lease liabilities	**152**	166
Repayment of lease liabilities	**3,227**	3,031
	3,379	3,197
Total cash outflow for leases	**3,734**	3,413

17. FINANCIAL ASSETS AT FVPL

	2021 RMB'000	2020 RMB'000
At beginning of the year	**52,279**	48,296
Fair value change	**(1,277)**	3,983
At end of the year	**51,002**	52,279

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 27(d).

Discounted cash flow ("DCF") model was applied to determine the fair value of the investments in key-man life insurance policies. The significant assumptions and inputs used in the DCF model were as follows:

	2021	2020
Mortality rate	**0.52%**	0.54%
Discount rate	**3.57%**	3.67%

As at 31 December 2021, if the discount rate has been 0.1% (2020: 0.1%) higher/lower with all other variables held constant, the fair value of key-men life insurance policies would have been decreased by approximately RMB944,000 (2020: RM974,000) or increased by approximately RMB997,000 (2020: RMB1,027,000).

18. TRADE AND OTHER RECEIVABLES

	Notes	2021 RMB'000	2020 RMB'000
Trade receivables			
— from third parties		**154,965**	207,274
— from an associate		**3,671**	3,803
	(vi)	**158,636**	211,077
Less: provision for impairment of trade receivables	3.1(b)	**(57,101)**	(50,977)
Trade receivables, net		**101,535**	160,100
Other receivables			
Deposit for guarantee certificate over tendering and performance	(i)	**16,384**	16,838
Deposit paid for acquisition of a subsidiary	(ii)	**16,934**	16,934
Cash advance to employees		**6,556**	7,716
Contingent consideration receivable	(iii)	**–**	17,755
Due from related parties	(iv)	**2,578**	1,487
Receivable from disposal of a subsidiary (note 32)	(v)	**1,200**	–
Other deposits paid		**897**	915
Others		**8,301**	8,606
		52,850	70,251
Less: provision for impairment of deposits paid for acquisition of a subsidiary	(ii)	**(16,934)**	(16,934)
		35,916	53,317
Total trade and other receivables		**137,451**	213,417
Less: Non-current portion			
Contingent consideration receivable	(iii)	**–**	17,755
Trade receivables — third parties	(vi)	**3,071**	2,009
Less: provision for impairment of trade receivables		**(54)**	(54)
Non-current portion		**3,017**	19,710
Current portion		**134,434**	193,707

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

18. TRADE AND OTHER RECEIVABLES *(continued)*

Notes:

(i) Deposits for guarantee certificate over tendering and performance are placed with customers for performing the contracts and they are interest free and will be returned when the contracts complete.

(ii) The amount represented a refundable deposit paid in relation to a proposed acquisition of 100% equity interests of a target company amounting to HKD20,000,000 (equivalent to RMB16,934,000) paid to the seller in 2015. The conditions precedent underlying this proposed acquisition was not fulfilled and therefore the acquisition did not proceed. In March 2018, the Group entered into another framework agreement with this seller to transfer this deposit into prepayment of 20% equity interests of another target company. In 2018, management has evaluated that the acquisition of this new target company would not contribute benefit to the Group as a whole and did not proceed further. Thereafter, management ran into dispute with the seller to refund the deposit. Based on the management's assessment with consultation with external legal counsel's opinion, the recoverability of the prepayment is remote. Management is of the opinion that the cost of incurring legal proceeding expenses will outweigh benefit, and therefore would not proceed further to collect the outstanding amount from the seller. A full provision was provided in 2018 accordingly.

(iii) The amount represented contingent receivable for disposal of 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 the Beijing Evertop was affected. On 8 July 2020, the Group and Wanda Sports Co., Ltd ("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.

18. TRADE AND OTHER RECEIVABLES *(continued)*

Notes: *(continued)*

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

Details of amount due from related companies are as follows:

		As at 31 December		Maximum amount During the year ended 31 December	
	Notes	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 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
		2,578	1,487		

Notes:

(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.

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

(vi) 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:

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

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

18. TRADE AND OTHER RECEIVABLES *(continued)*

Information about the impairment of trade receivables and the Group's exposure to foreign currency risk and credit risk are detailed in notes 3.1(a) and 3.1(b) to the consolidated financial statements respectively.

The carrying amounts of the trade and other receivables are denominated in the following currencies:

	2021 RMB'000	2020 RMB'000
Trade receivables		
RMB	**90,735**	155,029
USD	**678**	1,839
HKD	**10,122**	3,232
	101,535	160,100
Other receivables		
RMB	**35,378**	52,768
HKD	**216**	120
USD	**–**	382
Others	**322**	47
	35,916	53,317
	137,451	213,417

Movements on the provision for impairment of trade receivables are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of the year	**50,977**	29,210
Provision for impairment	**6,124**	21,767
At end of the year	**57,101**	50,977

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

19. INVENTORIES

	2021 RMB'000	2020 RMB'000
Equipment and parts	**55,981**	73,599
Contract work in progress	**28,991**	27,772
	84,972	101,371
Provision for inventories	**(11,702)**	(11,898)
	73,270	89,473

As at 31 December 2020, inventories with carrying amount of RMB10,409,000 have been pledged for other borrowings (note 27(f)).

