# 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**

ANNUAL REPORT
**2022**

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Lo Chi Sum (盧志森)
Mr. Li Jun (李鈞)
Mr. Li Liang (李亮)
Ms. Zhao Hui Li (趙慧利)

### Independent non-executive Directors

Mr. Cui Xiao Bo (崔曉波)
Mr. Ma Zhan Kai (馬占凱)
Dr. Yu Guo Jie (余國杰)

## 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)*

## AUTHORISED REPRESENTATIVES

Ms. Zhao Hui Li
Ms. Chan Sze Ting

## 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

Building H8, Privy Council
No. 10 Jiachuang Road
Opto-Mechatronics Industrial Park
Tongzhou District
Beijing 101111
The PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 910, 9/F
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
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

## PRINCIPAL BANKERS

China Merchants Bank Co., Ltd

## STOCK CODE

1450

## WEBSITE AND CONTACT

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# CHAIRMAN'S STATEMENT

Dear Shareholders,

The board of directors of Century Sage Scientific Holdings Limited hereby presents the annual report of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2022 (the "**Reporting Period**").

The Group is a leading all-media service provider in China, mainly providing services of comprehensive video application involving full-chain services including product sales, video content production, live-streaming, and system maintenance to broadcasters, new media platforms and industrial customers, etc. The Group has been committed to utilizing video technology and services for the further expansion of the Group's service capabilities in the all-media market, especially the new media market.

## REVIEW

2022 was full of challenges and opportunities. The international environment was stormy, the domestic reform and development were arduous. The recurrence of COVID-19 continued. In the face of such risks and challenges, the Chinese economy had shown resilience and vitality. In 2022, the GDP continued to grow, surpassing RMB120 trillion for the first time to reach the new stage. With the introduction of China's policy on the optimization of pandemic control at the end of 2022, the domestic economy further demonstrated a favourable trend of orderly recovery. Various industries had shown new development progresses.

The Group always insisted on a diversified development strategy, optimized its industrial layout, and continuously consolidated its technological leadership in the all-media industry. Through the joint efforts of all members of the Group, a good return on value was created for the shareholders of the Company. The revenue of the Group increased by 109.9% to approximately RMB425.6 million for the Reporting Period from RMB202.8 million for the year ended 31 December 2021 (the "**Corresponding Period**"). The gross profit of the Group increased by 208.1% to approximately RMB198.2 million for the Reporting Period from RMB64.3 million for the Corresponding Period. A loss of approximately RMB16.4 million was recorded during the Reporting Period, representing a decrease of 76.1% in loss as compared to the loss of approximately RMB68.7 million in the Corresponding Period. The loss for the Reporting Period was mainly due to non-operating reasons such as share-based payment expenses, fair value losses of financial assets at fair value through profit or loss, and amortization of deferred day-one loss of the convertible bonds.

In 2022, the Group steadfastly strengthened its new media services business, especially the live-streaming e-commerce business, which not only achieved tremendous business growth rate, but also laid a key foundation for the rapid development of the Group in the future. During the Reporting Period, the Group entered into a major cooperation agreement with the key operators of Douyin e-commerce, including a wholly-owned subsidiary of Douyin Group (HK) Limited and two wholly-owned subsidiaries of Douyin Co., Limited* (抖音有限公司) (collectively, "**Douyin E-commerce Entities**"), in order to obtain all-round resource support from Douyin E-commerce Entities for the Group's live-streaming e-commerce business. The Group reached a major strategic cooperation with Beijing Jiao Ge Peng You Digital Technology Co. LTD* (北京交個朋友數碼科技有限公司) and its wholly owned subsidiary, namely Tianjin Jiao Ge Peng You Brand Management Co., LTD* (天津交個朋友品牌管理有限公司) (collectively "**Jiao Ge Peng You**"), and since November 2022, the Group has exclusively operated all live-streaming accounts of Jiao Ge Peng You on the Douyin platform, and has achieved satisfactory results. In addition, the Group has also successfully entered the Taobao platform, becoming one of the few cross-platform live-streaming e-commerce organizations in China. The above achievements is attributable to the Group's distinguished innovation capability, brilliant management team, and steady and long-term entrepreneurial spirit. During the Reporting Period, the revenue from the new media services segment was approximately RMB302.5 million, representing a year-on-year increase of 1,275.0%. Gross profit from the new media services segment was approximately RMB155.1 million, representing a year-on-year increase of 1,293.2%. Secondly, in the field of systems and application solutions related to live-streaming, the Group followed the trend of localization of business in China, accelerated the layout of several signature projects in the industry, and cooperated with several well-known companies in the industry, such as China Media Group (中央廣播電視總台) and China Mobile (中國移動). At the same time, the Group

** The official names are in Chinese and the English names are translated for identification purpose only* continued to reform its organizational structure, optimized management efficiency, introduced professional managers and professionals with rich experience in the industry, actively promoted information construction, and attached great importance to the construction of data platforms and the analysis and application of data strategies.

## OUTLOOK

From the Central Economic Work Conference in December last year to the recent Two Sessions in March this year, the state confidently proposed a 5% growth target for GDP in 2023. The macroeconomic policy highlighted the importance of "stabilizing growth" and "expanding domestic demand". In addition, strong emphasis was given to "vigorously developing the digital economy". The "Strategic Planning Outline for the Expansion of Domestic Demand (2022–2035)" issued by the central government at the end of 2022 clearly stated that it is necessary to "support the integrated development of online and offline commodity consumption" and "support diversified business models such as social e-commerce and live-streaming." The Group believes that expanding business in line with the development trend of the market will create more value for customers and the society, and promote the Group's continuous development and growth. The Group will continue to evaluate development opportunities to strengthen its competitive advantage and consolidate its leading position in the market.

Looking forward, the Group will continue to focus on the field of all-media services, improve the technical level and operational capabilities, and strive to become a reliable friend to consumers and business partners while providing better products and services with higher quality. With the Group's experience accumulated over the years in the all-media industry and the significant progress it has made in the new media services market since 2019, especially in the live-streaming e-commerce business, as well as the cooperation with major e-commerce platforms and well-known new media companies during the Reporting Period, the Group believes that the new media services business has become one of the major drivers for the Group's long-term growth.

In the future, the Group will focus on the following areas to obtain the momentum for continuous growth. Firstly, the Group will make full use of the live-streaming technology and service capabilities accumulated in serving traditional media customers to improve the operating efficiency and supply chain capabilities of the live-streaming studio, and through large-scale and matrix operation, continue to innovate and improve the operating capabilities of new media services such as live-streaming e-commerce and short video marketing, create a high-quality live-streaming e-commerce channel, and strive to achieve efficient links between high-quality products and consumers, promoting a better, high-quality life to customers. Secondly, the Group will continue to focus on systems and application solutions related to live-streaming and continue to improve the technology of video live-streaming to ensure the Group's leading position in the industry. Lastly, the Group will still be committed to effectively improving execution efficiency in key areas to promote the diversified and sustainable development of the Group's business.

## APPRECIATION

Last but not least, I would like to take this opportunity, on behalf of the board of directors of the Company, to express my heartfelt gratitude to all employees and directors for their hard work, and to all our customers, business partners and shareholders of the Company for their support to the Group. We will insist on effective management strategies, actively seize the opportunities according to market trends, continue to create higher value for customers and shareholders, make bigger contributions to society, and continue to promote the development and growth of the Group.

**Lo Chi Sum**
*Chairman*

28 March 2023

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

Since 2019, the Group has deployed its new media business on platforms such as Douyin and Bilibili. Through years of technological innovation, diversified development, organizational adjustments, and strategic cooperation, the Group has actively embraced the new normal of the all media industry in China and made major breakthrough during the Reporting Period. During the Reporting Period, revenue of the Group was approximately RMB425.6 million, representing an increase of 109.9% as compared to approximately RMB202.8 million for the Corresponding Period. A loss of approximately RMB16.4 million was recorded during the Reporting Period, representing a decrease of 76.1% in loss as compared to the loss of approximately RMB68.7 million in the Corresponding Period, and profits were recorded in the second half of the Reporting Period, representing a significant improvement in the Group's performance. In addition, the Group recorded a non-HKFRS adjusted net profit* of approximately RMB25.7 million during the Reporting Period, while the non-HKFRS adjusted net loss* was approximately RMB38.4 million for the Corresponding Period.

In recent years, the commercial value of new media platforms has been increasing. It is not only an important gateway for users to obtain information and seek leisure entertainment, but also serves as important means for a wide range of industry customers to carry out their brand promotion and product distribution, especially with the live-streaming promotion model, which is a rare and great opportunity for the Group to expand the new media services with the video streaming technology and business service capabilities of the Group. During the Reporting Period, the Group adjusted the organizational structure of the new media services business, enhanced the operational efficiency, competitiveness and the ability to acquire market resources of the new media services business. The Group also strategically selected operation partners and utilized cooperation resources to become a leading institution in the live-streaming e-commerce business. The Group focused on satisfying the demands of users in a targeted manner, increasing user interaction, and ensuring the quality of products and services, the Group gained a fast-growing popularity and trust in the live-streaming e-commerce industry. The Group always insisted on improving the customer experience and product sales capabilities of merchants on new media platforms such as Douyin and Taobao, and achieved success in operation. During the Reporting Period, revenue of the new media services segment of the Group increased to approximately RMB302.5 million, representing a year-on-year increase of 1,275.0%, gross profit of which increased to approximately RMB155.1 million, representing a year-on-year increase of 1,293.2%. The Group entered into an exclusive cooperation agreement with Jiao Ge Peng You, pursuant to which the Group had exclusively operated all of the Douyin accounts of Jiao Ge Peng You from November 2022 onwards. As at 31 December 2022, the Group operated more than 15 live-streaming e-commerce accounts on Douyin and Taobao platforms, with a total of more than 40 million followers.

* *For details of the adjusted net profit/(loss) calculated by non-HKFRS measures, please refer to the paragraph headed "Reconciliation of Non-HKFRS Measures to the Nearest HKFRS Measures" in this report.*

# MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, due to the multiple regional recurrence of the pandemic, the macroeconomic environment faced diverse challenges. Since system maintenance and application solutions segments of the Group required a large amount of on-site installations and testings, related orders and deliveries were affected. However, all employees of the Group overcame multiple unfavorable factors and responded positively overall. On the one hand, the Group insisted on selectively focusing on the projects of systems maintenance and application solutions segments which have a higher gross profit margins or better payment terms, and maintained good and stable operations. On the other hand, the Group maintained an industry-leading position in the technical service capabilities, especially the Group's ability to provide one-stop full service for major customers, which in turn elevated the market position of the Group in the all media industry. During the Reporting Period, the high-throughput portable station (NanoSat-306U), independently developed and produced by Cogent (Beijing) Technology Co., Ltd.* (高駿(北京)科技有限公司) ("**Cogent (Beijing)**"), the subsidiary of the Group, assisted in delivering the news report on the disaster relief supplies mission conducted by journalist of CGTN in Tonga. It proved the reliability of the video live-streaming capability of the Group's self-developed products. Meanwhile, during the Reporting Period, the Group was also honored to participate in providing technical services to the live broadcast by Xinhua News Agency for the launch of the Shenzhou 15 manned spacecraft using the high-throughput Ku satellite portable station which self-developed by Cogent (Beijing). In addition, the Group established a strategic partnership with Terminus Technology Group Co., Ltd.* (特斯聯科技集團有限公司) to jointly enhance the comprehensive service capabilities of video cloud services and intelligent video solutions.

## FUTURE OUTLOOK

Looking forward, the Group will continue to focus on the field of all-media services, improve the technical level and operational capabilities, and strive to become a trusted friend to its consumers and business partners while providing better products and services with higher quality. Based on the excellent partnership established with major e-commerce platforms and well-known e-commerce institutions in the new media services segment during the Reporting Period, the Group will actively build a high-quality live-streaming e-commerce channel to achieve efficient links between high-quality products and consumers, continue to provide high-quality and affordable products and services to create value for users to improve their quality of life. The Group will strictly select products from the source and standardize the selection process with data to build a trustworthy brand image; constantly foster high quality and standardized operation team to provide reliable service guarantee for customers; devote to promote the improvement of the informatization platform in the operation process to ensure the efficiency and effectiveness of information transmission; devote to the innovation of content and form in the live-streaming to ensure the sustainability of the traffic flow; continue and further explore the industry account matrix, actively expanding product category. At the same time, for the systems maintenance and application solutions related to live-streaming, the Group will continue to monitor market demand and changes, promote technological innovation and optimization, and strengthen personnel training to continue to maintain the Group's leading position in the technical market.

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

## FINANCIAL REVIEW

### Revenue

Based on the financial information, the Group's revenue increased by approximately 109.9% to RMB425.6 million (2021: RMB202.8 million) during the Reporting Period. The increase in revenue during the Reporting Period was mainly attributable to the significant increase in revenue generated from new media services of the Group on new media platforms such as Douyin and Taobao.

Revenue generated from the new media services segment increased by approximately 1,275.0% while the revenue generated from the application solutions segment decreased by approximately 39.1% during the Reporting Period. Revenue generated from the sales of self-developed products segment decreased by approximately 25.0% while the revenue generated from the system maintenance services segment increased by approximately 13.4% during the Reporting Period.

The table below sets out the Group's segment revenue for the years ended 31 December 2022 and 2021 respectively:

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | **2022** | | 2021 | |
| | **RMB'000** | **% of total revenue** | RMB'000 | % of total revenue |
| **Segment revenue** | | | | |
| New media services | **302,511** | **71.1%** | 22,001 | 10.8% |
| Application solutions | **73,962** | **17.4%** | 121,390 | 59.9% |
| Sales of self-developed products | **35,540** | **8.4%** | 47,409 | 23.4% |
| System maintenance services | **13,593** | **3.1%** | 11,988 | 5.9% |
| **Total** | **425,606** | **100.0%** | 202,788 | 100.0% |

### New media services

Revenue generated from the new media services segment represented approximately 10.8% and 71.1% of the total revenue of the Group for the Corresponding Period and the Reporting Period, respectively. Such revenue increased from approximately RMB22.0 million for the Corresponding Period to approximately RMB302.5 million for the Reporting Period. The increase was mainly due to the major cooperation between the Group and two major new media platforms, namely Douyin and Taobao in 2022, which resulted in a significant increase in revenue from live-streaming e-commerce activities.

### Application solutions

Revenue generated from the application solutions segment represented approximately 59.9% and 17.4% of the total revenue of the Group for the Corresponding Period and the Reporting Period, respectively. Such revenue decreased from approximately RMB121.4 million for the Corresponding Period to approximately RMB74.0 million for the Reporting Period. The decrease was mainly due to the reduction and postponement of the projects with certain major customers of the Group as a result of the COVID-19 pandemic prevention and control measures in China during the Reporting Period.

### Sales of self-developed products

Revenue generated from the sales of self-developed products segment represented approximately 23.4% and 8.4% of the total revenue of the Group for the Corresponding Period and the Reporting Period, respectively. Such revenue decreased from approximately RMB47.4 million for the Corresponding Period to approximately RMB35.5 million for the Reporting Period. The decrease was mainly due to the disposal of Beijing BroadVision Information Technology Company Limited* (北京經緯中天信息技術有限公司) (“**Beijing BroadVision**”) during the Reporting Period, which is a non-wholly owned subsidiary of the Company prior to the completion of the aforesaid disposal.

### System maintenance services

Revenue generated from the system maintenance services segment represented approximately 5.9% and 3.1% of the total revenue of the Group for the Corresponding Period and the Reporting Period, respectively. Such revenue slightly increased from approximately RMB12.0 million for the Corresponding Period to approximately RMB13.6 million for the Reporting Period. The slight increase was mainly due to the recurrence of demand for on-site support services during the Reporting Period.

## Cost of sales

The Group’s cost of sales increased by approximately 64.2% from approximately RMB138.5 million for the Corresponding Period to approximately RMB227.4 million for the Reporting Period. The table below sets out the Group’s segment cost of sales for the years ended 31 December 2022 and 2021 respectively:

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | RMB’000 | % of total cost | RMB’000 | % of total cost |
| **Segment cost of sales** | | | | |
| New media services | 147,424 | 64.8% | 10,869 | 7.8% |
| Application solutions | 60,641 | 26.7% | 103,920 | 75.1% |
| Sales of self-developed products | 12,130 | 5.3% | 18,112 | 13.1% |
| System maintenance services | 7,163 | 3.2% | 5,550 | 4.0% |
| **Total** | 227,358 | 100.0% | 138,451 | 100.0% |

### New media services

The cost of sales the new media services segment increased by approximately 1,256.4% from approximately RMB10.9 million for the Corresponding Period to approximately RMB147.4 million for the Reporting Period. The increase was mainly due to the significant increase in revenue of the Group’s new media services segment during the Reporting Period which significantly increased the cost of sales of the new media services segment.

### Application solutions

The cost of sales of the application solutions segment decreased by approximately 41.6% from approximately RMB103.9 million for the Corresponding Period to approximately RMB60.6 million for the Reporting Period. The decrease was mainly due to the decrease in cost of sales incurred for the decrease in revenue of the application solutions segment during the Reporting Period.

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

### Sales of self-developed products

The cost of sales of the self-developed products segment decreased by approximately 33.0% from approximately RMB18.1 million for the Corresponding Period to approximately RMB12.1 million for the Reporting Period. The decrease was mainly due to the decrease in cost of sales incurred for the decrease in revenue generated from the sales of self-developed products segment of the Group during the Reporting Period.

### System maintenance services

The cost of sales of the system maintenance services segment increased by approximately 29.1% from approximately RMB5.6 million for the Corresponding Period to approximately RMB7.2 million for the Reporting Period. The increase was mainly due to the extension of the construction period due to the COVID-19 pandemic prevention and control measures in China during the Reporting Period.

### Gross profit and gross profit margin

The Group's gross profit was approximately RMB64.3 million and approximately RMB198.2 million for the Corresponding Period and the Reporting Period, respectively, representing an increase of approximately 208.1%. The Group's gross profit margin was approximately 31.7% and approximately 46.6% for the Corresponding Period and the Reporting 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 2022 and 2021 respectively:

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | RMB'000 | Gross profit margin | RMB'000 | Gross profit margin |
| **Segment gross profit and gross profit margin** | | | | |
| New media services | 155,087 | 51.3% | 11,132 | 50.6% |
| Application solutions | 13,321 | 18.0% | 17,470 | 14.4% |
| Sales of self-developed products | 23,410 | 65.9% | 29,297 | 61.8% |
| System maintenance services | 6,430 | 47.3% | 6,438 | 53.7% |
| **Total** | 198,248 | 46.6% | 64,337 | 31.7% |

The gross profit margin of the new media services segment increased slightly from approximately 50.6% for the Corresponding Period to approximately 51.3% for the Reporting Period. The Group believes the change was within a reasonable range in its normal operation.

The gross profit margin of the application solutions segment increased from approximately 14.4% for the Corresponding Period to approximately 18.0% for the Reporting Period. The increase in gross profit margin was mainly due to the increased adoption of domestic branded application solutions by the Group, resulting in a decrease in the corresponding purchase costs.

The gross profit margin of the sales of self-developed products segment increased from approximately 61.8% for the Corresponding Period to approximately 65.9% for the Reporting Period. The Group believes the change was within a reasonable range in its normal operation.

The gross profit margin of the system maintenance services segment decreased from approximately 53.7% for the Corresponding Period to approximately 47.3% for the Reporting Period. The decrease in gross profit margin was mainly due to the extension of the project construction period and the increase in costs outpaced revenue growth due to the COVID-19 prevention and control measures during the Reporting Period.