Provision of RMB4,006,000 (2020: RMB11,487,000) was made to write down the inventories to net realisable value during the year. Provision made in previous years against the carrying amount of inventories of RMB3,749,000 (2020: RMB34,624,000) and RMB453,000 (2020: Nil) have been written off against the inventories due to technological obsolescence and through disposal of a subsidiary respectively.

The cost of inventories recognised as expense is included in "cost of sales" amounted to RMB128,206,000 (2020: RMB90,482,000) for the year ended 31 December 2021.

20. OTHER CURRENT ASSETS

	2021 RMB'000	2020 RMB'000
Prepayment for purchase of goods or services	**25,147**	36,194

21. PLEDGED BANK DEPOSITS

The amounts represent deposits placed in banks for guarantees issued for trade finance facilities used by the Group. The deposits have a maturity period within one year and bear interest rate of 0.30% (2020: rates ranging from 0.30% to 0.35%) per annum for the year ended 31 December 2021.

The carrying amount of the pledged bank deposits are denominated in the following currencies:

	2021 RMB'000	2020 RMB'000
RMB	**707**	4,964
HKD	**94**	499
	801	5,463

22. BANK BALANCES AND CASH

	2021 RMB'000	2020 RMB'000
Cash on hand	**43**	111
Cash at banks	**60,020**	12,670
Bank balances and cash	**60,063**	12,781
Bank overdrafts (note 27(i))	**(5,507)**	(6,206)
As stated in the consolidated statement of cash flows	**54,556**	6,575

The carrying amount of the bank balances and cash are denominated in the following currencies:

	2021 RMB'000	2020 RMB'000
RMB	**30,910**	9,929
HKD	**11,528**	736
USD	**194**	1,853
Great Britain Pound ("GBP")	**10**	33
Japanese Yen ("JPY")	**17,093**	–
Others	**328**	230
	60,063	12,781

The conversion of RMB into foreign currencies for the purpose of dividends is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The effective interest rate on bank deposits is 0.30% (2020: were ranging from 0.30% to 0.35%) per annum for the year ended 31 December 2021.

23. CONTRACT LIABILITIES

	2021 RMB'000	2020 RMB'000
Contract liabilities — third parties	**31,068**	73,687

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

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within HKFRS 15 during the year are as follows:

	2021 RMB'000	2020 RMB'000
As at 1 January	**73,687**	57,452
Additions — business combination	**–**	18,097
Disposal of a subsidiary (note 32)	**(754)**	–
Recognised as revenue	**(67,482)**	(49,197)
Receipt of advances or recognition of receivables	**25,617**	47,335
As at 31 December	**31,068**	73,687

For the year ended 31 December 2021, the decrease in contract liabilities was mainly due to recognition of revenue, thereby decreasing the amount arising from the receipt of advances or recognition receivables.

As at 31 December 2021, most of the contract liabilities are expected to be settled within next 12 months.

24. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares HKD'000
Authorised:		
Ordinary shares of HKD0.01 each		
As at 1 January 2020, 31 December 2020, 1 January 2021 and **31 December 2021**	5,000,000,000	50,000

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

	Number of ordinary shares	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000
Balance as at 1 January 2020, 31 December 2020 and 1 January 2021	1,041,243,169	10,412	8,290
Exercise of share options (i)	48,640,000	487	404
Balance as at 31 December 2021	1,089,883,169	10,899	8,694

(i) On 6 September 2021, 10 September 2021 and 20 September 2021, 25,340,000, 21,400,000 and 1,900,000 options were exercised respectively to subscribe for a total of 48,640,000 ordinary shares of the Company at an aggregate consideration of HKD10,778,000. Accordingly, HKD487,000 (equivalent to RMB404,000) was credited to share capital and HKD14,332,000 (equivalent to RMB11,898,000) was credited to share premium. HKD4,041,000 (equivalent to RMB3,355,000) was transferred from the other reserve to the share premium account in accordance with the policy set out in note 2.20. The shares issued rank pari passu in all respects among themselves and with other shares then in issue.

25. SHARE BASED PAYMENTS

(i) Share Award Plan

The Company adopted a share award plan (the "Share Award Plan") on 24 March 2014, which is administered by a trustee (the "Share Award Plan Trustee"). The purposes of the Share Award Plan are to recognise and reward the contribution of certain selected participants to the growth and development of the Group, to give incentives thereto in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. The Share Award Plan, unless early terminated, will remain in force for 10 years until 23 March 2024.

The board of directors shall notify the Share Award Plan Trustee in writing upon the making of an award to an eligible participant (the "Selected Participant") under the Share Award Plan. Upon the receipt of such notice, the Share Award Plan Trustee shall set aside the appropriate number of awarded shares pending the transfer and vesting of the same to the Selected Participant out of a pool of shares comprising the following:

(a) such shares as may be (1) transferred to the Share Award Plan Trustee from any person (other than the Group) by way of gift; or (2) purchased by the Share Award Plan Trustee by utilising the funds received by the Share Award Plan Trustee from any person (other than the Group) by way of gift;

(b) such shares as may be purchased by the Share Award Plan Trustee on the Stock Exchange by utilising the funds allocated by the board of directors out of the Group's resources;

(c) such shares as may be subscribed for at par value by the Share Award Plan Trustee by utilising the Group's resources; and

(d) such shares which remain unvested and revert to the Share Award Plan Trustee in accordance with the rules of the Share Award Plan.