### Other losses/gains, net

Other losses, net was approximately RMB3.8 million for the Reporting Period while other gains, net was approximately RMB4.2 million for the Corresponding Period. The decrease was mainly due to the fair value change when the Group surrendered the key-man life insurance policies during the Reporting Period.

### Administrative expenses

Administrative expenses were approximately RMB76.2 million and approximately RMB107.8 million for the Corresponding Period and the Reporting Period, respectively, representing an increase of approximately 41.6%. The increase in administrative expenses was due to the increase in salary and wage expenses for the recruitment and reserve layout of outstanding administrative talents with a view to expanding the new media business, and the increase in share-based compensation expenses to certain outstanding administrative talents for the purpose of long-term incentives.

### Selling expenses

Selling expenses were approximately RMB10.9 million and approximately RMB70.9 million for the Corresponding Period and the Reporting Period, respectively, representing an increase of approximately 548.4%. The increase in selling expenses was due to the increase in salary and wage expenses for the recruitment and reserve layout of outstanding marketing talents with a view to expanding the new media business, and the increase in share-based compensation expenses to certain outstanding marketing talents for the purpose of long-term incentives.

### Finance costs, net

Finance costs, net were approximately RMB16.2 million and approximately RMB11.6 million for the Corresponding Period and the Reporting Period, respectively, representing a decrease of approximately 28.7%. The decrease in finance costs, net was due to the decrease in the average balance of the Group's bank and other borrowings during the Reporting Period as compared to the Corresponding Period and the increase in gains on foreign exchange.

### Income tax expense/credit

Income tax expense for the Reporting Period was approximately RMB10.3 million while income tax credit for the Corresponding Period was approximately RMB3.5 million. The increase in income tax expense was mainly due to the increase in profit generated from the new media services segment.

### Loss for the year

As a result of the foregoing factors, the loss attributable to owners of the Company was decreased by approximately 85.1% from a loss of approximately RMB61.6 million for the Corresponding Period to a loss of approximately RMB9.2 million for the Reporting Period.

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

To supplement the consolidated financial statements, which are presented in accordance with HKFRSs, the Company also uses adjusted net profit/(loss) as additional financial measures, which are not required by, or presented in accordance with, HKFRSs. The Company believes adjusted net profit/(loss) facilitates 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, one-off items or items which are not operating in nature.

The Company believes adjusted net profit/(loss) provides useful information in understanding and evaluating its consolidated results of operations in the same manner as they help our management. However, the presentation of adjusted net profit/(loss) may not be comparable to similarly titled measures presented by other companies. The use of adjusted net profit/(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.

The following table sets forth the reconciliations of non-HKFRS financial measures of the Group for the years ended 31 December 2022 and 2021, respectively, to the nearest measures prepared in accordance with HKFRS:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| **Loss for the year** | **(16,391)** | (68,724) |
| **Adjusted for:** | | |
| Share based payment expenses | **23,422** | 93 |
| Fair value losses on financial assets at FVPL | **12,139** | 1,277 |
| Amortisation of deferred day-one loss | **6,546** | 2,294 |
| Change in fair value of contingent consideration receivable | – | 17,755 |
| Impairment loss on goodwill | – | 7,128 |
| Impairment loss on interest in an associate | – | 1,800 |
| **Adjusted net profit/(loss)** | **25,716** | (38,377) |

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

To stabilize interest expenses, the Group endeavors to maintain appropriate borrowings at fixed interest rates and floating interest rates. The Group makes timely adjustment to the debt structure according to the interest rate policy, seeking to optimize the interest rate level.

Net cash outflow generated from the Group's operating activities amounted to approximately RMB2.1 million for the Reporting Period and net cash inflow generated from the Group's operating activities amounted to approximately RMB7.8 million for the Corresponding Period.

Net cash inflow generated from the Group's investing activities amounted to approximately RMB32.3 million for the Reporting Period and net cash inflow generated from the Group's investing activities amounted to approximately RMB4.3 million for the Corresponding Period.

Net cash outflow generated from the Group's financing activities amounted to approximately RMB34.8 million for the Reporting Period and net cash inflow generated from the Group's financing activities amounted to approximately RMB36.1 million for the Corresponding Period.

The total bank and other borrowings of the Group decreased from approximately RMB163.1 million as at 31 December 2021 to approximately RMB126.8 million as at 31 December 2022. Such decrease was mainly attributable to repayments of bank and other borrowings of the Group during the Reporting Period. For the maturity profile of bank and other borrowings of the Group, the currencies in which borrowings are made and the extent to which borrowings are at fixed interest rate. Please refer to Note 27 of the notes to the consolidated financial statements for the year ended 31 December 2022 .

As at 31 December 2022, the Group had current assets of approximately RMB352.9 million (as at 31 December 2021: approximately RMB344.7 million) and current liabilities of approximately RMB318.2 million (as at 31 December 2021: approximately RMB306.5 million). The current ratio (which is calculated by dividing current assets by current liabilities) decreased slightly to approximately 1.11 as at 31 December 2022 from approximately 1.12 as at 31 December 2021.

Bank balances and cash of the Group as at 31 December 2022 were mainly denominated in Renminbi ("**RMB**") and Hong Kong Dollar ("**HKD**").

## FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD, JPY 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, accounts payables and loans in USD, JPY 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 rates, the Group has no other significant interest-bearing assets. The management of the Group 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 with 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 2022, bank borrowings of RMB29,500,000 (2021: RMB31,000,000) are secured by the buildings with carrying amount of RMB25,333,000 (2021: RMB27,960,000).

## 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 128.1% and 88.3% as at 31 December 2021 and 2022, respectively. The total borrowings of the Group decreased from approximately RMB163.1 million as at 31 December 2021 to approximately RMB126.8 million as at 31 December 2022. Such decrease was mainly attributable to repayment of borrowings.

## CONTINGENCIES

As at 31 December 2022, the Directors were not aware of any significant events that would have resulted in material contingent liabilities.

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

## MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS HELD

Saved as disclosed in Note 32 of the notes 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.

## DISTRIBUTABLE RESERVES

As at 31 December 2022, based on the financial information, the Company's reserves available for distribution to equity holders, comprising the share premium and accumulated loss, amounted to approximately RMB36.2 million (as at 31 December 2021: approximately RMB20.9 million).

## MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, revenue generated from the Group's five largest customers accounted for approximately 13.8% (2021: 35.9%) of the Group's total revenue and the revenue from the largest customer included therein accounted for approximately 6.2% (2021: 9.6%) of the Group's total revenue.

For the Reporting Period, supplies provided by the Group's five largest suppliers accounted for approximately 28.1% (2021: 36.3%) of the Group's total cost of sales and supplies provided by the largest supplier included therein accounted for approximately 9.1% (2021: 14.8%) of the Group's total cost of sales.

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.

## 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 conversion 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 the 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 the Initial Conversion Price.

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

In September and October 2022, the bondholders have exercised the conversion rights attached to the convertible bonds, and the Company has issued and allotted 147,846,853 and 56,500,973 shares respectively. Therefore, as at 31 December 2022, all of the Convertible Bonds have been converted into new Shares.

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 conversion share is approximately HK$0.227. The net proceeds from the issue of the Convertible Bonds is approximately HK$46.4 million. As at 31 December 2022, all of the proceeds under the Convertible Bonds has been fully utilized. 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 30 June 2022 (HK$ million) | Actual amount utilized up to 31 December 2022 (HK$ million) |
|---|---|---|---|
| (i) Repayment of liabilities of the Group | 10.0 | 10.0 | 10.0 |
| (ii) General working capital | 10.9 | 10.9 | 10.9 |
| (iii) Expansion of video system technologies into other industries | 14.8 | 14.8 | 14.8 |
| (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 | 6.4 | 10.7 |

## SHARE AWARD PLAN AND SHARE OPTION SCHEME

### 2022 Share Award Plan

In July 2022, The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") published consultation conclusions to its consultation paper "Proposed Amendments to Listing Rules relating to Share Schemes of Listed Issuers" (the "**Consultation Conclusion**"). Pursuant to the Consultation Conclusion, Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") have been amended to govern both share option schemes and share award schemes with effect from 1 January 2023. In order to comply with the requirements of the new Chapter 17 of the Listing Rules which has become effective on 1 January 2023 (the "**New Chapter 17**"), the Company adopted a share award plan (the "**2022 Share Award Plan**") on 8 December 2022.

**(a) Summary of terms**

*(i) Purpose and participants*

The purposes and objectives of the 2022 Share Award Plan are (a) to recognise and reward the contribution of certain eligible participants to the growth and development of the Group and to give incentives thereto in order to retain them for the continual operation and development of the Group; and (b) to attract suitable personnel for further development of the Group.

The following classes of participants are eligible for participation in the 2022 Share Award Plan (the "**2022 Share Award Plan Selected Participants**"):

(a) any director and employee of the Company or the Group;

(b) any directors and employees of the holding companies, fellow subsidiaries or associated companies of the Company; and

(c) any persons providing services to the Group on a continuing basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group (the "**2022 Share Award Plan Service Provider**"). The 2022 Share Award Plan Service Provider shall include any contractor, adviser, consultant or expert who provides advisory services, consultancy services, sales and marketing services and technology services to any member of the Group on a continuing or recurring basis (where the continuity and frequency of their services are akin to those of employees of the Group) in its ordinary and usual course of business which are in the interests of the long term growth of the Group provided that (i) placing agents or financial advisors providing advisory services for fundraising, mergers or acquisitions, or (ii) professional service providers such as auditors or valuers who provide assurance or are required to perform their services with impartiality and objectivity must not be Service Provider for the purposes of the 2022 Share Award Plan.

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

The total number of Shares which may be issued in respect of all options and awards to be granted under the 2022 Share Award Plan and other share schemes of the Company shall not be more than 10% of the total number of issued Shares as at 8 December 2022, i.e. shall be no more than 131,127,099 Shares, representing 9.74% of the issued Shares as at this date of this annual report.

The total number of Shares which may be issued in respect of the awarded Shares to be granted to 2022 Share Award Plan Service Provider under the 2022 Share Award Plan shall not be more than 0.5% of the total number of issued Shares as at 8 December 2022, i.e. shall be no more than 6,556,354 Shares, representing 0.49% of the issued Shares as at this date of this annual report.

Tricor Trust (Hong Kong) Limited ("**Trustee**") may by utilising the trust fund of the trust to purchase the Shares on the Stock Exchange at the prevailing market price (subject to the maximum price as may be prescribed from time to time by the Board or the person(s) from time to time delegated by the Board with the power and authority to administer the 2022 Share Award Plan (the "**Committee**")), or off-market or by subscription (as the case may be).

(iii) *Maximum entitlement of each participant*

The maximum number of Shares, in a 12-month period up to and including the date of award, which may be subject to an award or awards to a 2022 Share Award Plan Selected Participant together with any Shares issued and to be issued under any options granted to such person under any share option schemes of the Company shall not (i) in aggregate exceed 1% of the issued share capital of the Company as at 8 December 2022; and (ii) exceed any limits applicable to such person under the Listing Rules.

Any grant of awards to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the prior approval of the remuneration committee of the Board (excluding any member who is a proposed recipient of the grant of the award) and the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the grant of awards). In addition:

(a) where any grant of awards (excluding grant of share options) to any Director (other than an independent non-executive Director) or chief executive of the Company, or any of their respective associates, would result in the Shares issued and to be issued in respect of all awards granted (excluding any awarded Shares lapsed in accordance with the terms of the 2022 Share Award Plan) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue at the date of such grant; or

(b) where any grant of Awards to an independent non-executive Director or substantial shareholder of the Company (or any of their respective associates) would result in the number of Shares issued and to be issued upon the grant of all awards and exercise of all options already granted (excluding any awarded Shares lapsed in accordance with the terms of the 2022 Share Award Plan) to such person in the 12 month period up to and including the date of such grant representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of Shares in issue,

such further grant of awarded Shares must be approved by Shareholders in general meeting in the manner required, and subject to the requirements set out, in the Listing Rules. In particular, the Company send a circular to the Shareholders. The 2022 Share Award Plan Selected Participants, his/her associates and all core connected persons of the Company must abstain from voting in favour at such general meeting. The Company must comply with the requirements under Rules 13.40, 13.41 and 13.42 of the Listing Rules.

(iv) *Vesting of the awarded Shares and performance targets*

At the time of grant of the awarded Shares, the Board or the Committee may, in its sole and absolute discretion, specify any performance target(s) for vesting of awarded Shares in the grant, notice. Such performance targets may include financial and non-financial parameters, including but not limited to value creation parameters (such as revenue, gross profit and gross merchandise value) and other strategic and organizational health parameters (such as timeliness and accuracy in handling customer feedback and compliance with internal business procedures).

(v) *Purchase price of Awarded Shares*
The Board and the Committee may determine and specify the purchase price of the awarded Shares (if any) in the notice to be sent to the Trustee upon the making of an award under the 2022 Share Award Plan.

(vi) *Basis of determining the purchase price of the awarded Shares*
The purchase price of the awarded Shares (if any) shall be such price determined by the Board or the Committee, based on considerations such as the prevailing closing price of the Shares, the purpose of the award and the characteristics and profile of the 2022 Share Award Plan Selected Participants.

Such room for discretion provides the Board and the Committee with flexibility to stipulate, if necessary, a purchase price for awarded Shares, while balancing the purpose of the award and the interests of Shareholders.

(vii) *Remaining life*
Subject to early termination, the 2022 Share Award Plan shall be valid and effective for a term of 10 years commencing from 8 December 2022. As at the date of this annual report, the 2022 Share Award Plan had a remaining life of approximately 10 years.

No award Share was granted by the Company during the Reporting Period under the 2022 Share Award Plan. As at the beginning and at the end of the Reporting Period, there was no outstanding awarded shares under the 2022 Share Award Plan.

## 2014 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 "**2014 Share Award Plan**") on 24 March 2014. The 2014 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 Listing Rules.

### (a) Summary of terms

(i) *Purpose and participants*
The purpose of the 2014 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 2014 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 "**2014 Share Award Plan Invested Entity**") in which any member of us holds an equity interest (the "**2014 Share Award Plan Eligible Employee**");

(bb) any non-executive directors (including independent non-executive directors) of the Company, any of the subsidiaries or any 2014 Share Award Plan Invested Entity;

(cc) any supplier of goods or services to any member of us or any 2014 Share Award Plan Invested Entity;

(dd) any customer of any member of the Group or any 2014 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 2014 Share Award Plan Invested Entity;

(ff) any shareholder of any member of us or any 2014 Share Award Plan Invested Entity or any holder of any securities issued by any member of us or any 2014 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 2014 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 "**2014 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 2014 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 (the "**Shares Pool**") comprising the following:

(aa) such Shares as may be (1) transferred to the 2014 Share Award Plan Trustee from any person (other than the Group) by way of gift, or (2) purchased by the 2014 Share Award Plan Trustee by utilising the funds received by the 2014 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 2014 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 2014 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 2014 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 2014 Share Award Plan Trustee*

(aa) The 2014 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 2014 Share Award Plan Trustee to subscribe Shares by utilising the Group Contribution, the 2014 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 2014 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 2014 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 2014 Share Award Plan Trustee by applying the Group Contribution for the purpose of the 2014 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 2014 Share Award Plan Trustee to subscribe for and/or purchase any Shares for the purpose of the 2014 Share Award Plan when such purchase and/or subscription will result in the Max Shares Annual Threshold being exceeded.

*(v) Maximum entitlement of each participant*

The number of awarded Shares to be provisionally awarded by the Board to any Selected Participant (or, where the Board at the same meeting is to consider the making of any awards to two or more Selected Participants, the total number of awarded Shares to be provisionally awarded to such Selected Participants) shall not exceed the difference between the following:

TT – LL

where TT = the total number of Shares held under the Shares Pool, and

LL = the aggregate number of (i) Shares which have been provisionally awarded under the 2014 Share Award Plan and which then remain outstanding, and (ii) Shares which are proposed to be considered and approved at the same meeting to be provisionally awarded to other Selected Participants

*(vi) 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 2014 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 2014 Share Award Plan Trustee by the Board in writing.

*(vii) Remaining life*

Subject to any earlier termination in accordance with its rules, the 2014 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 2014 Share Award Plan had a remaining life of approximately one year.

**(b) Movement of the awarded Shares**

On 1 April 2022, the Board resolved to award an aggregate of 17,040,000 awarded shares (the "**2022 Awarded Shares**") at nil consideration to eleven selected participants under the 2014 Share Award Plan.

The closing price of the Shares, immediately before the grant date of the 2022 Awarded Shares was HKD1.91. The aggregate fair value of the 2022 Awarded Shares at the date of grant amounted to approximately HKD31,524,000. The fair value of the awarded shares was calculated based on the market price of the Shares at the grant date.

The 2022 Awarded Shares have been issued and allotted under the general mandate granted to the Directors by the shareholders of the Company pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 10 June 2021. Subject to the satisfaction of the vesting criteria and conditions of the 2014 Share Award Plan, the 2022 Awarded Shares shall be transferred from 2014 Share Award Plan Trustee to the selected participants upon expiry of the respective vesting period. As at the end of the Reporting Period, the 2022 Awarded Shares have been fully issued to the 2014 Share Award Plan Trustee and 3,408,000 awarded Shares remained unvested as at 31 December 2022.

Movement of the 2022 Awarded Shares under the 2014 Share Award Plan during the Reporting Period is as follows:

| | | | | Number of Awarded Shares | | | |
|---|---|---|---|---|---|---|---|
| Selected Participants | Date of Grant | Vesting Period (i.e. from the grant date up to the vesting date) | Unvested as at 1 January 2022 | Granted during the Reporting Period | Vested during the Reporting Period | Lapsed/ cancelled during the Reporting Period | Unvested as at 31 December 2022 |
| Employee participants | 1 April 2022 | 60%: 1 April 2022 to 13 April 2022<br>20%: 1 April 2022 to 31 October 2022<br>20%: 1 April 2022 to 31 October 2023 | – | 14,270,000 | 11,416,000 | – | 2,854,000 |
| Service providers | 1 April 2022 | 60%: 1 April 2022 to 13 April 2022<br>20%: 1 April 2022 to 31 October 2022<br>20%: 1 April 2022 to 31 October 2023 | – | 2,770,000 | 2,216,000 | – | 554,000 |
| Total | | | – | 17,040,000 | 13,632,000 | – | 3,408,000 |

Note 1: Save as disclosed above, there is no any other information required to be disclosed pursuant to Rule 17.07 of the Listing Rules.

Note 2: The purchase price of all Awarded Shares set out in the table above is nil.

Note 3: The weighted average closing price of the Awarded Shares immediately before the dates on which Awarded Shares were vested during the Reporting Period was HKD1.88.

Note 4: The performance targets of the Awarded Shares set out above includes, among others, settled gross merchandise value (GMV), settled revenue, completion ratio of material projects, accuracy of the data collected and the number of successful new media marketing projects introduced.

## 2014 Share Option Scheme

The share option scheme (the "**2014 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 been terminated.

The 2014 Share Option Scheme was terminated by ordinary resolution passed by shareholders of the Group on 8 December 2022. As at the beginning and at the end of the Reporting Period, there was no outstanding share options under the 2014 Share Option Scheme.

Please refer to Note 2.20 and Note 25 of the notes to the consolidated financial statements for the accounting policy adopted for the share options.

At the beginning and the end of the Reporting Period, the total number of Shares which may be issued upon exercise of the options available for grant under the 2014 Share Option Scheme were 372,000 and nil, respectively.