Subject to the rules of the Share Award Plan, the legal and beneficial ownership of the relevant awarded shares shall vest in the relevant Selected Participant within ten business days after the latest of:

(a) the date specified on the notice of the award given by the board of directors to the Share Award Plan Trustee; and

(b) where applicable, the date on which the condition(s) or performance target(s) (if any) to be attained by such Selected Participant as specified in the related notice of award have been attained and notified to the Share Award Plan Trustee by the board of directors in writing.

The former ultimate holding company of the Company, Cerulean Coast Limited ("Cerulean"), has reserved and set aside a total of 22,500,000 award shares which are held by the Share Award Plan Trustee. The Share Award Plan involves granting of existing shares held by the Share Award Plan Trustee and no new shares will be issued pursuant to the Share Award Plan.

25. SHARE BASED PAYMENTS *(continued)*

(i) Share Award Plan *(continued)*

Movement of the awarded shares under the Share Award Plan during the year is as follows:

	Number of awarded shares
As at 1 January 2021	**2,000,000**
Vested	**(2,000,000)**
As at 31 December 2021	**–**
As at 1 January 2020	347,836
Granted	12,104,540
Vested	(10,452,376)
As at 31 December 2020	2,000,000

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date. The fair value of awarded shares granted during the year ended 31 December 2020 was RMB0.09 per share.

(ii) Share Option Scheme

The Company has adopted a share option scheme (the "Share Option Scheme") on 13 June 2014. The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted. The purpose of the Share Option Scheme is to grant options to selected participants as incentives or rewards for their contribution to the Group. The eligibility of any participants to the grant of any option shall be determined by board of directors from time to time taking into account of his contribution to the development and growth of the Group.

The options will expire either after 10 years from the date of grant or upon the termination or the issuance of termination notice of the relevant grantee's employment with the Group. The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 30% of the total number of shares in issue from time to time.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the shares in issue at the date of the passing of the relevant ordinary resolution. If any option is to be granted to connected person(s), it must be approved by independent non-executive directors or independent shareholders as the case may be.

25. SHARE BASED PAYMENTS *(continued)*

(ii) Share Option Schemes *(continued)*

The maximum number of shares in respect of which share options may be granted to a specifically identified single grantee under the Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

Share options granted under the Scheme where applicable to a director, chief executive, substantial shareholder or management shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive directors who are the prospective grantees in question). In addition, any share options granted to a substantial shareholder or any independent non-executive director of the Company, or any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HKD5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

Under the Share Option Scheme, the options granted may be accepted by a participant within 21 days from the date of such offer. A consideration of HKD1 is payable on acceptance of the offer of grant of an option. Options may be exercised a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

The subscription price for shares payable on exercise of share options granted under the Share Option Scheme shall be a price determined by the directors of the Company, but shall in any event not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of share.

The options granted prior to and remaining outstanding at termination, if any, shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme

2015

On 9 April 2015, the board of directors of the Company approved to grant 14,216,000 share options at the exercise price of HKD1.84 per share (the "2015 Scheme"). The options were divided into two tranches at the grant date. The first tranche of 50% of the option can be exercised beginning on the 3rd anniversary of the grant date and the remaining tranche will become exercisable on the 4th anniversary of the grant date.

25. SHARE BASED PAYMENTS *(continued)*

(ii) Share Option Schemes *(continued)*

2016

On 7 April 2016, the board of directors of the Company approved to grant 13,542,000 share options at the exercise price of HKD0.77 per share (the "2016 Scheme") representing the following:

Type A: 12,912,000 share options under the 2016 Scheme were divided into two tranches at the grant date. The first tranche of 50% of the option can be exercised beginning on the 2nd anniversary of the grant date and the remaining tranche will become exercisable on the 3rd anniversary of the grant date. 8,540,000 share options under Type A were taken as replacement of the outstanding share options under the 2015 Scheme.

Type B: The remaining 630,000 share options under the 2016 Scheme were divided into two tranches at the grant date. The first tranche of 50% of the option can be exercised beginning on the 3rd anniversary of the grant date and the remaining tranche will become exercisable on the 4th anniversary of the grant date.

2017

On 21 August 2017, the board of directors of the Company approved to grant 7,200,000 share options at the exercise price of HKD0.435 per share. The options were divided into two tranches at the grant date. The first tranche of 50% of the option can be exercised beginning on the 3rd anniversary of the date of the employment agreement between the respective grantee and the Group. The remaining tranche will become exercisable beginning on the 4th anniversary of the date of the employment agreement between the respective grantee and the Group.

2018

On 28 November 2018, the board of directors of the Company approved to grant 57,670,000 share options at the exercise price of HKD0.222 per share. The options can be exercised beginning on the 2nd anniversary of the grant date.

2020

On 10 September 2020, the board of directors of the Company approved to grant 7,000,000 share options at the exercise price of HKD0.067 per share (the "2020 Scheme"). The options were divided into two tranches at the grant date. The first tranche of 4,000,000 share options can be exercised beginning on the 2nd anniversary of the date of grant. The remaining tranche of 3,000,000 share options will become exercisable on the 3rd anniversary of the grant date.

2021

The unconditional mandatory cash offer was made by Somerley Capital Limited on behalf of Golden Ocean to cancel all vested and unvested share options granted under Share Option Scheme on the terms and conditions set out in the composite document dated 7 September 2021.

25. SHARE BASED PAYMENTS *(continued)*

(ii) Share Option Schemes *(continued)*

The following table discloses movements of the Company's share options held by directors and employees of the Group during the years ended 31 December 2021 and 2020:

2021:

Name of category of participant	Date of grant	Exercise price HKD	Outstanding at 1 January 2021	Exercised during the year	Cancelled during the year	Outstanding at 31 December 2021
Director in aggregate	28 November 2018	0.222	7,000,000	(7,000,000)	–	–
	10 September 2020	0.067	4,000,000	(4,000,000)	–	–
Employees in aggregate	21 August 2017	0.435	5,000,000	(5,000,000)	–	–
	28 November 2018	0.222	41,940,000	(29,640,000)	(12,300,000)	–
	10 September 2020	0.067	3,000,000	(3,000,000)	–	–
			60,940,000	(48,640,000)	(12,300,000)	–
Weighted average exercise price (HKD)			0.222	0.222	0.222	–
Weighted average share price on date of exercise (HKD)				1.406		

2020:

Name of category of participant	Date of grant	Exercise price HKD	Outstanding at 1 January 2020	Reclassification during the year	Granted during the year	Lapsed/ Forfeited during the year	Outstanding at 31 December 2020
Directors in aggregate	9 April 2015	1.840	1,018,000	–	–	(1,018,000)	–
	7 April 2016	0.770	2,376,000	(1,358,000)	–	(1,018,000)	–
	28 November 2018	0.222	8,000,000	(1,000,000)	–	–	7,000,000
	10 September 2020	0.067	–	–	4,000,000	–	4,000,000
Employees in aggregate	7 April 2016	0.770	2,382,000	1,358,000	–	(3,740,000)	–
	21 August 2017	0.435	5,000,000	–	–	–	5,000,000
	28 November 2018	0.222	47,670,000	1,000,000	–	(6,730,000)	41,940,000
	10 September 2020	0.067	–	–	3,000,000	–	3,000,000
			66,446,000	–	7,000,000	(12,506,000)	60,940,000
Weighted average exercise price (HKD)			0.302	–	0.067	0.562	0.222

As at 31 December 2020, 51,440,000 share options were exercisable.

25. SHARE BASED PAYMENTS *(continued)*

(ii) Share-based payment expenses

The amounts of share-based payment expenses with a corresponding credit to reserve of the Group during the year are as follows:

	2021 RMB'000	2020 RMB'000
Share Award Plan		
— Employees (excluding directors of the Company)	–	786
— Directors of the Company	–	85
	–	871
Share Option Scheme		
— Employees (excluding directors of the Company)	40	368
— Directors of the Company (note 37)	53	288
	93	656
	93	1,527

26. OTHER RESERVES

	Merger reserve RMB'000 (note a)	Translation reserve RMB'000 (note b)	Share option reserve RMB'000 (note c)	Capital reserve RMB'000 (note d)	Convertible bonds equity reserve RMB'000 (note f)	Total RMB'000
Balance as at 1 January 2020	(70,612)	(10,688)	13,165	1,971	–	(66,164)
Employee share award and option scheme	–	–	1,527	–	–	1,527
Share option forfeited during the year	–	–	(1,150)	–	–	(1,150)
Currency translation difference	–	5,968	–	–	–	5,968
Balance as at 31 December 2020	(70,612)	(4,720)	13,542	1,971	–	(59,819)
Balance at 1 January 2021	**(70,612)**	**(4,720)**	**13,542**	**1,971**	**–**	**(59,819)**
Employee share option scheme	**–**	**–**	**93**	**–**	**–**	**93**
Transfer of share option reserve upon the expiry of share options	**–**	**–**	**(10,280)**	**–**	**–**	**(10,280)**
Recognition of equity component of convertible bonds	**–**	**–**	**–**	**–**	**34,364**	**34,364**
Exercise of share options	**–**	**–**	**(3,355)**	**–**	**–**	**(3,355)**
Currency translation difference	**–**	**3,128**	**–**	**–**	**–**	**3,128**
Balance as at 31 December 2021	**(70,612)**	**(1,592)**	**–**	**1,971**	**34,364**	**(35,869)**

Notes:

a. The merger reserve of the Group represents the difference between the nominal value of the shares of the Company, acquired pursuant to the Group reorganisation, over the nominal value of the Company's shares issued in exchange thereof.

b. The translation reserve has been set up and is dealt with in accordance with the accounting policies adopted for foreign currency translation as set out in note 2 to the consolidated financial statements.

c. The share option reserve comprises the fair value of share-based payment transactions and is dealt with in accordance with the accounting policy as set out in note 2 to the consolidated financial statements.

d. The capital reserve has been set up to deal with the changes in ownership interests in subsidiaries that do not result in a loss of control. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised in capital reserves.

e. Share premium represents the excess of the net proceeds or consideration from issuance of the Company's shares over their par value.

f. The convertible bonds equity reserve represents the equity component of the convertible bonds issued as set out in note 2 to the consolidated financial statements.