At the beginning and the end of the Reporting Period, the total number of awards available for grant under the 2014 Share Award Plan were both nil.

At the beginning and the end of the Reporting Period, the total number of awards available for grant under the 2022 Share Award Plan were nil and 131,127,099, respectively.

During the Reporting Period, the Board has resolved to grant a total of 17,040,000 awarded Shares, represent approximately 1.48% of the weighted average number of ordinary shares in issue.

## BOARD OF DIRECTORS

### Executive Directors

**Mr. Lo Chi Sum ("Mr. Lo") (盧志森)**, aged 63, 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 graduated from the global finance GFD Programme in PBC School of Finance, Tsinghua University (清華大學五道口金融學院) in August 2020. 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), Times Sage (Beijing) Tech Company Limited* (時代華睿(北京)科技有限公司) ("**Times Sage (Beijing)**"), Cogent Technologies Limited, NI Systems Limited, Century Sage Scientific International Limited, Century Sage Scientific Group Ltd, Cortesia Limited, Cogent Tech (Asia) Limited, Cogent (Beijing), Times Sage (Hong Kong) Limited, 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 ("**Cerulean**") which was interested in 47,703,522 Shares, which represented approximately 3.54% 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 as at 31 December 2022.

Mr. Lo has over 34 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, 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.

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**Mr. Li Jun ("Mr. Li") (李鈞)**, aged 33, 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 Zhejiang University (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. As at the date of this annual report, Mr. Li is a director of Hangzhou Century Sage Information Technology Co., Ltd.* (杭州世紀睿科信息技術有限公司) ("**Hangzhou Century Sage**"), an indirect subsidiary of the Company. Mr. Li was the sole shareholder and sole director of Starlink Vibrant Holdings Ltd. which was interested in 323,500,334 Shares, which represented approximately 24.02% 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 of the Company as at 31 December 2022.

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 Liang (李亮)**, aged 44, has been appointed as an executive Director on 28 December 2022. He obtained a master's degree majored in public administration from Peking University in July 2010. Since October 2016, he has been studying Executive MBA in China Europe International Business School. Mr. Li Liang has ample business management experience. He worked at New Oriental Education & Technology Group Inc. ("**New Oriental**") (listed on the Main Board of the Stock Exchange (Stock Code: 9901) and the New York Stock Exchange (Stock Code: EDU)) from April 2001 to January 2022. He served as a vice president of New Oriental and president of Beijing New Oriental School and founded New Oriental's K12 training during his tenure with New Oriental. He has received numerous recognitions during his tenure with New Oriental and was awarded the "New Oriental Education & Technology Group 20th Anniversary Meritorious Person Award" in November 2013. In January 2022, Mr. Li Liang founded "Be Friends E-Commerce Academy" to help a wide range of small and medium-sized enterprises as well as streamers to improve their operation in the new media platforms. In November 2022, Mr. Li Liang was appointed as the chief executive officer of Hangzhou Century Sage and fully responsible for operations management. Mr. Li has been appointed as an executive director of the Company on 28 December 2022. Mr. Li Liang is interested or deemed to be interested in 43,428,200 shares of the Company as at the date of this annual report, which represented approximately 3.23% of the total issued Shares as at the date of this annual report. Among which, 4,090,000 Shares were held by him beneficially and 39,338,200 Shares are Awarded Shares granted to Mr. Li Liang at 10 January 2023 and approved by the independent shareholders of the Company at the extraordinary general meeting held on 27 February 2023. 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 as at 31 December 2022.

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**Ms. Zhao Hui Li ("Ms. Zhao") (趙慧利)**, aged 34, 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. Currently, the major positions Ms. Zhao hold within the Company or other members of the Group are as follow: a director of Hangzhou Century Sage, Yijiang Future Technology (Hangzhou) Co., Ltd.* (易匠未來科技(杭州)有限公司), Hangzhou Yijiang Future Wisdom Technology Co., Ltd.* (杭州易匠未來智慧科技有限公司), Hangzhou Be Friends Wisdom Technology Co., Ltd.* (杭州交個朋友智慧科技有限公司), Hangzhou Juhuo Interactive Culture Communication Co., Ltd.* (杭州聚火互動文化傳播有限公司) and Beijing Gefei Technology Co., Limited* (北京格非科技股份有限公司) ("**Beijing Gefei**"). Ms. Zhao is interested or deemed to be interested in 1,000,000 shares of the Company as at the date of this annual report, which represented approximately 0.07% of the total issued Shares as at the date of this annual report. Such shares are Awarded Shares granted to Ms. Zhao at 10 January 2023 under the 2022 Share Award Plan of the Company adopted on 8 December 2022.

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.

### Independent Non-Executive Directors ("INED")

**Mr. Cui Xiao Bo ("Mr. Cui") (崔曉波)**, aged 48, 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 40, has been appointed as an INED, a member of the Audit Committee of the Company, the chairman of the Remuneration Committee of the Company and a member of the Investment Committee of the Company on 29 September 2021, and has been appointed as the chairman of the Nomination Committee of the Company on 30 December 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.

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**Dr. Yu Guo Jie ("Dr. Yu") (余國杰)**, aged 59, 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.

## SENIOR MANAGEMENT

**Mr. Geng Liang ("Mr. Geng") (耿亮)**, aged 54, is currently the chief executive of CSS (HK) 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 and from 3 June 2019 to 29 September 2021, respectively. 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 21 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.

**Mr. Li Jinping (李金平)**, aged 40, is currently 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) and CSS (Beijing). Mr. Li Jinping joined the Group in October 2007. Mr. Li Jinping served as an executive Director from 24 August 2020 to 28 December 2022. As at the date of this annual report, Mr. Li Jinping is also a director of Cogent (Beijing) and Hangzhou Century Sage.

Mr. Li Jinping 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 Jinping has over 17 years of experience in the all-media industry. Prior to joining the Group, Mr. Li Jinping 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.

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**Ms. Yang Xiaofan ("Ms. Yang") (楊小帆)**, aged 36, 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 11 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 33, 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, Fineone International Limited, 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 8 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 a 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 17 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) and The Chartered Governance Institute (CGI) 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.

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# 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)
Mr. Li Liang (李亮) *(appointed on 28 December 2022)*
Ms. Zhao Hui Li (趙慧利)
Mr. Li Jinping (李金平) *(resigned on 28 December 2022)*

### Independent Non-executive Directors

Mr. Cui Xiao Bo (崔曉波)
Mr. Ma Zhan Kai (馬占凱)
Dr. Yu Guo Jie (余國杰)

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 of the notes 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 2022 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 2022 (2021: 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 of the notes 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 of the notes 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.

## TAX RELIEF

The Company is not aware of any tax relief and exemption available to 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.

## REDEMPTION, PURCHASE OR 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.

## 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) of the notes to the consolidated financial statements and consolidated statement of changes in equity on pages 82 to 83 and Note 26 of the notes to the consolidated financial statements, respectively.

## DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves available for distribution to equity holders, comprising the share premium and accumulated losses, amounted to approximately RMB36.2 million (2021: approximately RMB21.0 million).

## MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, revenue from the Group's five largest customers accounted for approximately 13.8% (2021: 35.9%) of the Group's total revenue and the revenue from the largest customer included therein accounted for approximately 6.2% (2021: 9.6%) of the Group's total revenue.

For the Reporting Period, purchases from the Group's five largest suppliers accounted for approximately 28.1% (2021: 36.3%) of the Group's total operating cost and purchases from the largest supplier included therein accounted for approximately 9.1% (2021: 14.8%) 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.

## EQUITY-LINKED AGREEMENT

Save for those disclosed in the sections headed "Share Award Plan and Share Option Scheme" in this annual report, the Company did not enter into any equity-linked agreement during 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 there 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 2022, the Group had a total of 785 employees (2021: 287 employees).

The Remuneration Committee recommends the level of remuneration for Directors, subject to approval by the Board. The primary goal of the remuneration policy with regard to the remuneration packages of the Group's executive Directors is to enable the Group to retain and motivate executive Directors by linking their compensation with performance as measured against corporate objectives achieved. In order to determine the level of remuneration paid to the members of the Board, market rates and factors such as each Director's workload, performance, responsibility, job complexity and the Group's performance are taken into account. As part of the remuneration package, Board members may be granted a certain number of share options or awarded shares under share incentive schemes adopted by the Company from time to time. Such securities may be granted upon the recommendation of the Remuneration Committee and will be subject to approval by the Board or the Shareholders (if necessary).

Details of emoluments paid to each Director and the five highest paid employees in the Reporting Period are set out in Notes 37 and 8 of the notes to the consolidated financial statements.

The Group has formulated its emolument policy which sets out the basis for the remuneration of the employees and the remuneration structure of employees that comprises of basic wage, allowances, benefits and others, and grants employee share awards and share options as appropriate based on the assessment of individual performance. 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 and training programmes. 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 2022, 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 |
| RMB408,801 to RMB817,600 (equivalent to HKD500,001 to HKD1,000,000) | 2 |
| | 4 |

Note: The remuneration paid or payable to Mr. Li Jinping is included as Mr. Li Jinping is one of the senior managements after resigning as an executive Director on 28 December 2022.

During the year ended 31 December 2022, none of the Directors and the five highest paid individuals of the Group (i) received or will receive any emolument from the Group as an inducement to join or upon joining the Group; (ii) received or will receive 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 and 8 December 2022. In order to reward or make incentive to the employees, Directors and other selected participants for their contributions to the Group, the Company conditionally adopted the Share Option Scheme on 13 June 2014, which was terminated on 8 December 2022.

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.

In accordance with Article 105 of the Articles, Mr. Lo Chi Sum, Mr. Li Jun and Mr. Ma Zhan Kai will retire by rotation at the forthcoming annual general meeting (the "**2023 AGM**"). In addition, Mr. Li Liang who has been appointed by the Board as the Director on 28 December 2022, will hold office until the 2023 AGM pursuant to Article 109 of the Articles. All of the retiring Directors, being eligible, will offer themselves for re-election at the 2023 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 2023 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 2022 are set out in Note 37(a) of the notes 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 is likely to compete, either directly or indirectly, 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 of the notes 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 2022 or at any time during the year ended 31 December 2022 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 2022, 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 2022, 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 2022, 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 2022 and undertaken in the usual course of business are set out in Note 35 of the notes 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.

## SHARE AWARD PLAN AND SHARE OPTION SCHEME

Details of movements in the share awards and share options during the year ended 31 December 2022 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 2022, 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 | 323,500,334 Shares (L) (Note 2) | 24.67% (L) |
| | Starlink Vibrant Holdings Ltd. ("**Starlink Vibrant**") | Beneficial owner | 1 share | 100% |
| Mr. Lo Chi Sum ("**Mr. Lo**") | The Company | Interest of controlled corporation | 47,703,522 Shares (L) (Note 3) | 3.64% (L) |
| | Cerulean | Beneficial owner | 1 share | 100% |
| Mr. Li Liang | The Company | Beneficial owner | 4,090,000 Shares (L) | 0.31% (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 2022.

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

As at 31 December 2022, 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) | 24.67% (L) |
| Yoshiaki Holding Corp ("**Yoshiaki**") (Note 4) | Beneficial owner | 303,594,303 Shares (L) | 23.15% (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 were held by Starlink Vibrant, which was wholly owned by Mr. Li. Pursuant to the SFO, Mr. Li was deemed to be interested in a total of 323,500,334 Shares.

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

4. Yoshiaki is a company incorporated in the British Virgin Islands, which was wholly owned by Mr. Lu Jiayao. Pursuant to the SFO, Mr. Lu Jiayao was deemed to be interested in a total of 303,594,303 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 2022.

## 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 2022.

## AUDITORS

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 above, 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 2023 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 2022, the Group made charitable contributions and other donations RMB0.3 million (2021: Nil).

## CHANGES IN DIRECTORS' INFORMATION

The material 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 2022 are set out below:

(1) Mr. Li Liang has been appointed as an executive Director of the Company with effect from 28 December 2022.

(2) Mr. Li Jinping resigned as an executive Director of the Company with effect from 28 December 2022.

(3) Mr. Lo has been appointed as a director of Times Sage (Beijing), a wholly-owned subsidiary of the Company since 10 January 2023.

## EVENTS AFTER THE REPORTING PERIOD

On 10 January 2023, the Company granted 74,471,230 awarded shares to 68 selected participants under the 2022 Share Award Plan. Reference is made to the Company's announcement dated 10 January 2023.

Reference is made to the Company's announcements dated 9 November 2018, 4 December 2018, 8 July 2020, 9 February 2022 and 10 March 2023, respectively, relating to the disposal of Beijing Evertop Sports Culture Media Co., Ltd* (北京永達天恒體育文化傳媒有限公司) ("**Beijing Evertop**") to Wanda Sports Co., Ltd* (萬達體育有限公司) ("**Wanda Sports**"). On 10 March 2023 (after trading hours), the parties entered into a supplemental agreement to the equity transfer agreement dated 9 November 2018. For further details, please refer to the announcement issued by the Company on 10 March 2023 and Note 18(iii) of the notes to consolidated financial statements of this report.

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, 28 March 2023

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

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high corporate governance standards.

As a leading all-media service provider in China, the Group's strategy for generating and preserving shareholder value by focusing on the full range of media services, managing to improve its technology and operational capabilities to promote consumers to a better and high-quality life, and striving to become a reliable friend to consumers and businesses while providing better products and better services. The Group invests prudently in new media services, application solutions, sales of self-developed products and system maintenance services and it generates and preserves value by investing in these businesses and pursuing growth opportunities. The Group embraces a culture of extreme, integrity, altruism, care and long-term benefits and Directors lead the drive to promote this culture across the organisation. Meanwhile, it is also very important for the Group to focus on good corporate governance as a basis and guarantee for generating and preserving shareholder value.

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**") 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 2022. The Company is aware that the Stock Exchange has amended Appendix 14 to the Listing Rules, which has come into effect from 1 January 2023.

The Board is of the view that throughout the year ended 31 December 2022, the Company has complied with all the code provisions as set out in the CG Code, except for code provision C.2.1 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 2022.

### 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/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

#### 1. Board Composition

As at 31 December 2022, 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 Liang
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.

The Board has met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive directors representing at least one-third of the Board.

None of the Directors has any relationship (including financial, business, family or other material/relevant relationship) with any other Directors or any chief executive.

**2. Chairman and Chief Executive Officer**

Code provision C.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 2022, 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 B.2.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years, whereas article 109 of the Articles states that any director appointed to fill a casual vacancy or as an additional director shall be subject to re-election by shareholders at the first annual general meeting after his/her appointment.

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/her 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 2022 are summarised as follows:

| Directors | Type of Training (Note) |
|---|---|
| Mr. Lo Chi Sum | A & B |
| Mr. Li Jun | A & B |
| Mr. Li Jinping *(resigned on 28 December 2022)* | A & B |
| Mr. Li Liang *(appointed on 28 December 2022)* | A & B |
| Ms. Zhao Hui Li | A & B |
| Mr. Cui Xiao Bo | A & B |
| Mr. Ma Zhan Kai | A & B |
| Dr. Yu Guo Jie | 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 Independence Evaluation

The Company has established a Board Independence Evaluation Mechanism during the year which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

A summary of the Board Independence Evaluation Mechanism is set out as follows:

- The Nomination Committee will assess the independence of all INEDs on an annual basis and confirm that each INED continues to meet the independence standards set out in the Listing Rules and that there are no relationships or circumstances that may affect their independent judgment;

- An annual review of Board independence will be conducted to ensure that it remains objectively independent;

- Directors may seek independent professional advice in the performance of their duties, at the Company's expense; and

- Directors are encouraged to have independent access to and consult with senior management of the Company (if required).

During the year ended 31 December 2022, all the independent non-executive Directors have completed the independence evaluation in the form of a questionnaire individually and the results were presented to the Board and the evaluation results were satisfactory.

During the year ended 31 December 2022, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

## D. 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 2022, 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 Audit Committee comprises three independent non-executive Directors, namely Dr. Yu Guo Jie, Mr. Cui Xiao Bo and Mr. Ma Zhan Kai. Dr. Yu Guo Jie, being the chairman of the Audit Committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

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 Reporting Period, the Audit Committee held two meetings and a summary of the work performed by the Audit Committee during the Reporting Period is set out as follows:

- reviewed with the finance personnel and the external auditor the effectiveness of audit process and the accounting principles and practices adopted by the Group, and the accuracy and fairness of the annual consolidated financial statements for the financial year ended 31 December 2021 and the interim consolidated financial statements for the six months ended 30 June 2022;

- reviewed with the senior management and finance personnel the effectiveness of the risk management, internal control systems, internal audit function and risk management updates of the Group during the Reporting Period;

- recommended to the Board on the re-appointment of external auditor at the annual general meeting held on 1 June 2022 ("**2022 AGM**"); and

- approved the audit plan for the Reporting Period, reviewed the independence of the external auditor and approved its engagement.

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 Remuneration Committee comprises two independent non-executive Directors, namely Mr. Ma Zhan Kai and Mr. Cui Xiao Bo and an executive Director, namely Ms. Zhao Hui Li. Mr. Ma Zhan Kai is the chairman of the 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/her associates is involved in deciding his/her own remuneration.

During the Reporting Period, the Remuneration Committee held two meetings and a summary of the work performed by the Remuneration Committee during the Reporting Period is set out as follows:

- reviewed the Directors' fee and made recommendation to the Board;
- reviewed the current remuneration structure and package of the Directors and recommended the Board to approve their specific packages;
- recommended to the Board the changes to the remuneration packages for certain Directors; and
- recommended to the Board the remuneration package for the Director appointed during the Reporting Period.

The Stock Exchange has amended Appendix 14 to the Listing Rules in relation to the duties of remuneration committees. The Company has amended the terms of reference of the Remuneration Committee on 8 December 2022 in accordance with code provision E.1.2(i) of the CG Code to include the duty of reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

**3. Nomination Committee**

The Nomination Committee comprises two independent non-executive Directors, namely Mr. Ma Zhan Kai and Mr. Cui Xiao Bo and an executive Director, namely Mr. Li Jun. Mr. Ma Zhan Kai is the chairman of the 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.

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 Reporting Period, the Nomination Committee held one meeting and a summary of the work performed by the Nomination Committee during the Reporting Period is set out as follows:

- reviewed the structure, size, composition and diversity of the Board;
- monitored the independence of the INEDs for the purposes of the Listing Rules;
- monitored and reviewed the Group's diversity and inclusion development;
- recommended to the Board on the re-election of Directors at the 2022 AGM; and
- recommended to the Board on changes to its composition of the Board, the appointment and resignation of certain Directors.

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 a channel of potential successors 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.

  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. 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.

An analysis of the Board's current composition based on the measurable objectives is set out below:

| Gender | Age Group |
|---|---|
| Male: 6 Directors<br>Female: 1 Director | 31-40: 3 Directors<br>41-50: 2 Directors<br>51-60: 1 Director<br>61-70: 1 Director |

| Designation | Educational Background |
|---|---|
| Executive Directors: 4 Directors<br>Independent Non-executive Directors: 3 Directors | Business Administration: 4 Directors<br>Account and Finance: 2 Directors<br>Other: 1 Director |

| Nationality | Business Experience |
|---|---|
| Chinese: 7 Directors | All of the Directors have abundant industry experiences and knowledge related to the Group's business. |

The Nomination Committee and the Board are of the view that the current composition of the Board has achieved the objectives set in the Board Diversity Policy.