27. BANK AND OTHER BORROWINGS

	Note	2021 RMB'000	2020 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**	–
Bank and other borrowings		**157,543**	170,239
Bank overdrafts, unsecured and unguaranteed	(i)	**5,507**	6,206
		163,050	176,445
Non-current		**19,301**	15,457
Current		**143,749**	160,988
		163,050	176,445

(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.

27. BANK AND OTHER BORROWINGS *(continued)*

(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 and Future Miracle Limited, an ex-shareholder of the Company which was beneficially owned by Mr. Leung Wing Fai (who resigned as 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 27(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 JPY) is repayable in June 2025.

27. BANK AND OTHER BORROWINGS *(continued)*

(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).

(j) The scheduled repayment dates of the Group's bank and other borrowings, as set out in loan arrangements without considering the effect of any repayment on demand clause, are as follows:

	2021 RMB'000	2020 RMB'000
Repayable on demand or within 1 year	143,749	160,988
Repayable after 1 year but within 2 years	–	15,457
Repayable after 2 years but within 5 years	19,301	–
	163,050	176,445

(k) The exposure of the Group's bank and other borrowings to interest rate changes are as follows:

	2021 RMB'000	2020 RMB'000
Fixed interest rate	130,754	107,577
Variable interest rate	32,296	68,868
	163,050	176,445

(l) The carrying amounts of the Group's bank and other borrowings are denominated in the following currencies:

	2021 RMB'000	2020 RMB'000
HKD	13,227	20,179
USD	18,022	20,528
RMB	112,500	135,506
TWD	1,381	232
JPY	17,920	–
	163,050	176,445

28. 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. 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 and the Company's circular dated 6 September 2021 and the Company's composite document dated 7 September 2021.

28. CONVERTIBLE BONDS *(continued)*

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

	Liability Component RMB'000	Deferred day-one loss RMB'000	Total RMB'000
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 9)	727	–	727
Interest payables on convertible bonds included in other payables	(100)	–	(100)
Amortisation of deferred day-one loss (note 7)	–	2,294	2,294
Exchange realignments	(505)	415	(90)
Carrying amount as at 31 December 2021	30,874	(23,980)	6,894

29. TRADE AND OTHER PAYABLES

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

29. TRADE AND OTHER PAYABLES *(continued)*

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 RMB'000	2020 RMB'000
Within 3 months	**23,137**	30,564
Over 3 months but within 6 months	**1,140**	67
Over 6 months but within 1 year	**7,377**	417
Over 1 year but within 2 years	**9,682**	12,865
Over 2 years but within 3 years	**7,481**	991
Over 3 years	**3,416**	2,443
	52,233	47,347

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2021 RMB'000	2020 RMB'000
RMB	**51,368**	42,407
USD	**413**	4,671
HKD	**232**	25
EUR	**197**	197
TWD	**–**	14
GBP	**23**	33
	52,233	47,347

(b) The amounts due to Beijing Evertop are unsecured, interest-free and repayable on demand.

(c) The balance represents the amounts 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%) 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.

30. DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred tax income liabilities are as follows:

	2021 RMB'000	2020 RMB'000
Deferred income tax assets: — to be recovered after more than 12 months	**1,013**	1,013
Deferred income tax liabilities: — to be recovered after more than 12 months	**–**	(162)
Deferred income tax assets — net	**1,013**	851

The movements in deferred income tax assets (liabilities) are as follows:

	Provision for impairment loss on trade and other receivables RMB'000	Fair value surplus arising from acquisition of subsidiaries RMB'000	Total RMB'000
As at 1 January 2020	1,027	(457)	570
Credited to the consolidated statement of profit or loss	(14)	295	281
As at 31 December 2020 and at 1 January 2021	1,013	(162)	851
Credited to the consolidated statement of profit or loss	**–**	**162**	**162**
As at 31 December 2021	**1,013**	**–**	**1,013**

As at 31 December 2021, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside the PRC, for which no deferred income tax liability had been provided, were approximately RMB49,266,000 (2020: RMB47,650,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to a foreign investor in the foreseeable future based on management's estimation of overseas funding requirements.

30. DEFERRED INCOME TAX *(continued)*

Unrecognised deferred income tax assets arising from

	2021 RMB'000	2020 RMB'000
Before multiplied by the applicable tax rates:		
Deductible temporary differences	**133,975**	98,803
Tax losses	**159,251**	167,285
	293,226	266,088

No deferred income tax asset has been recognised in respect of these items due to the unpredictability of future profit streams. No deductible temporary differences expire under current tax legislation. The expiry dates of unrecognised tax losses are as follows:

	2021 RMB'000	2020 RMB'000
Tax losses expiring on 31 December 2022	**–**	6,571
Tax losses expiring on 31 December 2023	**11,314**	16,872
Tax losses expiring on 31 December 2024	**37,900**	41,223
Tax losses expiring on 31 December 2025	**9,596**	14,437
Tax losses expiring on 31 December 2026	**8,132**	–
Tax loss without expiry date	**92,309**	88,182
	159,251	167,285