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

***Gender Diversity***

The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this Annual Report:

| | Female | Male |
|---|---|---|
| Board | 14.3% (1) | 85.7% (6) |
| Senior Management | 50.0% (2) | 50.0% (2) |
| Other employees | 49.4% (382) | 50.6% (392) |
| Overall workforce | 49.0% (385) | 51.0% (400) |

The Board had targeted to achieve and had achieved approximately 15.0% of female Directors, 50.0% of female senior management and 50.0% of female employees of the Group and considers that the above current gender diversity is satisfactory.

The Company has taken and will continue to take steps to promote diversity at all levels of its workforce. Opportunities for employment, training and career development are equally opened to all eligible employees without discrimination.

Details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report on pages 63 to 66 of 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 criteria 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 as follows:

  - When it is necessary to fill a casual vacancy or appoint an additional Director:

    i. the Nomination Committee identifies or selects candidates pursuant to the criteria set out above;

    ii. the Nomination Committee makes recommendation to the Board; and

    iii. the Board deliberates and decides on the appointment based upon the recommendation of the Nomination Committee.

  - When it is necessary to re-appoint an existing Director on a general meeting:

    i. The Nomination Committee reviews overall contribution and service of the retiring Director to the Company and determines whether the retiring Director continues to meet the criteria as set out above;

    ii. The Nomination Committee makes recommendation to the Shareholders on the re-appointment; and

iii. Shareholders deliberate and decide on the re-appointment based upon the recommendation of the Nomination Committee.

During the year ended 31 December 2022, Mr. Li Liang was appointed as an executive Director, 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 Investment Committee comprises an INED, namely Mr. Ma Zhan Kai and two executive Directors, namely Mr. Lo Chi Sum and Ms. Zhao Hui Li. Mr. Lo Chi Sum is the chairman of the 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 did not hold any meeting as there are no investment projects during the year.

**5. Corporate Governance Functions**

The Board is responsible for performing the functions set out in code provision A.2.1 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.

## E. 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 2022 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 | 4/4 | – | – | – | – | 1/1 | 1/1 |
| Mr. Li Jun | 4/4 | – | – | 1/1 | – | 1/1 | 1/1 |
| Mr. Li Jinping (1) | 4/4 | – | – | – | – | 1/1 | 1/1 |
| Mr. Li Liang (2) | – | – | – | – | – | – | – |
| Ms. Zhao Hui Li | 4/4 | – | 2/2 | – | – | 1/1 | 1/1 |
| Mr. Cui Xiao Bo | 4/4 | 2/2 | 2/2 | 1/1 | – | 1/1 | 1/1 |
| Mr. Ma Zhan Kai | 4/4 | 2/2 | 2/2 | 1/1 | – | 1/1 | 1/1 |
| Dr. Yu Guo Jie | 4/4 | 2/2 | – | – | – | 1/1 | 1/1 |

1. Mr. Li Jinping resigned as an executive Director with effect from 28 December 2022.
2. Mr. Li Liang was appointed as an executive Director with effect from 28 December 2022.

During the year ended 31 December 2022, an annual general meeting of the Company was held on 1 June 2022 and an extraordinary general meeting of the Company was held on 8 December 2022. The Company held a total of four Board meetings during the year ended 31 December 2022. 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.

## F. 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, evaluate 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 2022, 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, chief executive's office, finance department, legal 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 2022.

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 2022, to ensure the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit, financial reporting functions, as well as those relating to the Group's ESG performance and reporting. The Board considered that such risk management and internal control 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. One of the purposes of this 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.

## G. 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 2022.

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.

## H. Auditor's Remuneration

The remuneration paid/payable to the Company's external auditor of the Company in respect of audit services for the year ended 31 December 2022 amounted to RMB1.75 million.

An analysis of the remuneration paid/payable to the external auditor of the Company, Mazars CPA Limited, in respect of audit services for the year ended 31 December 2022 is set out below:

| Service Category | Fees Paid/Payable (RMB) |
|---|---|
| Audit Services<br>— Annual audit for the year ended 31 December 2022 | 1.75 million |
| TOTAL | 1.75 million |

## 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 2022.

## 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 (including a recognized clearing house (or its nominee)) holding, at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per share basis) in the share capital of the Company 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: | 17/F, Far East Finance Centre, 16 Harcourt Road, 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 implementation and effectiveness.

A summary of the Shareholder's Communication Policy is set out as follows:

- Shareholders and the investors may at any time make a request for the Company's information to the extent such information is publicly available;

- Corporate communication will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding;

- Information released by the Company to the Stock Exchange is also posted on the Company's website immediately thereafter. Such information includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents, etc;

- Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings;

- Board members, in particular, the chairmen of Board committees or their delegates, appropriate management executives and external auditors will attend annual general meetings to answer Shareholders' questions; and

- Investors'/analysts' briefings and one-on-one meetings, media interviews, etc. will be available on a regular basis in order to facilitate communication between the Company, Shareholders and the investors.

During the Reporting Period, the Company held two general meetings with all Directors attended to answer questions from the Shareholders. All the public information published on the Stock Exchange have also been published on the Company's website in English and Chinese versions to facilitate the Shareholder's understanding. Several investors' briefings or one-on-one meetings have been arranged to enhance communication with the Shareholders and investors.

Based on the information set out in the above paragraphs, the implementation of the Shareholders' Communication Policy, which has been reviewed during the Reporting Period, is considered to be effective.

The Company has adopted a Dividend Policy on payment of dividends. The Company does 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

On 19 April 2022, the Board has proposed amendments to the Company's memorandum of association and articles of association (the "**M&A**") to (i) hold hybrid general meetings and electronic general meetings; (ii) bring the then existing articles of association of the Company in line with amendments made to the applicable laws of the Cayman Islands and the Listing Rules; and (iii) incorporate certain housekeeping amendments. Details of the amendments are set out in the circular of the Company dated 22 April 2022 to the Shareholders.

The M&A were adopted by a special resolution passed at an annual general meeting of the Company on 1 June 2022.

Save as disclosed above, no other changes were made to the constitutional documents of the Company for the year ended 31 December 2022.

## 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 for the year ended 31 December 2022 (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 new media services, application solutions, sales of self-developed products and system maintenance services business in a responsible and sustainable manner.

## ESG MANAGEMENT SYSTEM

The Board bears ultimate responsibility for the ESG strategy and management of the Company, regularly discusses and reviews the ESG risks, opportunities, performance and progress of the Group. During the Reporting Period, the Board conducted the Group's ESG risk identification, reviewed important ESG issues on a regular basis, and reviewed on the achievement of environmental objectives in order to clarify the focus of the Company's ESG efforts.

In order to integrate ESG management into corporate management, facilitate the management of ESG matters and strengthen the ESG management systems, the Company has set up ESG Working Group, members of which include the senior managements and the relevant employees of ESG issues in each department. The responsibility of the ESG Working Group includes implementing ESG strategies and related actions, ensuring the establishment of appropriate and effective ESG risk management and internal control system, and reporting to the Board on a regular basis.

## PERFORMANCE REVIEW

ESG strategies and goals have been set and reviewed by the Company to manage the Group's ESG impact, and to integrate sustainability into relevant business operations. The Board conducted periodic reviews on 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.

Looking ahead, the Board will continue to optimize the ESG management of the Company, actively respond to concerns of our stakeholders, regularly review the progress of the relevant objectives and facilitate the improvement of ESG management.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## REPORTING PERIOD

This ESG Report covers the ESG activities, challenges and measures taken by the Group during the reporting period from 1 January 2022 to 31 December 2022 (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 new media services, application solutions, sales of self-developed products and system maintenance services business. There is no change of the reporting boundary of the ESG Report for the Reporting Period as compared with the year ended 31 December 2021 ("**Corresponding Period**").

## 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. This ESG Report adopts methodologies for the calculation of KPIs for the Reporting Period that are consistent with Corresponding Period.

For the Group's corporate governance practices, please refer to page 38 to page 53 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 continues to engage the key stakeholders, including but not limited to: investors and shareholders, governmental and regulatory authorities, suppliers, employees, customers, and communities through regular interactions and working closely with them to discuss and to review areas of attention via different communication channels. 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.

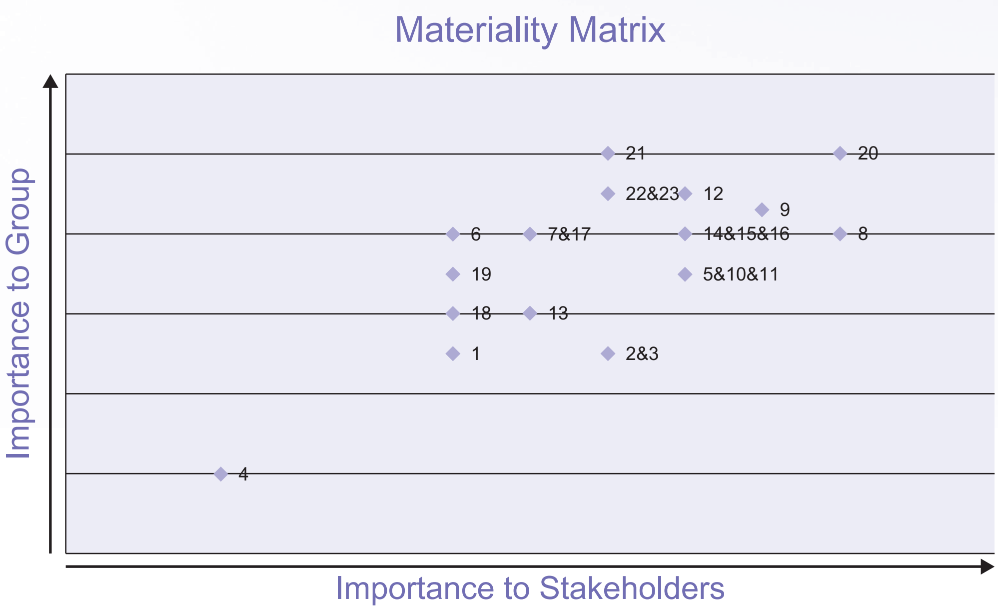
The following table indicates the relevant stakeholders of the Group and the communication channels between the Group and its stakeholders:

| Stakeholders | Communication channels | Expectations |
|---|---|---|
| Investors and shareholders | • Annual general meeting and other shareholder meetings<br>• Financial reports<br>• Announcements and circulars<br>• Company's official website | • Return on the investment<br>• Corporate sustainable and healthy development |
| Governmental and regulatory authorities | • Regular working meetings and seminars<br>• Financial reports | • Compliance with relevant laws and regulations<br>• Corporate social responsibility |
| Suppliers | • Business meetings and phone calls<br>• On-site inspections<br>• E-mails | • Fair competition<br>• Business ethics and reputation<br>• Win-win cooperation<br>• Long-term and stable partnership |
| Customers | • Regular meetings<br>• Company's official website<br>• Financial reports<br>• E-mails | • Perform product and service responsibilities<br>• High-quality of product and service provided<br>• Stable relationship<br>• Business ethics |
| Employees | • Internal compliant and feedback mechanism<br>• Regular management communication and performance evaluations | • Remuneration and benefits<br>• Career development<br>• Training Programs |
| Communities | • Volunteer activities<br>• ESG Reports | • Environmental protection<br>• Compliance operations<br>• 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 the Group's businesses and stakeholders. The Group 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. The Group and its daily operations have little negative impact on the natural 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.

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 Noise Pollution (《中華人民共和國噪聲污染防治法》), 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 Reporting Period, 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 new media services, all-media application solutions, sales of self-developed products and system maintenance services business, do not involve any large scale of manufacturing processes in the course of business. Therefore, during the Reporting Period, 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 Reporting Period, 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 Reporting Period is as follows:

| Emission Category | Key Performance Indicator (KPI) | Unit | Amount in 2022 | Intensity (unit amount employee)[2] |
|---|---|---|---|---|
| GHG Emission[1] | Indirect GHG emission (Scope 2)[3] — electricity consumption | Tonnes $CO_2e$ | 302.17 | 0.38 |

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 2022, the Group had a total of 785 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 Reporting Period, the Group had implemented a number of environmental management measures including:

- Reducing unnecessary business trips by staff members (e.g. by hosting video conferences instead) after taking into account the environmental impact.

- Encouraging staff to use public transport, bicycles and other low-carbon transport means so as to reduce exhaust emission and petroleum consumption.

During the Reporting Period, the Group's new media services segment, especially the live-streaming e-commerce business, has continued to achieve rapid growth. The Group invested resources in the process of growing, such as renting new offices and recruiting new employees, etc. The diversity of the business development of the Group led to a significant increase in overall emission during the Reporting Period as compared to the Corresponding Period, although the Group has been implementing the above-mentioned environmental management measures. During the Reporting Period, 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 target for emission reduction set by Board in the coming years is to manage the office waste paper and general household waste generated in the daily office operations, such as increasing the utilization rate of the online meeting system, upgrading systems to reduce paper usage at source, etc.

### 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 Reporting Period is as follows:

| Key Performance Indicator (KPI) | Unit | Amount in 2022 | Intensity (unit amount/ employee) |
|---|---|---|---|
| Total electricity consumption | kWh | 500,274 | 637.29 |

During the Reporting Period, Although the growth of the new media service business has increased the Group's electricity consumption, 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.

The diversity of the development of the Group as mentioned above led to a significant increase in overall electricity consumption during the Reporting Period as compared to the Corresponding Period, although the Group has been implementing the energy-saving management measures mentioned above. The target for electricity usage reduction set by the Board in the coming years is to look for possible energy-saving opportunities, especially on choosing environmental friendly equipment and facilities of the Group; opt for the model with higher energy efficiency, such as using LED energy-saving lamps in all office areas, and regulate the usage time and temperature of air conditioners in office areas to further reduce the electricity consumption.

**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 Reporting Period is as follows:

| Key Performance Indicator (KPI) | Unit | Amount in 2022 | Intensity (unit amount/ employee) |
|---|---|---|---|
| Total water consumption | tonnes | 2,824.74 | 3.60 |

The diversity of the development of the Group as mentioned above led to a significant increase in overall water consumption during the Reporting Period as compared to the Corresponding Period, although the Group has been implementing the water-saving measures mentioned above. The target for water usage reduction set by Board in the coming years is to strengthen the daily inspection, raise employees' awareness of water conservation, maintain the water equipment properly and further improve water usage efficiency.

### Use of Packaging Material

The Group is mainly engaged in providing one-stop all-media services, 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. The Group is mainly engaged in providing one-stop all-media services and does not involve large-scale production and pollutant emissions, and thus the Group is not aware of any significant impact of the business activities of the Group on the environment and natural resources. The Group endeavours to consistently improve our environmental performance by implementing the aforesaid energy-saving initiatives and environmental management measures. Despite this, the Group conducts review on its 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, the Group will continue its commitment to environmental protection and strive to build a greener and healthier environment to fulfill its responsibilities as a member of the community it lives in.

### Climate Change

Climate change poses a huge threat to all businesses, and that of the Group's is not an exception. In response to the global and national call to have carbon emissions peak before 2030 and achieve carbon neutrality before 2050 or 2060, the Group acknowledges the significance of addressing climate change in order to be more responsive to potential climate-related consequences. The Group has identified the potential financial or strategic impact on our business as 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 on-site large-scale major events and projects. | • Planned to develop climate adaptation and insurance risk solutions.<br>• 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 it has 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 it fails to obligate the new regulations. | • Monitor the updates of the relevant environmental laws and regulations against existing business operation of the Group. |
| 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.<br>• 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, the Group sets 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. The Group encourages its 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. Equal opportunity is provided to all employees and employees' performance is assessed solely according to their individual ability to meet job requirements. Also, the Group does not accept any workplace discrimination and harassment. If there is such a case, the Group will take it seriously and conduct timely and thorough investigation and follow-up actions to protect its employees to the largest extent.

The Group earnestly safeguards the legitimates rights and interests of its employees and strictly abides by the applicable laws and regulations relating to remuneration, dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity and other benefits as well as employee welfares including 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 meetings (e.g. at least once per month) to review the Group's performance and compliance on employment and labour-related matters. During the Reporting Period, the Group was not aware of any material non-compliance with relevant laws and regulations.

As at 31 December 2022, the Group had a total of 785 employees, whose details are set out below:

| **By Nature of Employment (Full Time/Internship & Part-time)** | |
|---|---|
| Full Time | 685 |
| Internship & part-time | 100 |
| **By Gender** | |
| Female | 385 |
| Male | 400 |
| **By Age Group** | |
| 30 and below | 525 |
| 31 to 40 | 206 |
| 41 to 50 | 38 |
| 51 and above | 16 |
| **By Geographical Region** | |
| Mainland China | 780 |
| Hong Kong | 5 |

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

| Employee Turnover Rate | |
|---|---|
| **By Gender** | |
| Male | 13.88% |
| Female | 16.92% |
| **By Age Group** | |
| 30 and below | 13.85% |
| 31 to 40 | 20.19% |
| 41 to 50 | 18.60% |
| 51 and above | 6.67% |
| **By Geographical Region** | |
| Mainland China | 15.40% |
| Hong Kong | 16.67% |

### Health and Safety

The Group strives to provide employees with a safe, healthy and hygienic environment. 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 and complies 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 Reporting Period, the Group was not aware of any material non-compliance with relevant laws and regulations.

During the Reporting Period, 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 were no lost days due to work injury during the Reporting Period.

### 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 Reporting Period, the percentage of employees of the Group received training by gender and employment category was as follows:

| By Gender | Percentage being trained (%) |
|---|---|
| Male | 16.43% |
| Female | 16.56% |
| **By Employment Category** | |
| Senior Management | 1.27% |
| Middle Management | 1.91% |
| General Staff | 31.08% |

In addition, the average training hours by gender and employment category as of 31 December 2022 was as follows:

| By Gender | Average Training Hours Received per Employee |
|---|---|
| Male | 4.75 |
| Female | 4.17 |
| **By Employee Category** | |
| Senior Management | 1 |
| Middle Management | 18.73 |
| General Staff | 3.73 |

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 Reporting Period, the Group had organised several team building events and on-line study trainings programs. 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.

As a leading one-stop all-media services provider among the industry, the Group has a very low risk profile regarding the use of forced or child labour. The Group is not aware of any material non-compliance with applicable provisions. The Group is against the use of forced or child labour. The Group did not identify any breach in the said areas in the Reporting Period.

### 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.

The Group conducts 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. The Group is committed to managing environmental and social risks of its suppliers and the Group mainly engages 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 2022.

**By Geographical Region**

| | |
|---|---|
| Mainland China | 847 |
| Hong Kong | 12 |
| USA | 6 |
| UK | 5 |
| German | 3 |
| Singapore | 1 |
| Sweden | 1 |
| Israel | 1 |
| South Korea | 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 the Group's business. The Group keeps close contact with its customers to take instructions, report work status and provide advices from time to time. Meanwhile, the Group constantly collects feedback from its customers, monitors public responses and produces evaluation reports for evaluation and fine-tuning purposes. To further enhance the Group's 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 (《商品說明條例》) of Hong Kong. During the Reporting Period, the Group was not aware of any material non-compliance with the relevant laws and regulations related to product and service responsibility. While the Group is mainly a service provider and product labelling risk is not being identified as a major risk of the Group, 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) in respect of the sales of its self-developed products, such as equipments.

### Project and Service Quality

As a leading one-stop all-media services provider among the industry, the Group pays high attention to provide its customers with service of the best quality. The Group has implemented stringent control on every step of its workflow for different projects and events to guarantee the quality of products and services provided. Prior to launching any project or event, the Group communicates with its customers and confirms their expectation and direction. The Group also actively coordinate projects with customers in the process of providing services. To ensure the quality of products, the Group only purchases 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, the Group will conduct inspection and testing to ensure the equipment is in satisfactory condition. In case of any abnormalities or defections identified, the Group will call for replacement promptly. The Group's technicians will also perform inspection to ensure the equipment are properly functioning before delivering the equipment to its customer.