31. DIVIDENDS

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

32. DISPOSAL OF A SUBSIDIARY

On 30 April 2021, the Group disposed of its entire equity interests in 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:

	RMB'000
Net assets disposed of:	
Property, plant and equipment (note 14)	394
Intangible assets (note 15)	239
Inventories	1,531
Trade and other receivables	1,089
Bank balances and cash	7
Trade and other payables	(1,393)
Contract liabilities (note 23)	(754)
	1,113
Gain on disposal of a subsidiary (note 6)	87
Total consideration receivable (note 18(v))	1,200
Analysis of net outflow of cash and cash equivalents in respect of disposal of a subsidiary:	
Bank balances and cash disposed	(7)

33. FINANCIAL INSTRUMENTS BY CATEGORY

	At amortised costs RMB'000	Financial assets at FVPL RMB'000	Total RMB'000
As at 31 December 2021			
Assets as per consolidated statement of financial position			
Trade and other receivables excluding prepayments	136,781	–	136,781
Financial assets at FVPL	–	51,002	51,002
Bank balances and cash	60,063	–	60,063
Pledged bank deposits	801	–	801
	197,645	51,002	248,647

	Other financial liabilities at amortised cost RMB'000
As at 31 December 2021	
Liabilities as per consolidated statement of financial position	
Bank and other borrowings	163,050
Trade and other payables excluding non-financial liabilities	86,655
Convertible bonds	6,894
Lease liabilities	4,179
	260,778

33. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

	At amortised costs RMB'000	Financial assets at FVPL RMB'000	Total RMB'000
As at 31 December 2020			
Assets as per consolidated statement of financial position			
Trade and other receivables excluding prepayments	193,659	17,755	211,414
Financial assets at FVPL	–	52,279	52,279
Bank balances and cash	12,781	–	12,781
Pledged bank deposits	5,463	–	5,463
	211,903	70,034	281,937

	Other financial liabilities at amortised cost RMB'000
As at 31 December 2020	
Liabilities as per consolidated statement of financial position	
Bank and other borrowings	176,445
Trade and other payables excluding non-financial liabilities	81,657
Lease liabilities	2,176
	260,278

34. OTHER CASH FLOW INFORMATION

(a) Reconciliation of loss before income tax to cash generated from operations:

	2021 RMB'000	2020 RMB'000
Loss before income tax	**(72,234)**	(99,658)
Adjustments for:		
— Amortisation of intangible assets (note 15)	**2,962**	7,380
— Amortisation of deferred day-one loss (note 28)	**2,294**	–
— Loss allowance on trade receivables (note 18)	**6,124**	21,767
— Provision for inventories (note 19)	**4,006**	11,487
— Depreciation of property, plant and equipment (note 14)	**3,575**	4,841
— Depreciation of right-of-use assets (note 16)	**3,049**	2,989
— Impairment loss on goodwill (note 15)	**7,128**	13,884
— Impairment loss on intangible assets (note 15)	**–**	5,249
— Impairment loss on interest in an associate (note 11)	**1,800**	–
— Interest income (note 9)	**(33)**	(33)
— Interest expenses (note 9)	**14,540**	11,513
— Fair value change in financial assets at FVPL (note 17)	**1,277**	(3,983)
— Fair value change in contingent consideration receivable (note 18(iii))	**17,755**	–
— Share based compensation expenses (note 25)	**93**	1,527
— Share of results of associates (note 11)	**638**	16,115
— Gain on disposal of a subsidiary (note 32)	**(87)**	–
— Write off of property, plant and equipment	**22**	74
— Loss on deemed disposal of an associate	**–**	1,608
	(7,091)	(5,240)
Changes in working capital:		
— Inventories	**10,666**	21,683
— Trade and other receivables	**63,245**	7,304
— Trade and other payables	**(45,927)**	(19,494)
Cash generated from operations	**20,893**	4,253

34. OTHER CASH FLOW INFORMATION *(continued)*

(b) Changes in liabilities arising from financing activities:

	Lease liabilities RMB'000 (note 16)	Bank and other borrowings (excluding bank overdrafts) RMB'000 (note 27)	Convertible bonds RMB'000 (note 28)	Total RMB'000
As at 1 January 2020	3,746	136,105	–	139,851
New leases	1,461	–	–	1,461
Cash flows:				
Repayment of lease liabilities	(3,031)	–	–	(3,031)
Proceeds from bank and other borrowings	–	106,121	–	106,121
Repayments of bank and other borrowings	–	(97,923)	–	(97,923)
	(3,031)	8,198	–	5,167
Other change:				
Arising from business combination	–	25,936	–	25,936
As at 31 December 2020 and 1 January 2021	2,176	170,239	–	172,415
New leases	**5,230**	**–**	**–**	**5,230**
Cash flows:				
Repayment of lease liabilities	**(3,227)**	**–**	**–**	**(3,227)**
Proceeds from issue of convertible bonds	**–**	**–**	**38,427**	**38,427**
Proceeds from bank and other borrowings	**–**	**88,646**	**–**	**88,646**
Repayments of bank and other borrowings	**–**	**(101,342)**	**–**	**(101,342)**
	(3,227)	**(12,696)**	**38,427**	**22,504**
Exchange realignments	**–**	**–**	**(90)**	**(90)**
Other changes:				
Amortisation of deferred day-one loss (note 28)	**–**	**–**	**2,294**	**2,294**
Interest expenses on convertible bonds (note 28)	**–**	**–**	**727**	**727**
Interest payables	**–**	**–**	**(100)**	**(100)**
Equity components of convertible bonds	**–**	**–**	**(34,364)**	**(34,364)**
	–	**–**	**(31,443)**	**(31,443)**
As at 31 December 2021	**4,179**	**157,543**	**6,894**	**168,616**