The Group has maintained the recall system in relation to its sales of self-developed products, which defined conditions of recall and recall procedures, so that defective products will be disposed of effectively and properly in order to contain any resulting damages. The Group ensures that customers will be sufficiently informed of products features and operating instructions. The Group's customers can call the service hotline of the Group for details of the recall and seek technical support on the defective products.

During the Reporting Period, the Group did not experience any complaints from its customers which had materially and adversely affected its business nor did the Group recalled any services or products for safety and health reasons.

### IP Management and Data Protection

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.

The Group's daily operations involves the use of confidential business information of the Group. Employees are not allowed to disclose such information to the third parties without prior written 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. The Group has also outlined in its staff handbook that employees are expected to protect intellectual property rights and avoid any infringement.

During the Reporting Period, 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 UK. In addition, trademarks, copyrights and domain names of the Group are being constantly monitored and renewed upon their expiration.

### Customer Data Management

All employees of the Group are required to sign confidentiality agreement when they join the Group. Customers' private information are under strict protection. Information of the customers and the related business transaction information are stored in the Group's systems, which are augmented with strict access control. The information security of the aforesaid systems is managed by the Group's IT departments.

### Advertising

In terms of advertising and promotion of the Group's products and services, the Group is 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 Reporting Period, 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 Reporting Period, 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 legal proceedings or complaints of corruption against the Group or any of its staff during the Reporting Period.

### 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. Moreover, the Group actively responded to the rural revitalization policy, and in August 2022, Hangzhou Century Sage made a charitable donation of RMB300,000 to Zhejiang Jinyun County Charity Federation, contributing to the Group's efforts in rural revitalization. The Group will fulfill its corporate citizen responsibility whenever opportunity arises.

mazars

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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 78 to 179, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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 judgement, 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 4.2(b), 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 RMB73,962,000 for the year ended 31 December 2022.<br><br>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.<br><br>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:<br><br>— Obtaining an understanding of the key internal controls over the revenue recognition, evaluating the design and implementation and testing the operating effectiveness of the key internal controls;<br><br>— 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;<br><br>— 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<br><br>— Sending confirmations to major customers to confirm the amount payable to the Group as at 31 December 2022 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**<br><br>*Refer to notes 3.1(b), 4.1(a) and 18 to the consolidated financial statements*<br><br>As at 31 December 2022, the Group's trade receivables amounted to approximately RMB153,494,000, net of credit loss provision for impairment of trade receivables of approximately RMB50,195,000, which accounted for 34% of the Group's total assets.<br><br>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.<br><br>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:<br><br>— 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;<br><br>— 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;<br><br>— Assessing and challenging the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements; and<br><br>— Inspecting subsequent cash receipts from customers relating to those balances as at 31 December 2022, on a sample basis. |

## KEY AUDIT MATTERS *(continued)*

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Provision for inventories**<br><br>*Refer to notes 4.1(d) and 19 to the consolidated financial statements*<br><br>As at 31 December 2022, the carrying amount of inventories amounted to approximately RMB64,361,000, net of provision for inventories of approximately RMB20,154,000, which accounted for 14% of the Group's total assets.<br><br>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.<br><br>The recognition of net realisable value involved significant accounting estimation, including estimations on expected sales volume, sales price and related costs to sell.<br><br>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. | <br><br><br><br>Our procedures, among others, included:<br><br>— 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;<br><br>— Evaluating and challenging the Group's inventory write-down and provision policy with reference to the requirements of the prevailing accounting standards;<br><br>— 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;<br><br>— 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<br><br>— 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. |

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in Company's 2022 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 judgement 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, 28 March 2023

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 2022

| | Notes | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|---|
| **Revenue** | 6 | **425,606** | 202,788 |
| **Cost of sales** | 7 | **(227,358)** | (138,451) |
| **Gross profit** | | **198,248** | 64,337 |
| Other (losses)/gains, net | 6 | **(3,813)** | 4,228 |
| Selling expenses | 7 | **(70,860)** | (10,929) |
| Administrative expenses | 7 | **(107,847)** | (76,172) |
| Loss allowance on trade receivables | 3.1(b)(ii) | **(92)** | (6,124) |
| Loss allowance on other receivables | 3.1(b)(ii) | **(1,800)** | – |
| Change in fair value of contingent consideration receivable | 18(iii) | **–** | (17,755) |
| Provision for inventories | 19 | **(8,452)** | (4,006) |
| Impairment loss on goodwill | 15 | **–** | (7,128) |
| Impairment loss on interest in an associate | 11 | **–** | (1,800) |
| **Operating profit/(loss)** | | **5,384** | (55,349) |
| Finance costs, net | 9 | **(11,590)** | (16,247) |
| Share of results of an associate | 11 | **150** | (638) |
| **Loss before income tax** | | **(6,056)** | (72,234) |
| Income tax (expense)/credit | 12 | **(10,335)** | 3,510 |
| **Loss for the year** | | **(16,391)** | (68,724) |
| **Loss attributable to:** | | | |
| Owners of the Company | | **(9,207)** | (61,615) |
| Non-controlling interests | 10 | **(7,184)** | (7,109) |
| | | **(16,391)** | (68,724) |
| **Loss per share (expressed in RMB cents per share)** | | | |
| **— basic and diluted** | 13 | **(0.80)** | (5.83) |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| **Loss for the year** | **(16,391)** | (68,724) |
| **Other comprehensive (loss)/income** | | |
| *Item that may be reclassified subsequently to profit or loss:* | | |
| Currency translation differences | **(3,351)** | 3,212 |
| *Item that may not be reclassified subsequently to profit or loss:* | | |
| Currency translation differences | **(2)** | (84) |
| Total other comprehensive (loss)/income for the year | **(3,353)** | 3,128 |
| **Total comprehensive loss for the year** | **(19,744)** | (65,596) |
| **Total comprehensive loss attributable to:** | | |
| Owners of the Company | **(12,560)** | (58,487) |
| Non-controlling interests | **(7,184)** | (7,109) |
| | **(19,744)** | (65,596) |

The notes on pages 85 to 179 are integral parts of the consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

| | Notes | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **30,811** | 30,326 |
| Intangible assets | 15 | **5,598** | 7,227 |
| Right-of-use assets | 16 | **16,302** | 4,923 |
| Deferred income tax assets | 30 | **–** | 1,013 |
| Trade and other receivables | 18 | **9,659** | 3,017 |
| Interest in an associate | 11 | **31,608** | 31,458 |
| Total non-current assets | | **93,978** | 77,964 |
| **Current assets** | | | |
| Inventories | 19 | **64,361** | 73,270 |
| Other current assets | 20 | **19,605** | 25,147 |
| Trade and other receivables | 18 | **217,142** | 134,434 |
| Financial assets at fair value through profit or loss ("FVPL") | 17 | **–** | 51,002 |
| Pledged bank deposits | 21 | **892** | 801 |
| Bank balances and cash | 22 | **50,928** | 60,063 |
| Total current assets | | **352,928** | 344,717 |
| **Total assets** | | **446,906** | 422,681 |
| **Equity and liabilities** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 24 | **10,667** | 8,694 |
| Share premium | 26(e) | **330,273** | 281,110 |
| Other reserves | 26 | **(47,479)** | (35,869) |
| Accumulated losses | | **(200,166)** | (188,135) |
| | | **93,295** | 65,800 |
| **Non-controlling interests** | 10 | **9,688** | 22,594 |
| **Total equity** | | **102,983** | 88,394 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

| | Notes | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Bank and other borrowings | 27 | 17,859 | 19,301 |
| Convertible bonds | 28 | – | 6,894 |
| Lease liabilities | 16 | 7,908 | 1,620 |
| Total non-current liabilities | | 25,767 | 27,815 |
| **Current liabilities** | | | |
| Contract liabilities | 23 | 14,670 | 31,068 |
| Trade and other payables | 29 | 169,168 | 121,475 |
| Current income tax liabilities | | 17,356 | 7,621 |
| Bank and other borrowings | 27 | 108,965 | 143,749 |
| Lease liabilities | 16 | 7,997 | 2,559 |
| Total current liabilities | | 318,156 | 306,472 |
| **Total liabilities** | | 343,923 | 334,287 |
| **Total equity and liabilities** | | 446,906 | 422,681 |

The notes on pages 85 to 179 are integral parts of the consolidated financial statements.

The consolidated financial statements on pages 78 to 179 were approved and authorised for issue by the Board of Directors on 28 March 2023 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 2022

| | | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | **Share capital** | **Share premium** | **Other reserves** | **Accumulated losses** | **Total** | **Non-controlling interests** | **Total** |
| | Notes | RMB'000 | RMB'000 (note 26(e)) | RMB'000 (note 26) | RMB'000 | RMB'000 | RMB'000 | 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):** | | | | | | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | | | | | | |
| Currency translation differences | | – | – | 3,212 | – | 3,212 | – | 3,212 |
| *Items 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 income/(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 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

| | | 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 2022** | | 8,694 | 281,110 | (35,869) | (188,135) | 65,800 | 22,594 | 88,394 |
| Loss for the year | | – | – | – | (9,207) | (9,207) | (7,184) | (16,391) |
| **Other comprehensive loss:** | | | | | | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | | | | | | |
| Currency translation differences | | – | – | (3,351) | – | (3,351) | – | (3,351) |
| *Items that may not be reclassified subsequently to profit or loss:* | | | | | | | | |
| Currency translation differences | | – | – | (2) | – | (2) | – | (2) |
| **Total other comprehensive loss** | | – | – | (3,353) | – | (3,353) | – | (3,353) |
| **Total comprehensive loss** | | – | – | (3,353) | (9,207) | (12,560) | (7,184) | (19,744) |
| Transfer | | – | – | 2,824 | (2,824) | – | – | – |
| **Transactions with owners** | | | | | | | | |
| *Contributions and distributions* | | | | | | | | |
| Disposal of a subsidiary | 32 | – | – | – | – | – | (5,722) | (5,722) |
| Employee share award — value of employee services | 25 | – | – | 23,422 | – | 23,422 | – | 23,422 |
| Issuance of new shares for the Share Award Plan | 24 | 139 | – | (139) | – | – | – | – |
| Conversion of convertible bonds | 24 & 28 | 1,834 | 49,163 | (34,364) | – | 16,633 | – | 16,633 |
| **Total transactions with owners** | | 1,973 | 49,163 | (11,081) | – | 40,055 | (5,722) | 34,333 |
| **Balance as at 31 December 2022** | | 10,667 | 330,273 | (47,479) | (200,166) | 93,295 | 9,688 | 102,983 |

The notes on pages 85 to 179 are integral parts of the consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

| | Notes | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Cash generated from operations | 34(a) | **4,263** | 20,893 |
| Interest received | | **230** | 33 |
| Interest paid | | **(5,977)** | (12,801) |
| Income tax paid | | **(600)** | (319) |
| **Net cash (used in)/from operating activities** | | **(2,084)** | 7,806 |
| **INVESTING ACTIVITIES** | | | |
| Purchase of intangible assets | | **(2,361)** | – |
| Purchases of property, plant and equipment | | **(4,815)** | (371) |
| (Increase)/Decrease in pledged deposits | | **(91)** | 4,662 |
| Proceeds from disposal of financial assets at FVPL | 17 | **38,863** | – |
| Net cash inflow/(outflow) arising from disposal of a subsidiary | 32 | **744** | (7) |
| **Net cash from investing activities** | | **32,340** | 4,284 |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from bank and other borrowings | 34(b) | **48,640** | 88,646 |
| Repayments of bank and other borrowings | 34(b) | **(79,359)** | (101,342) |
| Interest of lease liabilities | | **(238)** | (152) |
| 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) | **(3,877)** | (3,227) |
| **Net cash (used in)/from financing activities** | | **(34,834)** | 36,099 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(4,578)** | 48,189 |
| **Cash and cash equivalents at beginning of year** | | **54,556** | 6,575 |
| Effect of foreign exchange rate changes | | **950** | (208) |
| **Cash and cash equivalents at end of the year** | 22 | **50,928** | 54,556 |

The notes on pages 85 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 Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Starlink Vibrant Holdings Ltd. ("Starlink"), 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"), hold 24.67% of the Company's shares issued as at 31 December 2022.

The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. 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) new media services; (ii) application solutions; (iii) sales of self-developed products; and (iv) system maintenance 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.

## 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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement 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 2021 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 HKFRS 16 | Covid-19-Related Rent Concessions Beyond 30 June 2021 |
| Amendments to HKAS 16 | Proceeds before Intended Use |
| Amendments to HKAS 37 | Cost of Fulfilling a Contract |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |
| Annual Improvements to HKFRSs | 2018–2020 Cycle |

*Amendments to HKFRS 16: Covid-19-Related Rent Concessions Beyond 30 June 2021*

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2022. The amendments do not affect lessors.

*Amendments to HKAS 16: Proceeds before Intended Use*

The amendments clarify the accounting requirements for proceeds received by an entity from selling items produced while testing an item of property, plant or equipment before it is used for its intended purpose. An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of HKAS 2.

*Amendments to HKAS 37: Cost of Fulfilling a Contract*

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

*Amendments to HKFRS 3: Reference to the Conceptual Framework*

The amendments update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to HKFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying HKFRS 3 should instead refer to HKAS 37. The exception has been added to avoid an unintended consequence of updating the reference.

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

### 2.1 Basis of preparation *(continued)*

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

*Annual Improvements Project — 2018–2020 Cycle*

HKFRS 1: Subsidiary as a First-time Adopter

This amendment simplifies the application of HKFRS 1 for a subsidiary that becomes a first-time adopter of HKFRSs later than its parent — i.e. if a subsidiary adopts HKFRSs later than its parent and applies HKFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to HKFRSs.

HKFRS 9: Fees in the "10 per cent" Test for Derecognition of Financial Liabilities

This amendment clarifies that — for the purpose of performing the "10 per cent test" for derecognition of financial liabilities — in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

HKFRS 16: Lease Incentives

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, Example 13 is not clear as to why such payments are not a lease incentive.

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

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

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

| | |
|---|---|
| Amendments to HKAS 1 | Disclosure of Accounting Policies [1] |
| Amendments to HKAS 8 | Definition of Accounting Estimates [1] |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction [1] |
| HKFRS 17 | Insurance Contracts [1] |
| Amendment to HKFRS 17 | Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information [1] |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current [2] |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants [2] |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback [2] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3] |

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 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 costs, net". All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss within "other (losses)/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 | 2–5 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 benefits 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 new media services, application solutions, sales of self-developed products and system maintenance services.

**(i) New media services**

The Group mainly offers livestream e-commerce on the e-commerce platforms, the related revenue comprises fixed marketing fees and sales commission.

*(a) Online marketing services*

The Group provides marketing services to the customers for the livestream e-commerce on the e-commence platforms, the revenue from online marketing services is recognised at point in time upon the completion of live-streaming e-commerce activities.

*(b) Commission revenue*

The Group provides promotion services to the merchants on the e-commence platforms and charges commissions on the sales of goods completed through the e-commence platform based on agreed commission rates. The Group does not take controls of goods sold through the e-commence platforms. Commission revenue is recognised at a point in time upon the customers purchase merchants' products through the e-commence platforms.

**(ii) 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.

**(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) 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.

### 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"), Japanese Yen ("JPY") 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 2022, if USD, JPY and HKD had weakened/strengthened by 9% (2021: 5%) against the RMB with all other variables held constant, loss before income tax for the year and other comprehensive (losses)/income would have changed mainly as a result of foreign exchange gains/losses on translation of USD/JPY/HKD bank balances and cash, trade and other receivables, trade and other payables, bank and other borrowings and convertible bonds denominated in USD, JPY and HKD.

| | **2022**<br>**RMB'000** | 2021<br>RMB'000 |
|---|---|---|
| Increase/(decrease) in loss before income tax for the year | | |
| Weakened 9% (2021: 5%) | | |
| — USD | **119** | (878) |
| — JPY | **(1,451)** | (41) |
| — HKD | **616** | (53) |
| Strengthened 9% (2021: 5%) | | |
| — USD | **(119)** | 878 |
| — JPY | **1,451** | 41 |
| — HKD | **(616)** | 53 |

## 3. FINANCIAL RISK MANAGEMENT *(continued)*

### 3.1 Financial risk factors *(continued)*

**(a) Market risk** *(continued)*

*(i) Foreign exchange risk (continued)*

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Decrease/(Increase) in other comprehensive loss for the year (2021: Increase/(Decrease) in other comprehensive income) | | |
| Weakened 9% (2021: 5%) | | |
| — HKD | **18** | 129 |
| Strengthened 9% (2021: 5%) | | |
| — HKD | **(18)** | (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 2022, if the interest rate on all bank and other borrowings had been 1% (2021: 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 RMB306,000 (2021: RMB292,000).

## 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 2022, the largest and the five largest customers contributed over 16% (2021: 10%) and 42% (2021: 40%) 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:

| | **2022**<br>**RMB'000** | 2021<br>RMB'000 |
|---|---|---|
| Trade receivables, net | **153,494** | 101,535 |
| Other receivables excluding prepayments | **73,307** | 35,246 |
| Bank balances and cash | **50,928** | 60,063 |
| Pledged bank deposits | **892** | 801 |
| | **278,621** | 197,645 |

*(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 2022 | Expected loss rate | Gross carrying amount RMB'000 | Loss allowance RMB'000 | Credit-impaired |
|---|---|---|---|---|
| **Non-credit impaired** | | | | |
| Less than 1 year past due | 1.12% | 110,458 | 1,234 | No |
| More than 1 year but less than 2 years past due | 9.03% | 27,577 | 2,491 | No |
| More than 2 years but less than 3 years past due | 26.40% | 13,976 | 3,690 | No |
| More than 3 years but less than 4 years past due | 36.79% | 6,774 | 2,492 | No |
| More than 4 years past due | 86.30% | 33,697 | 29,081 | No |
| | | 192,482 | 38,988 | |
| **Credit-impaired** | | | | |
| More than 2 years but less than 3 years past due | 100.00% | 802 | 802 | Yes |
| More than 3 years but less than 4 years past due | 100.00% | 2,177 | 2,177 | Yes |
| More than 4 years past due | 100.00% | 8,228 | 8,228 | Yes |
| | | 11,207 | 11,207 | |
| | | 203,689 | 50,195 | |

## 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 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 | |

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 ended 31 December 2021 and there was no change in provision on this balance was made during the year 31 December 2022.