35. RELATED PARTY TRANSACTIONS

(a) Key management compensation

Key management includes directors. The compensation paid or payable to key management for employee services is shown as follows:

	2021 RMB'000	2020 RMB'000
Salaries, bonus and other allowances	3,897	5,335
Contributions to defined contribution plans	241	197
Share based payment expenses (notes 25 and 37)	53	373
	4,191	5,905

(b) In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following transactions with related parties:

Related parties relationship	Nature of transactions	2021 RMB'000	2020 RMB'000
A director	Interest expenses (note (i))	182	188
A related company/a shareholder	Interest expenses (note (ii))	403	421
An associate	Sales	–	(95)
An associate	Purchases	4,051	–

Notes:

(i) The interest expenses were paid/payable to Mr. Lo.

(ii) The interest expenses were paid/payable to Cerulean.

None of these related party transactions constitutes a connected transaction or continuing connected transaction which are required to be disclosed in this annual report in compliance with the requirements under Chapter 14A of the Listing Rules.

36. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Notes	2021 RMB'000	2020 RMB'000
Assets			
Non-current assets			
Investments in subsidiaries		**49,075**	69,075
Due from subsidiaries	36(c)	**5,485**	10,485
		54,560	79,560
Current assets			
Due from subsidiaries	36(d)	**6,913**	1,150
Other receivables		**61**	63
Cash and cash equivalents		**9,474**	1
		16,448	1,214
Total assets		**71,008**	80,774
Equity and liabilities			
Equity			
Share capital		**8,694**	8,290
Share premium	36(b)	**281,110**	269,212
Share option reserve	36(b)	**–**	13,542
Convertible bonds equity reserve	36(b)	**34,364**	–
Translation reserve	36(b)	**(84)**	–
Accumulated losses	36(b)	**(260,186)**	(210,985)
Total equity		**63,898**	80,059
Liabilities			
Non-current liabilities			
Convertible bonds		**6,894**	–
Current liabilities			
Trade and other payables		**216**	715
Total equity and liabilities		**71,008**	80,774

This statement of financial position was approved and authorised for issue by the Board of Directors on 24 March 2022 and signed on its behalf by

Lo Chi Sum	**Li Jun**
Chairman	*Executive director*

36. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

(b) Reserve movement of the Company

	Share premium RMB'000	Share option reserve RMB'000	Convertible bonds equity reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000
Balance as at 1 January 2020	269,212	13,165	–	–	(121,602)
Loss for the year	–	–	–	–	(90,533)
Transaction with owners:					
Contributions and distribution					
Employee share option and share award scheme — value of employee services	–	1,527	–	–	–
Share option forfeited during the year	–	(1,150)	–	–	1,150
	–	377	–	–	1,150
Balance as at 31 December 2020	269,212	13,542	–	–	(210,985)
Balance at 1 January 2021	**269,212**	**13,542**	**–**	**–**	**(210,985)**
Loss for the year	**–**	**–**	**–**	**–**	**(59,481)**
Other comprehensive loss:					
Items that may not be reclassified subsequently to profit or loss:					
Currency translation differences	**–**	**–**	**–**	**(84)**	**–**
Total comprehensive loss	**–**	**–**	**–**	**(84)**	**(59,481)**
Transaction with owners:					
Contributions and distribution					
Exercise of share options	**11,898**	**(3,355)**	**–**	**–**	**–**
Employee share option — value of employee services	**–**	**93**	**–**	**–**	**–**
Transfer of share option reserve upon the expiry of share options	**–**	**(10,280)**	**–**	**–**	**10,280**
Recognition of equity component of convertible bonds	**–**	**–**	**34,364**	**–**	**–**
	11,898	**(13,542)**	**34,364**	**–**	**10,280**
Balance as at 31 December 2021	**281,110**	**–**	**34,364**	**(84)**	**(260,186)**

36. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

(c) Due from subsidiaries

The amounts due are unsecured, non-interest bearing and the settlement of which is neither planned nor likely to occur in the foreseeable future.

(d) Due from subsidiaries

The amounts due are unsecured, non-interest bearing and repayable on demand.

37. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The emoluments paid or payable to the directors and chief executive of the Company by the Group during the year were as follows:

Year ended 31 December 2021

Name	Fees	Salaries	Discretionary bonus	Contribution to defined contribution plans	Share based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman, chief executive officer and executive director						
Mr. Lo Chi Sum	–	1,099	–	15	–	1,114
Executive directors						
Mr. Geng Liang	–	412	–	69	–	481
Mr. Leung Wing Fai	–	412	–	11	–	423
Mr. Li Jinping	–	549	453	113	53	1,168
Mr. Li Jun	–	245	–	–	–	245
Ms. Zhao Hui Li	–	208	–	33	–	241
Independent non-executive directors						
Mr. Cui Xiao Bo	–	44	–	–	–	44
Mr. Hung Muk Ming	–	129	–	–	–	129
Mr. Ma Zhan Kai	–	44	–	–	–	44
Mr. Mak Kwok Wing	–	129	–	–	–	129
Dr. Ng Chi Yeung, Simon	–	129	–	–	–	129
Dr. Yu Guo Jie	–	44	–	–	–	44
	–	3,444	453	241	53	4,191

37. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(a) Directors' emoluments *(continued)*

Year ended 31 December 2020

Name	Fees	Salaries	Discretionary bonus	Contribution to defined contribution plans	Share based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman, chief executive officer and executive director						
Mr. Lo Chi Sum	–	1,408	–	16	–	1,424
Executive directors						
Mr. Geng Liang	–	704	–	16	–	720
Mr. Leung Wing Fai	–	704	–	16	–	720
Mr. Li Jinping	–	574	–	68	253	895
Mr. Sun Qingjun	–	342	–	30	–	372
Mr. Wong Kwok Fai	–	605	–	16	–	621
Mr. Zheng Yi	–	437	–	35	–	472
Independent non-executive directors						
Dr. Ng Chi Yeung, Simon	–	187	–	–	40	227
Mr. Hung Muk Ming	–	187	–	–	40	227
Mr. Mak Kwok Wing	–	187	–	–	40	227
	–	5,335	–	197	373	5,905

No housing allowance, other allowances and benefits in kind were paid to the directors of the Company during the year.

Mr. Li Jun and Ms. Zhao Hui Li were appointed as executive directors with effect from 29 September 2021.

Dr. Yu Guo Jie, Mr. Cui Xiao Bo and Mr. Ma Zhan Kai were appointed as independent non-executive directors with effect from 29 September 2021.

Mr. Geng Liang and Mr. Leung Wing Fai resigned as executive directors with effect from 29 September 2021.

Dr. Ng Chi Yeung, Simon, Mr. Hung Muk Ming and Mr. Mak Kwok Wing resigned as independent non-executive directors with effect from 29 September 2021.

Mr. Sun Qingjun, Mr. Zheng Yi and Mr. Wong Kwok Fai have resigned as executive directors with effect from 8 May 2020, 8 June 2020 and 24 August 2020 respectively.

No emoluments were paid by the Group to other directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the years ended 31 December 2021 and 2020.

(b) Directors' material interests in transactions, arrangements or contracts

Saved as disclosed in note 35 to the consolidated financial statements, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2020: Nil).

FIVE YEARS' FINANCIAL SUMMARY

A five years' financial summary of the results and of the assets and liabilities of the Group is set out below. This summary is extracted from the audited consolidated financial statements of respective years and does not form part of the audited consolidated financial statements.

	Year Ended 31 December				
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
CONTINUING OPERATIONS					
Results					
Revenue	**202,788**	153,306	191,030	298,704	543,165
Cost of sales	**(138,451)**	(97,455)	(142,443)	(237,579)	(378,656)
Gross profit	**64,337**	55,851	48,587	61,125	164,509
Selling expenses	**(10,929)**	(10,922)	(19,925)	(25,465)	(31,193)
Administrative expenses	**(80,178)**	(79,559)	(108,996)	(96,737)	(272,723)
Loss allowance on trade receivables	**(6,124)**	(21,767)	(2,056)	–	–
Change in fair value of contingent consideration receivable	**(17,755)**	–	–	–	–
Impairment loss on goodwill	**(7,128)**	(13,884)	–	–	–
Impairment loss on intangible assets	**–**	(5,249)	–	–	–
Impairment loss on interest in an associate	**(1,800)**	–	–	–	–
Other gains, net	**4,228**	6,611	4,688	53,997	9,627
Operating loss	**(55,349)**	(68,919)	(77,702)	(7,080)	(129,780)
Finance costs, net	**(16,247)**	(14,624)	(16,993)	(18,948)	(16,398)
Share of results of associates/ investments accounted for using the equity method	**(638)**	(16,115)	3,156	(4,618)	2,618
Loss before income tax	**(72,234)**	(99,658)	(91,539)	(30,646)	(143,560)
Income tax credit (expense)	**3,510**	1,701	2,895	(8,156)	(2,575)
Loss from continuing operations for the year	**(68,724)**	(97,957)	(88,644)	(38,802)	(146,135)
DISCONTINUED OPERATIONS					
Profit from discontinued operations	**–**	–	–	3,157	–
Loss for the year	**(68,724)**	(97,957)	(88,644)	(35,645)	(146,135)
(Loss) Earnings Per Share — basic and diluted (RMB cents per share)					
From continuing operations	**(5.83)**	(9.37)	(8.16)	(3.78)	(14.57)
From discontinuing operations	**–**	–	–	0.31	–
	(5.83)	(9.37)	(8.16)	(3.47)	(14.57)
Assets and Liabilities					
Total Assets	**422,681**	498,642	515,006	738,324	880,540
Total Liabilities	**334,287**	392,856	332,683	471,044	552,445
Total Equity	**88,394**	105,786	182,323	267,280	328,095