## 3. FINANCIAL RISK MANAGEMENT *(continued)*

### 3.1 Financial risk factors *(continued)*

**(b) Credit risk** *(continued)*

*(ii) Impairment of financial assets (continued)*

Trade receivables *(continued)*

The movements in loss allowances are summarised as follows:

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| As at 1 January | 57,101 | 50,977 |
| Disposal of a subsidiary | (6,998) | – |
| Increase in loss allowance recognised in the consolidated statement of profit or loss | 92 | 6,124 |
| **As at 31 December** | **50,195** | 57,101 |

Other receivables

The gross carrying amount of the financial assets, by credit risk rating grades, is as follows:

| Internal credit rating | Expected loss rate % | ECL | Gross carrying amount RMB'000 | Loss allowance RMB'000 | Net carrying amount RMB'000 |
|---|---|---|---|---|---|
| **At 31 December 2022** | | | | | |
| Performing | 0 | 12-month | 73,307 | – | 73,307 |
| Underperforming (non credit-impaired) | 100 | Lifetime | 1,800 | 1,800 | – |
| Not performing (credit-impaired) | 100 | Lifetime | 16,934 | 16,934 | – |
| | | | 92,041 | 18,734 | 73,307 |
| At 31 December 2021 | | | | | |
| Performing | 0 | 12-month | 35,246 | – | 35,246 |
| Not performing (credit-impaired) | 100 | Lifetime | 16,934 | 16,934 | – |
| | | | 52,180 | 16,934 | 35,246 |

As at 31 December 2022, the Group recognised loss allowance of RMB18,734,000 (2021: RMB16,934,000) on the balances. The movement in the loss allowance, which is measured at lifetime ECL, for the other receivables during the year is summarised below.

| | RMB'000 |
|---|---|
| At 1 January 2021, 31 December 2021 and 1 January 2022 | 16,934 |
| Increase in allowance | 1,800 |
| **At 31 December 2022** | **18,734** |

## 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.

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 2022** | | | | | |
| Trade and other payables (excluding non-financial liabilities) | 112,888 | – | – | 112,888 | 112,888 |
| Lease liabilities (including interest) | 8,526 | 8,104 | – | 16,630 | 15,905 |
| Bank and other borrowings (including interest) | 118,928 | 287 | 18,037 | 137,252 | 126,824 |
| | 240,342 | 8,391 | 18,037 | 266,770 | 255,617 |

| | 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 |

## 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.

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Bank and other borrowings | 126,824 | 163,050 |
| Convertible bonds | – | 6,894 |
| Lease liabilities | 15,905 | 4,179 |
| Total debts | 142,729 | 174,123 |
| Less: Pledged bank deposits | (892) | (801) |
| Less: Bank balances and cash | (50,928) | (60,063) |
| Net debts | 90,909 | 113,259 |
| Total equity | 102,983 | 88,394 |
| Gearing ratio | 88% | 128% |

## 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:

| | Level 1<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 |
|---|---|---|---|
| **As at 31 December 2022** | | | |
| Contingent consideration receivable | – | – | – |
| **As at 31 December 2021** | | | |
| Contingent consideration receivable | – | – | – |
| Financial assets at FVPL | – | – | 51,002 |
| | – | – | 51,002 |

There were no transfers between Level 1, 2 and 3 during the year (2021: 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 2022** | | | |
| At beginning of the reporting period | 51,002 | – | 51,002 |
| Fair value changes | (12,139) | – | (12,139) |
| Disposal | (38,863) | – | (38,863) |
| **At end of the reporting period** | – | – | – |

## 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 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 |

The above fair value changes are reported in "Other (losses)/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 JUDGEMENTS

Estimates and judgement 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 judgement 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 judgement 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 JUDGEMENTS *(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 judgement is required. In making this judgement, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

**(e) 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 judgement.

**(f) Discount rates for calculating lease liabilities — as lessee**

The Group uses the lessee's incremental borrowing rates to discount future lease payments since interest rates implicit in the leases are not readily determinable. In determining the discounts rates for its leases, the Group refers to a rate that is readily observable as the starting point and then applies judgement and adjusts such observable rate to determine the incremental borrowing rate.

**(g) Share-based payments**

As disclosed in note 25 to the consolidated financial statements, the Group granted share award to certain selected participants. Significant estimate on assumptions in determining the fair value of the share-based payments upon satisfying specified vesting conditions has been applied.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(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)"), a wholly-owned subsidiary of the Company. 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 2022.

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) 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 services are regarded as one performance obligation after considering the factors of significant integration, significant modification or customisation, and highly interdependence or interrelation.

## 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.

The Group has the following reportable segments during the year:

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

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

The CODM assesses 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 costs, net 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 2022**

| | New media services RMB'000 | Application solutions RMB'000 | Sales of self-developed products RMB'000 | System maintenance services RMB'000 | Inter-segment elimination RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| Revenue (from external customers) | 302,511 | 73,962 | 35,540 | 13,593 | – | 425,606 |
| — Inter-segment revenue | – | – | 6,795 | – | (6,795) | – |
| Total revenue | 302,511 | 73,962 | 42,335 | 13,593 | (6,795) | 425,606 |
| **Results** | | | | | | |
| Segment profit | 155,087 | 13,321 | 23,410 | 6,430 | – | 198,248 |
| Unallocated income | | | | | | 2,766 |
| Unallocated expenses | | | | | | (187,159) |
| Loss allowance on trade receivables | | | | | | (92) |
| Loss allowance on other receivables | | | | | | (1,800) |
| Share of results of an associate | | | | | | 150 |
| Gain on disposal of a subsidiary | | | | | | 5,560 |
| Fair value losses on financial assets at FVPL | | | | | | (12,139) |
| Finance costs, net | | | | | | (11,590) |
| Loss before income tax | | | | | | (6,056) |
| Income tax expense | | | | | | (10,335) |
| Loss for the year | | | | | | (16,391) |

## 5. SEGMENT INFORMATION *(continued)*

**For the year ended 31 December 2021**

| | New media services RMB'000 | Application solutions RMB'000 | Sales of self-developed products RMB'000 | System maintenance services RMB'000 | Inter-segment elimination RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| Revenue (from external customers) | 22,001 | 121,390 | 47,409 | 11,988 | – | 202,788 |
| — Inter-segment revenue | – | – | 4,042 | – | (4,042) | – |
| Total revenue | 22,001 | 121,390 | 51,451 | 11,988 | (4,042) | 202,788 |
| **Results** | | | | | | |
| Segment profit | 11,132 | 17,470 | 22,169 | 6,438 | – | 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 |
| Fair value losses 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)*

**Information about major customers**

No revenue from any customer individually accounted for 10% or more of the Group's revenue for the year ended 31 December 2022 and 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:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| The PRC | 418,698 | 192,262 |
| Hong Kong | 6,908 | 10,146 |
| Others | – | 380 |
| | 425,606 | 202,788 |

| | As at 31 December | |
|---|---|---|
| | 2022<br>RMB'000 | 2021<br>RMB'000 |
| Total of non-current assets other than deferred income tax assets, trade and other receivables and interest in an associate | | |
| The PRC | 52,022 | 42,089 |
| Hong Kong | 689 | 387 |
| | 52,711 | 42,476 |

## 6. REVENUE AND OTHER (LOSSES)/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:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| **Revenue from contracts with customers within the scope of HKFRS 15:** | | |
| New media services | **302,511** | 22,001 |
| Application solutions | **73,962** | 121,390 |
| Sales of self-developed products | **35,540** | 47,409 |
| System maintenance services | **13,593** | 11,988 |
| | **425,606** | 202,788 |
| **Timing of revenue recognition** | | |
| At a point in time | **412,013** | 190,800 |
| Over time | **13,593** | 11,988 |
| | **425,606** | 202,788 |

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

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| **Other gains** | | |
| Gain on disposal of a subsidiary (note 32) | **5,560** | 87 |
| Government grants | **214** | 599 |
| Value added tax refund | **2,527** | 4,512 |
| Others | **25** | 329 |
| Other gains | **8,326** | 5,527 |
| **Other losses** | | |
| Fair value losses on financial assets at FVPL (note 17) | **(12,139)** | (1,277) |
| Loss on disposal of property, plant and equipment | **–** | (22) |
| Other losses | **(12,139)** | (1,299) |
| **Other (losses)/gains, net** | **(3,813)** | 4,228 |

## 7. EXPENSES BY NATURE

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Cost of services | 140,046 | 3,546 |
| Employee benefits expenses (note 8) | 134,388 | 57,289 |
| Costs of inventories (note 19)* | 81,206 | 128,206 |
| Legal fee and professional charges | 8,592 | 7,627 |
| Amortisation of deferred day-one loss (note 28) | 6,546 | 2,294 |
| Office expenses | 5,613 | 3,818 |
| Depreciation expenses of right-of-use assets (note 16) | 4,258 | 3,049 |
| Depreciation expenses of property, plant and equipment (note 14) | 3,950 | 3,575 |
| Servicing and agency costs | 3,836 | 655 |
| Travelling and transportation expenses | 3,470 | 3,089 |
| Others | 3,226 | 2,702 |
| Amortisation expenses of intangible assets (note 15) | 3,198 | 2,962 |
| Leases expenses under short term leases (note 16) | 2,279 | 355 |
| Other transaction taxes | 2,012 | 2,002 |
| Auditor's remuneration | 1,750 | 1,650 |
| Business development | 1,695 | 2,733 |
| | 406,065 | 225,552 |

* Cost of inventories includes RMB1,877,000 (2021: RMB2,270,000) relating to employee benefits expenses.

## 8. EMPLOYEE BENEFITS EXPENSES

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Wages and salaries | 76,753 | 45,845 |
| Contributions to defined contribution plans (note) | 16,064 | 5,667 |
| Welfare and other allowances | 4,914 | 4,501 |
| Bonus | 13,235 | 1,183 |
| Share based payment expenses (note 25) | 23,422 | 93 |
| | 134,388 | 57,289 |

Note: During the year ended 31 December 2021, the Group was benefited from the preferential policy of social insurance contribution reduction and exemption during the coronavirus outbreak epidemic. No preferential policy of social insurance contribution reduction and exemption was benefited during the year ended 31 December 2022.

## 8. EMPLOYEE BENEFITS 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, five (2021: one) individuals were non-director individual. The emoluments of those four directors of the Company in 2021 are set out in note 37. The emoluments of the five (2021: one) non-director individuals for 2022, are as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Salaries, housing allowances, other allowances and benefits in kind | **2,776** | 385 |
| Discretionary bonus | **479** | 539 |
| Contributions to defined contribution plans | **469** | 71 |
| Share based payment expenses | **18,597** | – |
| | **22,321** | 995 |

## 8. EMPLOYEE BENEFITS 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 bands is as follows:

| | Number of individuals | |
|---|---|---|
| | **2022** | 2021 |
| Emolument bands: | | |
| HKD1,000,001 – HKD1,500,000 | **–** | 1 |
| HKD2,000,001 – HKD2,500,000 | **1** | – |
| HKD3,000,001 – HKD3,500,000 | **1** | – |
| HKD5,000,001 – HKD5,500,000 | **1** | – |
| HKD8,000,001 – HKD8,500,000 | **1** | – |
| HKD8,500,001 – HKD9,000,000 | **1** | – |
| | **5** | 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 2022 and 2021.

## 9. FINANCE COSTS, NET

| | **2022 RMB'000** | 2021 RMB'000 |
|---|---|---|
| Finance income | | |
| — Interest income on short-term bank deposits | **230** | 33 |
| Finance costs | | |
| — Interest expenses on bank and other borrowings | **(11,092)** | (13,076) |
| — Interest expenses on amount due to a related company/a shareholder | **(430)** | (403) |
| — Interest expenses on convertible bonds (note 28) | **(2,298)** | (727) |
| — Interest expenses on lease liabilities | **(238)** | (152) |
| — Interest expenses on amounts due to a director | **(356)** | (182) |
| — Net foreign exchange gain/(loss) | **2,594** | (1,740) |
| | **(11,820)** | (16,280) |
| Finance costs, net | **(11,590)** | (16,247) |

## 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% |
| 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 RMB31,000,000 | 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% |
| 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 Pataca25,000 | 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 and television media, the PRC | 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% |
| 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% |
| 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% |

## 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)* | | | | |
| 杭州交個朋友智慧科技有限公司 (Hangzhou Be Friends Wisdom Technology Co., Ltd.*) | The PRC, limited liability company | Provision of new media service, the PRC | Registered capital of RMB1,000,000 | 100% |
| 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% |

Unless stated otherwise, the percentage of equity interests held by the Company for the years ended 31 December 2022 and 2021 are the same.

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

Note:

(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 consolidated financial statements of the Group since 31 August 2020.

* 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 Gefei and Hangzhou Juhuo 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 Gefei | |
|---|---|---|
| | **2022** | 2021 |
| **At 31 December** | | |
| Proportion of NCI's ownership interests | **51%** | 51% |

| | Beijing Gefei | |
|---|---|---|
| | **2022 RMB'000** | 2021 RMB'000 |
| Current assets | **85,354** | 99,741 |
| Current liabilities | **(76,448)** | (79,049) |
| Net current assets | **8,906** | 20,692 |
| Non-current assets | **379** | 1,658 |
| Net assets | **9,285** | 22,350 |
| Carrying amount of non-controlling interests | **4,735** | 11,398 |

**Summarised statement of profit or loss**

| | Beijing Gefei | |
|---|---|---|
| | **2022 RMB'000** | 2021 RMB'000 |
| Revenue | **25,613** | 93,371 |
| Loss before income tax | **(13,065)** | (8,847) |
| Income tax expenses | **–** | (747) |
| Loss and total comprehensive loss | **(13,065)** | (9,594) |
| Loss attributable to non-controlling interests | **(6,663)** | (4,893) |
| Dividend paid to non-controlling interests | **–** | – |

## 10. SUBSIDIARIES *(continued)*

**Material non-controlling interests** *(continued)*

**Summarised cash flows**

| | Beijing Gefei | |
|---|---|---|
| | **2022** | 2021 |
| | **RMB'000** | RMB'000 |
| **Operating activities** | | |
| Cash (used in)/from operations | **(6,921)** | 371 |
| Income tax paid | **–** | – |
| Net cash (used in)/from operating activities | **(6,921)** | 371 |
| Net cash used in investing activities | **(117)** | (249) |
| Net cash from/(used in) financing activities | **6,805** | (2,490) |
| **Net decrease in cash and cash equivalents** | **(233)** | (2,368) |
| Cash and cash equivalents at beginning of the year | **304** | 2,672 |
| Cash and cash equivalents at end of year | **71** | 304 |

**Summarised statement of financial position**

| | Hangzhou Juhuo | |
|---|---|---|
| | **2022** | 2021 |
| **At 31 December** | | |
| Proportion of NCI's ownership interests | **48%** | 48% |

| | Hangzhou Juhuo | |
|---|---|---|
| | **2022** | 2021 |
| | **RMB'000** | RMB'000 |
| Current assets | **37,675** | 26,230 |
| Current liabilities | **(4,564)** | (2,156) |
| Net current assets | **33,111** | 24,074 |
| Non-current assets | **97** | 353 |
| Non-current liabilities | **–** | (147) |
| Net assets | **33,208** | 24,280 |
| Carrying amount of non-controlling interests (note) | **4,900** | 5,415 |

Note: The Group had injected RMB13,000,000 and RMB10,000,000 during the period ended 31 December 2021 and year ended 31 December 2022 respectively, 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 in total of approximately RMB23,000,000 (2021: RMB13,000,000) in accordance with agreements entered into between the shareholders.

## 10. SUBSIDIARIES *(continued)*

**Material non-controlling interests** *(continued)*

**Summarised statement of profit or loss**

| | Hangzhou Juhuo | |
|---|---|---|
| | **Year ended 31 December 2022 RMB'000** | Period from 13 September 2021 (date of establishment) to 31 December 2021 RMB'000 |
| Revenue | **38,881** | 5,873 |
| (Loss)/Profit before income tax | **(1,072)** | 1,339 |
| Income tax expenses | **–** | (59) |
| (Loss)/Profit and total comprehensive (loss)/income | **(1,072)** | 1,280 |
| (Loss)/Profit attributable to non-controlling interests | **(515)** | 615 |
| Dividend paid to non-controlling interests | **–** | – |

## 10. SUBSIDIARIES *(continued)*

**Material non-controlling interests** *(continued)*

**Summarised cash flows**

| | Hangzhou Juhuo | |
|---|---|---|
| | Year ended 31 December 2022 RMB'000 | Period from 13 September 2021 (date of establishment) to 31 December 2021 RMB'000 |
| **Operating activities** | | |
| Cash used in operations | (8,622) | (4,166) |
| Income tax paid | – | – |
| Net cash used in operating activities | (8,622) | (4,166) |
| Net cash used in investing activities | (80) | (162) |
| Net cash from financing activities | 10,000 | 23,000 |
| **Net increase in cash and cash equivalents** | 1,298 | 18,672 |
| Cash and cash equivalents at beginning of the year/period | 18,672 | – |
| Cash and cash equivalents at end of year/period | 19,970 | 18,672 |

## 11. INTEREST IN AN ASSOCIATE

The amount recognised in the consolidated statement of financial position is as follows:

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Cost of investment | 34,410 | 34,410 |
| Accumulated impairment loss | (1,800) | (1,800) |
| Share of post-acquisition loss and other comprehensive loss, net of dividends received | (1,002) | (1,152) |
| | 31,608 | 31,458 |

## 11. INTEREST IN AN ASSOCIATE *(continued)*

The amount recognised in the consolidated statement of profit or loss is as follows:

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Share of results of an associate | 150 | (638) |

Details of the associate at the end of the reporting period are as follows:

| Name of associate | Place of business, country of incorporation | % of ownership interest | | Carrying amount | |
|---|---|---|---|---|---|
| | | 2022 | 2021 | 2022 RMB'000 | 2021 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% | 31,608 | 31,458 |

* The official name is in Chinese and the English name is 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.

## 11. INTEREST IN AN ASSOCIATE *(continued)*

**Summarised financial information** *(continued)*

**(a) Beijing Evertop**

*(i) Summarised statement of financial position*

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Current assets | **36,191** | 36,892 |
| Current liabilities | **(25,582)** | (22,349) |
| Net current assets | **10,609** | 14,543 |
| Non-current assets | **12,076** | 8,264 |
| Non-current liabilities | **(220)** | (677) |
| Net assets | **22,465** | 22,130 |

*(ii) Summarised statement of comprehensive income*

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Revenue | **19,424** | 16,331 |
| Profit/(Loss) before income tax | **335** | (2,170) |
| Income tax credit | **–** | 752 |
| Profit/(Loss) and total comprehensive income/(loss) | **335** | (1,418) |

*(iii) Reconciliation of summarised financial information*

Reconciliation of the summarised financial information presented to the carrying amount of its interest in an associate.

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| **Opening net assets** | **22,130** | 23,548 |
| Profit/(Loss) for the year | **335** | (1,418) |
| **Closing net assets** | **22,465** | 22,130 |
| Share of net assets (45%) | **10,109** | 9,959 |
| Goodwill | **23,299** | 23,299 |
| Accumulated impairment loss on goodwill | **(1,800)** | (1,800) |
| **Carrying value of interest in an associate** | **31,608** | 31,458 |

## 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 2022. 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 14.5% (2021: 14.4%). The cash flow beyond the 5-year period are extrapolated using a 3% (2021: 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 as at 31 December 2022 are determined higher than the carrying amounts.

The recoverable amount of the CGU of Beijing Evertop, comprising goodwill, measured at VIU, is RMB43,964,000 (2021: RMB43,629,000). Accordingly, no impairment loss was provided for goodwill in relation to interest in an associate during the year ended 31 December 2022 (2021: impairment loss of RMB1,800,000 was provided).

## 12. INCOME TAX EXPENSE/(CREDIT)

| | **2022**<br>**RMB'000** | 2021<br>RMB'000 |
|---|---|---|
| PRC enterprise income tax ("EIT") | | |
| — Current income tax | **13,156** | 936 |
| — Over-provision in prior years | **(2,821)** | (4,284) |
| | **10,335** | (3,348) |
| Deferred income tax (note 30) | **–** | (162) |
| Income tax expense/(credit) | **10,335** | (3,510) |

## 12. INCOME TAX EXPENSE/(CREDIT) *(continued)*

Reconciliation of income tax expense/(credit):

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Loss before income tax | **(6,056)** | (72,234) |
| Tax calculated at applicable tax rates of 25% (2021: 25%) | **(1,514)** | (18,058) |
| Tax effects of: | | |
| — Expenses not deductible for tax purpose | **5,650** | 6,975 |
| — Effect of preferential/different tax rate | **3,747** | 2,406 |
| — Share of results of an associate | **(38)** | 160 |
| — Unrecognised temporary differences | **1,913** | 7,247 |
| — Utilisation of temporary difference previously not recognised | **(709)** | (670) |
| — Unrecognised tax losses | **4,107** | 2,714 |
| — Over-provision in prior years | **(2,821)** | (4,284) |
| Income tax expense/(credit) | **10,335** | (3,510) |

### 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 2022 (2021: 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 EXPENSE/(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 Information Technology Company Limited ("Beijing BroadVision") and Beijing Gefei (2021: the same) obtained the High and New Technology Enterprise qualification. A reduced tax rate of 15% (2021: 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 2022 and 2021 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:

| | 2022 | 2021 |
|---|---|---|
| Loss attributable to owners of the Company (in RMB'000) | **(9,207)** | (61,615) |
| Weighted average number of ordinary shares in issue (in thousand) | **1,151,978** | 1,056,527 |
| Basic loss per share (RMB cents per share) | **(0.80)** | (5.83) |

### (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 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 | (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 |
| **Reconciliation of carrying amount — Year ended 31 December 2022** | | | | |
| As at 1 January 2022 | **28,060** | **503** | **1,763** | **30,326** |
| Exchange realignments | **–** | **–** | **(66)** | **(66)** |
| Additions | **–** | **24** | **4,791** | **4,815** |
| Disposal of a subsidiary (note 32) | **–** | **(91)** | **(223)** | **(314)** |
| Depreciation | **(2,727)** | **(139)** | **(1,084)** | **(3,950)** |
| **As at 31 December 2022** | **25,333** | **297** | **5,181** | **30,811** |
| 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 |
| **As at 31 December 2022** | | | | |
| Cost | **53,436** | **3,531** | **17,438** | **74,405** |
| Accumulated depreciation | **(28,103)** | **(3,234)** | **(12,257)** | **(43,594)** |
| | **25,333** | **297** | **5,181** | **30,811** |

The Group's buildings are located in the PRC.

Depreciation expenses of RMB3,561,000 (2021: RMB3,575,000) has been charged in administrative expenses for the year ended 31 December 2022.

As at 31 December 2022, buildings with carrying amount of RMB25,333,000 (2021: RMB27,960,000) have been pledged for bank borrowings (note 27(b)).

## 15. INTANGIBLE ASSETS

| | Goodwill | Computer software | Customer relationships | Technical know-how | Development costs | Total |
|---|---|---|---|---|---|---|
| | RMB'000 (note a) | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Reconciliation of carrying amount — year ended 31 December 2021 | | | | | | |
| As at 1 January 2021 | 7,128 | 7,759 | 2,228 | 441 | – | 17,556 |
| Disposal of a subsidiary | – | – | – | (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 |
| Reconciliation of carrying amount — year ended 31 December 2022 | | | | | | |
| As at 1 January 2022 | – | 6,161 | 1,039 | 27 | – | 7,227 |
| Addition | – | 2,361 | – | – | – | 2,361 |
| Disposal of a subsidiary (note 32) | – | – | (792) | – | – | (792) |
| Amortisation | – | (2,924) | (247) | (27) | – | (3,198) |
| **As at 31 December 2022** | – | 5,598 | – | – | – | 5,598 |
| 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 |
| **As at 31 December 2022** | | | | | | |
| Cost | – | 18,132 | – | – | 202 | 18,334 |
| Accumulated amortisation | – | (12,534) | – | – | (202) | (12,736) |
| **Net book value** | – | 5,598 | – | – | – | 5,598 |

Amortisation expense of RMB3,198,000 (2021: RMB2,962,000) for the year ended 31 December 2022 has been charged in administrative expenses.

## 15. INTANGIBLE ASSETS *(continued)*

### (a) Goodwill

**CGU of Beijing BroadVision**

The goodwill arising from acquisition of Beijing BroadVision of RMB8,912,000 has been fully impaired in previous years. The goodwill has been derecognised upon disposal of Beijing BroadVision during the year ended 31 December 2022 (note 32).

## 16. LEASES

| Right-of-use assets | Properties<br>RMB'000 |
|---|---|
| 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 |
| **Reconciliation of carrying amount — year ended 31 December 2022** | |
| As at 1 January 2022 | **4,923** |
| Additions | **17,272** |
| Disposal of a subsidiary (note 32) | **(1,646)** |
| Depreciation | **(4,258)** |
| Exchange realignments | **11** |
| **As at 31 December 2022** | **16,302** |
| As at 31 December 2021 | |
| Cost | 8,122 |
| Accumulated depreciation | (3,199) |
| Net book amount | 4,923 |
| **As at 31 December 2022** | |
| Cost | **18,468** |
| Accumulated depreciation | **(2,166)** |
| **Net book amount** | **16,302** |

## 16. LEASES *(continued)*

Depreciation expenses of RMB4,258,000 (2021: RMB3,049,000) for the year ended 31 December 2022 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 in relation to various offices and warehouses are typically made for fixed periods of 2 to 3 years (2021: 2 to 3 years). Lease terms are negotiated on an individual basis and contain similar terms and conditions.

As at 31 December 2022 and 2021, 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**

| | **2022 RMB'000** | 2021 RMB'000 |
|---|---|---|
| **Lease liabilities** | | |
| Non-current | **7,908** | 1,620 |
| Current | **7,997** | 2,559 |
| | **15,905** | 4,179 |

Note: The incremental borrowing rate applied to the lease liabilities during the year ended 31 December 2022 is 4.89% (2021: 4.82%).

| | **2022 RMB'000** | 2021 RMB'000 |
|---|---|---|
| Lease payments: | | |
| Short-term leases | **2,279** | 355 |
| Expenses recognised in the consolidated statement of profit or loss | **2,279** | 355 |
| Lease payments: | | |
| Interest on lease liabilities | **238** | 152 |
| Repayment of lease liabilities | **3,877** | 3,227 |
| | **4,115** | 3,379 |
| Total cash outflow for leases | **6,394** | 3,734 |

## 17. FINANCIAL ASSETS AT FVPL

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| At beginning of the year | 51,002 | 52,279 |
| Fair value change | (12,139) | (1,277) |
| Disposal | (38,863) | – |
| At end of the year | – | 51,002 |

The amount represented the fair value of the key-man life insurance policies. The Group was the beneficiary of the insurance policies. As at 31 December 2021, the insurance policies were pledged to the bank as securities for bank borrowings as disclosed in note 27(d).

The Group can terminate the policy at any time, and the insurance contract value, net of a surrender charge, would be refunded to the Group. The Group has surrendered the key-man life insurance policies and received the remaining value of such policies of RMB38,863,000 during the year.

## 18. TRADE AND OTHER RECEIVABLES

| | Notes | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Trade receivables** | | | |
| — from third parties | | 200,022 | 154,965 |
| — from an associate | | 3,667 | 3,671 |
| | (vii) | 203,689 | 158,636 |
| Less: provision for impairment of trade receivables | 3.1(b) | (50,195) | (57,101) |
| Trade receivables, net | | 153,494 | 101,535 |
| **Other receivables** | | | |
| Deposit for guarantee certificate over tendering and performance | (i) | 39,809 | 16,384 |
| Deposit paid for acquisition of a subsidiary | (ii) | 16,934 | 16,934 |
| Cash advance to employees | | 4,650 | 6,556 |
| Contingent consideration receivable | (iii) | – | – |
| Due from related parties | (iv) | 6,047 | 2,578 |
| Receivable from disposal of Shanghai Cogent Info-Tech Co., Limited | | – | 1,200 |
| Receivable from disposal of a subsidiary (note 32) | (v) | 3,602 | – |
| Amount due from a third party | (vi) | 7,000 | – |
| Other deposits paid | | 5,305 | 897 |
| Others | | 8,694 | 8,301 |
| | | 92,041 | 52,850 |
| Less: provision for impairment of deposits paid for acquisition of a subsidiary | (ii) | (16,934) | (16,934) |
| Less: provision for impairment of other receivables | | (1,800) | – |
| Less: provision for impairment of other receivables | 3.1(b) | (18,734) | (16,934) |
| | | 73,307 | 35,916 |
| Total trade and other receivables | | 226,801 | 137,451 |
| Less: Non-current portion | | | |
| Receivable from disposal of a subsidiary | (v) | 3,602 | – |
| Other deposits paid | | 4,027 | – |
| Trade receivables — third parties | (vii) | 2,084 | 3,071 |
| Less: provision for impairment of trade receivables | | (54) | (54) |
| **Non-current portion** | | 9,659 | 3,017 |
| **Current portion** | | 217,142 | 134,434 |

As at 31 December 2022 and 2021, 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. As at 31 December 2022, amount of RMB30,000,000 (2021: Nil) included in the balance are used to secure the contracts for the livestream e-commerce on the e-commence platforms and expected to be recovered after 12 months.

(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. A full provision was provided in 2018 accordingly.

On 19 May 2022, The Hong Kong International Arbitration Centre has arrived a verdict that the Group is entitled to receive the refundable deposit of HKD20,000,000, together with interest at The Hong Kong Interbank Offered Rate plus 1% per annum on such amount, from the seller.

Although the Group has taken further actions to request the seller to settle the outstanding balance, the seller has not responded to the Group's requests. The management has further evaluated the recoverability of the deposit and consider that the probability to receive such amount is still remote, therefore, no reversal of provision has been made.

(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 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").

On 9 February 2022, the Group and Wanda Sports entered into second supplemental agreement to the equity transfer agreement dated 9 November 2018 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"). In the event that Beijing Evertop generates profits exceeded RMB21,000,000 (the "Minimum Profit Target") but less than the Target Profits during the Second 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 2022, the Group has failed to achieve the Target Profits or Minimum Profit Target during the Second Revised Profit Guarantee Period. As such, there was no change in fair value of the contingent consideration receivable during the year ended 31 December 2022 (2021: a fair value loss on the contingent consideration receivable of RMB17,755,000 was recognised in the consolidated statement of profit or loss).

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 third supplemental agreement to the equity transfer agreement dated 9 November 2018 pursuant to which the parties agreed to amend, inter alia, the Second Revised Profit Guarantee Period from the two years ended 31 December 2019 together with the year ended 31 December 2022 to the two years ended 31 December 2019 together with the year ending 31 December 2023 ("Third Revised Profit Guarantee Period"), and deducting 55% of the actual net loss (if any) of Beijing Evertop for the year ended 31 December 2022 as set out in its 2022 audited financial statement.

In the event that the actual profit of Beijing Evertop does not meet the Minimum Profit Target during the Third 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.

Details of the third supplemental agreement are set out in the Company's announcement dated 10 March 2023.

## 18. TRADE AND OTHER RECEIVABLES *(continued)*

Notes: *(continued)*

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

Details of amounts due from related companies are as follows:

| | Notes | As at 31 December 2022 RMB'000 | As at 31 December 2021 RMB'000 | Maximum amount During the year ended 31 December 2022 RMB'000 | Maximum amount During the year ended 31 December 2021 RMB'000 |
|---|---|---|---|---|---|
| 北京世紀睿科工程技術有限公司 | (a) | **5,071** | 1,091 | **5,071** | 1,091 |
| 北京格非信息技術有限公司 | (b) | **976** | 1,487 | **1,487** | 1,487 |
| | | **6,047** | 2,578 | | |

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 on or before 29 April 2027.

(vi) The amount due is unsecured, interest bearing of 1% per annum and repayable on 30 June 2023.

(vii) 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 and service agreement for new media services 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:

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Up to 3 months | **81,240** | 15,718 |
| Over 3 months but less than 6 months | **9,237** | 3,406 |
| Over 6 months but less than 1 year | **19,981** | 47,944 |
| Over 1 year but less than 2 years | **27,577** | 19,216 |
| Over 2 years but less than 3 years | **14,778** | 11,561 |
| Over 3 years | **50,876** | 60,791 |
| | **203,689** | 158,636 |

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(b) and 3.1(a) to the consolidated financial statements respectively.

The carrying amounts of the trade and other receivables are denominated in the following currencies:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| **Trade receivables** | | |
| RMB | 146,065 | 90,735 |
| USD | 822 | 678 |
| HKD | 6,607 | 10,122 |
| | 153,494 | 101,535 |
| **Other receivables** | | |
| RMB | 72,181 | 35,378 |
| HKD | 303 | 216 |
| Others | 823 | 322 |
| | 73,307 | 35,916 |
| | 226,801 | 137,451 |

Movements on the provision for impairment of trade receivables are as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| At beginning of the year | 57,101 | 50,977 |
| Disposal of a subsidiary (note 32) | (6,998) | – |
| Provision for impairment | 92 | 6,124 |
| At end of the year | 50,195 | 57,101 |

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

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Equipment and parts | **63,384** | 55,981 |
| Contract work in progress | **21,131** | 28,991 |
| | **84,515** | 84,972 |
| Provision for inventories | **(20,154)** | (11,702) |
| | **64,361** | 73,270 |

Provision of RMB8,452,000 (2021: RMB4,006,000) 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 have been written off against the inventories due to technological obsolescence for the year ended 31 December 2021.

The cost of inventories recognised as expense is included in "cost of sales" amounted to RMB81,206,000 (2021: RMB128,206,000) for the year ended 31 December 2022.

## 20. OTHER CURRENT ASSETS

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Prepayment for purchase of goods or services | **19,605** | 25,147 |

## 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% (2021: 0.30%) per annum for the year ended 31 December 2022.

The carrying amount of the pledged bank deposits are denominated in the following currencies:

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| RMB | **188** | 707 |
| USD | **604** | – |
| HKD | **100** | 94 |
| | **892** | 801 |

## 22. BANK BALANCES AND CASH

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Cash on hand | **73** | 43 |
| Cash at banks | **50,855** | 60,020 |
| Bank balances and cash | **50,928** | 60,063 |
| Bank overdrafts (note 27(h)) | **–** | (5,507) |
| As stated in the consolidated statement of cash flows | **50,928** | 54,556 |

The carrying amount of the bank balances and cash are denominated in the following currencies:

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| RMB | **50,467** | 30,910 |
| HKD | **349** | 11,528 |
| USD | **47** | 194 |
| JPY | **3** | 17,093 |
| Others | **62** | 338 |
| | **50,928** | 60,063 |

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 0.25% (2021: 0.30%) per annum for the year ended 31 December 2022.

## 23. CONTRACT LIABILITIES

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Contract liabilities — third parties | **14,670** | 31,068 |

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:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| As at 1 January | **31,068** | 73,687 |
| Disposal of a subsidiary (note 32) | **(388)** | (754) |
| Recognised as revenue | **(27,340)** | (67,482) |
| Receipt of advances or recognition of receivables | **11,330** | 25,617 |
| As at 31 December | **14,670** | 31,068 |

For the year ended 31 December 2022, 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 2022, 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 2021, 31 December 2021, 1 January 2022 and **31 December 2022** | 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 2021 | 1,041,243,169 | 10,412 | 8,290 |
| Exercise of share options | 48,640,000 | 487 | 404 |
| Balance as at 31 December 2021 and as at 1 January 2022 | **1,089,883,169** | **10,899** | **8,694** |
| Issue of new shares for the Share Award Plan (Note 25 (i)) | **17,040,000** | **170** | **139** |
| Conversion of convertible bonds (Note 28) | **204,347,826** | **2,043** | **1,834** |
| **Balance as at 31 December 2022** | **1,311,270,995** | **13,112** | **10,667** |

## 25. SHARE BASED PAYMENTS

### (i) 2014 Share Award Plan

The Company adopted an existing share award plan (the "Share Award Plan"), on 24 March 2014. The Share Award Plan, unless early terminated, will remain in force for 10 years until 23 March 2024.

The Share Award Plan 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 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.

On 1 April 2022, the board of directors has resolved to grant a total of 17,040,000 awarded shares, represent approximately 1.48% of the weighted average number of ordinary shares in issue, at nil consideration to eleven Selected Participants pursuant to the Share Award Plan. Such awarded shares were issued on 11 April 2022 and are held by the Share Award Plan Trustee.

Details of the granting of new awarded shares are set out in the Company's announcement dated 1 April 2022.

## 25. SHARE BASED PAYMENTS *(continued)*

### (i) 2014 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 2022 | – |
| Granted | 17,040,000 |
| Vested | (13,632,000) |
| **As at 31 December 2022** | **3,408,000** |

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 2022 was RMB1.53 per share.

### (ii) 2022 Share Award Plan

On 8 December 2022, the Company adopted a new share award plan (the "2022 Share Award Plan") which is administered by another trustee (the "2022 Share Award Plan Trustee").

The purposes of the 2022 Share Award Plan are to recognise and reward the contribution of certain eligible 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 board of directors shall notify the 2022 Share Award Plan Trustee in writing upon the making of an award to the Selected Participant under the 2022 Share Award Plan. Upon the receipt of such notice, the 2022 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 share pool, into which the 2022 Share Award Plan Trustee may by, among others, utilising the trust fund of the trust to purchase the Shares on the Stock Exchange at the prevailing market price, or off-market or by subscription (as the case may be).

## 25. SHARE BASED PAYMENTS *(continued)*

### (ii) 2022 Share Award Plan *(continued)*

Subject to the rules of the 2022 Share Award Plan, the legal and beneficial ownership of the relevant awarded shares shall vest in the relevant Selected Participant as soon as practicable after the latest of:

(i) the date specified on the notice of the award given by the board of directors to the Share Award Plan Trustee;

(ii) the receipt by the 2022 Share Award Plan Trustee of the requisite information and documents stipulated within the stipulated period; and

(iii) 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 2022 Share Award Plan Trustee by the board of directors in writing.

No awarded shares were granted, exercised or lapsed/cancelled/forfeited under the 2022 Share Award Plan during the year ended 31 December 2022. There was no outstanding awarded shares under the 2022 Share Award Plan as at 31 December 2022.

On 10 January 2023, the Company granted 74,471,230 awarded shares to 68 Selected Participants, which 34,133,030 awarded shares granted to low to middle level employees of the Group and a service provider, and 40,338,200 awarded shares granted to directors of the Company.

35,133,030 awarded shares issued on 17 January 2023 pursuant to the 2022 Share Award Plan, and 39,338,200 awarded shares has not yet issued. Details of the granting of new awarded shares are set out in the Company's announcement dated 10 January 2023 and the Company's circular dated 7 February 2023.

### (iii) 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)*

### (iii) Share Option Scheme *(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 HK$5 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

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.

The share option scheme which was adopted by the Company on 13 June 2014 be and is hereby terminated with effect from the adoption of the 2022 Share Award Plan on 8 December 2022.

There was no outstanding share option as at 31 December 2021 and 2022.

No share option was granted, exercised or lapsed/cancelled/forfeited during the year ended 31 December 2022.

## 25. SHARE BASED PAYMENTS *(continued)*

### (iii) Share Option Scheme *(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:

**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 |
|---|---|---|---|---|---|---|
| Directors 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 | | |

### (iv) 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:

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| **Share Award Plan** | | |
| — Employees (excluding directors of the Company) | 23,422 | – |
| **Share Option Scheme** | | |
| — Employees (excluding directors of the Company) | – | 40 |
| — Directors of the Company (note 37) | – | 53 |
| | – | 93 |
| | 23,422 | 93 |

## 26. OTHER RESERVES

| | Merger reserve RMB'000 (note a) | Translation reserve RMB'000 (note b) | Share option/ award reserve RMB'000 (note c) | Capital reserve RMB'000 (note d) | Convertible bonds equity reserve RMB'000 (note f) | Statutory reserve RMB'000 (note g) | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| 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) |
| **Balance at 1 January 2022** | **(70,612)** | **(1,592)** | **–** | **1,971** | **34,364** | **–** | **(35,869)** |
| Employee share award scheme | – | – | 23,422 | – | – | – | 23,422 |
| Issuance of new shares for the Share Award Plan | – | – | (139) | – | – | – | (139) |
| Conversion of convertible bonds | – | – | – | – | (34,364) | – | (34,364) |
| Transfer | – | – | – | – | – | 2,824 | 2,824 |
| Currency translation difference | – | (3,353) | – | – | – | – | (3,353) |
| **Balance as at 31 December 2022** | **(70,612)** | **(4,945)** | **23,283** | **1,971** | **–** | **2,824** | **(47,479)** |

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/award reserve comprises the fair value of share-based payment transactions and is dealt with in accordance with the accounting policies 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 reserve.

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.

g. According to the PRC Company Law, the PRC subsidiaries of the Group (excluding foreign investment enterprises) are required to transfer 10% of their profit after taxation, as determined under the PRC Accounting Regulations, to the statutory reserve until the reserve balance reaches 50% of their registered capital.

The transfer to this reserve must be made before distribution of a dividend to shareholders.

## 27. BANK AND OTHER BORROWINGS

| | Note | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| Bank borrowings, unsecured and guaranteed | (a) | **11,091** | 3,381 |
| Bank borrowings, secured and guaranteed | (b) | **29,500** | 31,000 |
| Bank borrowings, unsecured and unguaranteed | (c) | **7,000** | 11,386 |
| Bank borrowings, secured and unguaranteed | (d) | **–** | 18,022 |
| Other borrowings, unsecured and guaranteed | (e) | **9,165** | 15,000 |
| Other borrowings, unsecured and unguaranteed | (f) | **70,068** | 73,754 |
| Loan from a director, unsecured and unguaranteed | (g) | **–** | 5,000 |
| Bank and other borrowings | | **126,824** | 157,543 |
| Bank overdrafts, unsecured and unguaranteed | (h) | **–** | 5,507 |
| | | **126,824** | 163,050 |
| Non-current | | **17,859** | 19,301 |
| Current | | **108,965** | 143,749 |
| | | **126,824** | 163,050 |

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

The bank borrowings are unsecured, bear interest (i) at fixed rate of 4.3% per annum; (ii) at the prevailing interest rate of 台灣央行專案融通利率 plus 1.4% per annum (2021: (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).

The bank borrowings of RMB10,000,000 (2021: RMB2,000,000) are guaranteed by non-controlling shareholders of a subsidiary, which are wholly repayable within one year.

The remaining bank borrowings of RMB1,091,000 (2021: RMB1,381,000) are guaranteed by Mr. Lo and a director of a subsidiary and repayable in December 2026.

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

The bank borrowings bear interest at the prevailing interest rate of Loan Prime Rate ("LPR") in the PRC (2021: at the prevailing interest rate of LPR in the PRC).

The bank borrowings are secured by the buildings with carrying amount of RMB25,333,000 (2021: RMB27,960,000) and are guaranteed by an independent third party, Beijing Zhongguancun Sci-Tech Financing Guaranty Co., Ltd. (2021: 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 at fixed rates ranging from 3.5% to 4.3% per annum (2021: (i) at The Hong Kong Interbank Offered Rate ("HIBOR") plus 4% per annum; or (ii) at fixed rates ranging from 3.5% to 4.25% per annum). The bank borrowings are wholly repayable within one year.

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

As at 31 December 2021, the bank borrowings were secured by the key-man life insurance policies included in financial assets at FVPL with carrying amount of RMB51,002,000. The bank borrowings bore interest at The London Interbank Offered Rate plus 1% per annum and was repaid during the year.

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

The other borrowings are unsecured, bear interest at fixed rate of 2% per month (2021: the same) and are guaranteed by a non-controlling shareholder of a subsidiary and a related company (2021: the same). An amount of RMB5,835,000 was repaid during the year and the repayment date of the remaining balance of RMB9,165,000 has been extended to 31 December 2023.

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

The other borrowings are unsecured, bear interest at rates ranging from 1% to 12% per annum (2021: 1% to 12% per annum). As at 31 December 2022, amount of RMB53,300,000 (2021: RMB55,834,000) included in the balance are repayable within one year and classified as current liabilities. The remaining balance of RMB16,768,000 (2021: RMB17,920,000) (denominated in JPY) is repayable in June 2025.

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

The loan from Ms. Zhao Hui Li, an executive director of the Company, was unsecured, bore interest at fixed rate of 1% per annum and was repaid during the year.

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

The bank overdrafts bore interest at the Hongkong and Shanghai Banking Corporation Limited's HKD Best Lending rate plus 0.5% per annum and was fully repaid during the year.

**(i)** 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:

| | **2022 RMB'000** | 2021 RMB'000 |
|---|---|---|
| Repayable on demand or within 1 year | **108,965** | 143,749 |
| Repayable after 1 year but within 2 years | **–** | – |
| Repayable after 2 years but within 5 years | **17,859** | 19,301 |
| Repayable after 5 years | **–** | – |
| | **126,824** | 163,050 |

## 27. BANK AND OTHER BORROWINGS *(continued)*

**(j)** The exposure of the Group's bank and other borrowings to interest rate changes are as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Fixed interest rate | 96,233 | 130,754 |
| Variable interest rate | 30,591 | 32,296 |
| | 126,824 | 163,050 |

**(k)** The carrying amounts of the Group's bank and other borrowings are denominated in the following currencies:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| HKD | – | 13,227 |
| USD | – | 18,022 |
| RMB | 108,965 | 112,500 |
| TWD | 1,091 | 1,381 |
| JPY | 16,768 | 17,920 |
| | 126,824 | 163,050 |

## 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.

## 28. CONVERTIBLE BONDS *(continued)*

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.

In September and October 2022, the Subscribers have exercised the conversion rights attached to the convertible bonds, and the Company has issued and allotted 147,846,853 and 56,500,973 shares respectively.

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 |
|---|---|---|---|
| Carrying amount as at 1 January 2022 | 30,874 | (23,980) | 6,894 |
| Interest charged for the year (note 9) | 2,298 | – | 2,298 |
| Amortisation of deferred day-one loss (note 7) | – | 6,546 | 6,546 |
| Exchange realignments | 3,835 | (2,940) | 895 |
| Conversion of convertible bonds | (37,007) | 20,374 | (16,633) |
| **Carrying amount as at 31 December 2022** | – | – | – |

## 28. CONVERTIBLE BONDS *(continued)*

| | 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 | **2022 RMB'000** | 2021 RMB'000 |
|---|---|---|---|
| **Trade payables** | | | |
| — to third parties | | **51,663** | 39,118 |
| — to an associate | | **12,894** | 13,115 |
| | (a) | **64,557** | 52,233 |
| **Other payables** | | | |
| Other taxes payables | | **24,424** | 19,962 |
| Employee benefits payables | | **31,856** | 14,858 |
| Due to an associate | (b) | **3,651** | 2,601 |
| Due to a director | (c) | **4,477** | 5,555 |
| Due to a related company/a shareholder | (d) | **9,710** | 4,011 |
| Accrual for professional service fees | | **1,750** | 1,650 |
| Interest payables | | **16,736** | 10,759 |
| Loans from third parties | (e) | **8,500** | 8,500 |
| Others | | **3,507** | 1,346 |
| | | **104,611** | 69,242 |
| | | **169,168** | 121,475 |

## 29. TRADE AND OTHER PAYABLES *(continued)*

Notes:

(a) The credit period of trade payables is normally within 60 (2021: 60) days. The ageing analysis of the trade payables based on invoice date is as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Within 3 months | 27,581 | 23,137 |
| Over 3 months but within 6 months | 6,475 | 1,140 |
| Over 6 months but within 1 year | 2,496 | 7,377 |
| Over 1 year but within 2 years | 14,871 | 9,682 |
| Over 2 years but within 3 years | 7,351 | 7,481 |
| Over 3 years | 5,783 | 3,416 |
| | 64,557 | 52,233 |

The carrying amounts of the Group's trade payables are denominated in the following currencies:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| RMB | 64,152 | 51,368 |
| USD | 102 | 413 |
| HKD | 239 | 232 |
| EUR | – | 197 |
| TWD | 64 | – |
| GBP | – | 23 |
| | 64,557 | 52,233 |

(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 2022, except for balance of RMB912,000 (2021: RMB556,000) which is interest-free, the balance is unsecured, bear interest at rate of 5.25% per annum (2021: the same) and repayable on demand.

(d) The balance represents the amount due to Cerulean Coast Limited ("Cerulean"), a company wholly-owned by Mr. Lo. As at 31 December 2022, except for the balance of RMB2,229,000 (2021: RMB1,799,000) which is interest-free, the balance is unsecured, bears interest at rate of 5.25% per annum (2021: the same) and repayable on demand.

(e) The loans are unsecured, interest-free and repayable within one year.

## 30. DEFERRED INCOME TAX

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Deferred income tax assets | – | 1,013 |

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 2021 | 1,013 | (162) | 851 |
| Credited to the consolidated statement of profit or loss | – | 162 | 162 |
| As at 31 December 2021 and at 1 January 2022 | 1,013 | – | 1,013 |
| Disposal of a subsidiary (Note 32) | **(1,013)** | **–** | **(1,013)** |
| **As at 31 December 2022** | **–** | **–** | **–** |

As at 31 December 2022, 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 RMB77,889,000 (2021: RMB49,266,000). 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**

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Before multiplied by the applicable tax rates: | | |
| Deductible temporary differences | **142,369** | 133,975 |
| Tax losses | **170,063** | 159,251 |
| | **312,432** | 293,226 |

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:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Tax losses expiring on 31 December 2023 | **7,511** | 11,314 |
| Tax losses expiring on 31 December 2024 | **36,233** | 37,900 |
| Tax losses expiring on 31 December 2025 | **9,076** | 9,596 |
| Tax losses expiring on 31 December 2026 | **1,497** | 8,132 |
| Tax losses expiring on 31 December 2027 | **19,041** | – |
| Tax loss without expiry date | **96,705** | 92,309 |
| | **170,063** | 159,251 |

## 31. DIVIDENDS

The directors of the Company do not recommend payment of any final dividend for the year ended 31 December 2022 (2021: Nil).

## 32. DISPOSAL OF A SUBSIDIARY

As at 31 December 2021, the Company indirectly held 55% of the equity interests in Beijing BroadVision.

On 29 April 2022, the Group disposed of its 55% equity interests in Beijing BroadVision to a party, who was originally interested as to 35% of the equity interest in Beijing BroadVision, at a total consideration of RMB10,639,000. The details of the disposal are detailed in the Company's announcement dated 29 April 2022.

## 32. DISPOSAL OF A SUBSIDIARY *(continued)*

The consideration, which comprises of the following:

(i) RMB6,037,000, being the total amount due to the Beijing BroadVision by the Group, which shall be set-off in full;

(ii) RMB1,000,000, in cash shall be repayable on 29 May 2022; and

(iii) RMB3,602,000, in cash shall be repayable on 29 April 2027. In the event that the payment does not settled, the Group shall have the right to demand the transfer of 19% of the equity interest in Beijing BroadVision to the Group within 30 days after serving written notice.

Beijing BroadVision 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) | 314 |
| Intangible assets (note 15) | 792 |
| Right-of-use assets (note 16) | 1,646 |
| Deferred income tax assets (note 30) | 1,013 |
| Inventories | 11 |
| Trade and other receivables | 14,535 |
| Bank balances and cash | 256 |
| Trade and other payables | (5,709) |
| Lease liabilities (note 34(b)) | (1,669) |
| Contract liabilities (note 23) | (388) |
| Total identifiable net assets | 10,801 |
| Total identifiable net assets attribute to owner of the Company | 5,079 |
| Gain on disposal of a subsidiary (note 6) | 5,560 |
| Total consideration | 10,639 |
| Analysis of net inflow of cash and cash equivalents in respect of disposal of a subsidiary: | |
| Cash consideration received | 1,000 |
| Bank balances and cash disposed | (256) |
| | 744 |

## 33. FINANCIAL INSTRUMENTS BY CATEGORY

| | At amortised cost RMB'000 |
|---|---|
| **As at 31 December 2022** | |
| ***Assets as per consolidated statement of financial position*** | |
| Trade and other receivables excluding prepayments | 226,801 |
| Bank balances and cash | 50,928 |
| Pledged bank deposits | 892 |
| | 278,621 |

| | Other financial liabilities at amortised cost RMB'000 |
|---|---|
| **As at 31 December 2022** | |
| ***Liabilities as per consolidated statement of financial position*** | |
| Bank and other borrowings | 126,824 |
| Trade and other payables excluding non-financial liabilities | 112,888 |
| Lease liabilities | 15,905 |
| | 255,617 |

## 33. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

| | At amortised cost 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 |

## 34. OTHER CASH FLOW INFORMATION

### (a) Reconciliation of loss before income tax to cash generated from operations:

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Loss before income tax | **(6,056)** | (72,234) |
| Adjustments for: | | |
| — Amortisation of intangible assets (note 15) | **3,198** | 2,962 |
| — Amortisation of deferred day-one loss (note 28) | **6,546** | 2,294 |
| — Loss allowance on trade receivables (note 3(b)(ii)) | **92** | 6,124 |
| — Loss allowance on other receivables (note 3(b)(ii)) | **1,800** | – |
| — Provision for inventories (note 19) | **8,452** | 4,006 |
| — Depreciation of property, plant and equipment (note 14) | **3,950** | 3,575 |
| — Depreciation of right-of-use assets (note 16) | **4,258** | 3,049 |
| — Impairment loss on goodwill (note 15) | **–** | 7,128 |
| — Impairment loss on interest in an associate (note 11) | **–** | 1,800 |
| — Interest income (note 9) | **(230)** | (33) |
| — Interest expenses (note 9) | **14,414** | 14,540 |
| — Fair value losses on financial assets at FVPL (note 17) | **12,139** | 1,277 |
| — Fair value change in contingent consideration receivable (note 18(iii)) | **–** | 17,755 |
| — Share based compensation expenses (note 25) | **23,422** | 93 |
| — Share of results of an associate (note 11) | **(150)** | 638 |
| — Gain on disposal of a subsidiary (note 32) | **(5,560)** | (87) |
| — Write off of property, plant and equipment | **–** | 22 |
| | **66,275** | (7,091) |
| Changes in working capital: | | |
| — Inventories | **446** | 10,666 |
| — Trade and other receivables | **(90,596)** | 63,245 |
| — Trade and other payables | **28,138** | (45,927) |
| Cash generated from operations | **4,263** | 20,893 |

## 34. OTHER CASH FLOW INFORMATION *(continued)*

### (b) Changes in liabilities arising from financing activities:

| | Lease liabilities | Bank and other borrowings (excluding bank overdrafts) | Convertible bonds | Total |
|---|---|---|---|---|
| | RMB'000 (note 16) | RMB'000 (note 27) | RMB'000 (note 28) | RMB'000 |
| As at 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 |

## 34. OTHER CASH FLOW INFORMATION *(continued)*

### (b) Changes in liabilities arising from financing activities: *(continued)*

| | 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 2022** | 4,179 | 157,543 | 6,894 | 168,616 |
| **New leases** | 17,272 | – | – | 17,272 |
| **Cash flows:** | | | | |
| Repayment of lease liabilities | (3,877) | – | – | (3,877) |
| Proceeds from bank and other borrowings | – | 48,640 | – | 48,640 |
| Repayments of bank and other borrowings | – | (79,359) | – | (79,359) |
| | (3,877) | (30,719) | – | (34,596) |
| Exchange realignments | – | – | 895 | 895 |
| Other changes: | | | | |
| Amortisation of deferred day-one loss (note 28) | – | – | 6,546 | 6,546 |
| Interest expenses on convertible bonds (note 28) | – | – | 2,298 | 2,298 |
| Conversion of convertible bonds (note 28) | – | – | (16,633) | (16,633) |
| Disposal of a subsidiary (note 32) | (1,669) | – | – | (1,669) |
| | (1,669) | – | (7,789) | (9,458) |
| **As at 31 December 2022** | 15,905 | 126,824 | – | 142,729 |

## 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:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Salaries, bonus and other allowances | 4,046 | 3,897 |
| Contributions to defined contribution plans | 287 | 241 |
| Share based payment expenses (notes 25 and 37) | – | 53 |
| | 4,333 | 4,191 |

Note: These were connected/continuing connected transactions which are fully exempted under Rule 14A.95 of the Listing Rules.

**(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 | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|---|
| A director | Interest expenses (notes (i), (iii)) | 356 | 182 |
| A related company/a shareholder | Interest expenses (notes (ii), (iii)) | 430 | 403 |
| 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.

(iii) These were connected/continuing connected transactions which are fully exempted under Rule 14A.90 of the Listing Rules.

## 36. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

### (a) Statement of financial position of the Company

| | Notes | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investments in subsidiaries | | 49,075 | 49,075 |
| Due from subsidiaries | 36(c)(i) | 5,485 | 5,485 |
| | | 54,560 | 54,560 |
| **Current assets** | | | |
| Due from subsidiaries | 36(c)(ii) | 17,114 | 6,913 |
| Other receivables | | 67 | 61 |
| Cash and cash equivalents | | 212 | 9,474 |
| | | 17,393 | 16,448 |
| **Total assets** | | 71,953 | 71,008 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 24 | 10,667 | 8,694 |
| Share premium | 36(b) | 330,273 | 281,110 |
| Share option/award reserve | 36(b) | 23,422 | – |
| Convertible bonds equity reserve | 36(b) | – | 34,364 |
| Translation reserve | 36(b) | (86) | (84) |
| Accumulated losses | 36(b) | (294,109) | (260,186) |
| **Total equity** | | 70,167 | 63,898 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Convertible bonds | | – | 6,894 |
| **Current liabilities** | | | |
| Trade and other payables | | 1,786 | 216 |
| **Total equity and liabilities** | | 71,953 | 71,008 |

This statement of financial position was approved and authorised for issue by the Board of Directors on 28 March 2023 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 movements of the Company

| | Share premium RMB'000 | Share option/ award reserve RMB'000 | Convertible bonds equity reserve RMB'000 | Translation reserve RMB'000 | Accumulated losses RMB'000 |
|---|---|---|---|---|---|
| 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)*

### (b) Reserve movements of the Company *(continued)*

| | Share premium RMB'000 | Share option/ award reserve RMB'000 | Convertible bonds equity reserve RMB'000 | Translation reserve RMB'000 | Accumulated losses RMB'000 |
|---|---|---|---|---|---|
| **Balance at 1 January 2022** | 281,110 | – | 34,364 | (84) | (260,186) |
| Loss for the year | – | – | – | – | (33,923) |
| Other comprehensive loss: | | | | | |
| *Items that may not be reclassified subsequently to profit or loss:* | | | | | |
| Currency translation differences | – | – | – | (2) | – |
| Total comprehensive loss | – | – | – | (2) | (33,923) |
| Transaction with owners: | | | | | |
| *Contributions and distribution* | | | | | |
| Employee share award — value of employee services | – | 23,422 | – | – | – |
| Conversion of convertible bonds | 49,163 | – | (34,364) | – | – |
| | 49,163 | 23,422 | (34,364) | – | – |
| **Balance as at 31 December 2022** | 330,273 | 23,422 | – | (86) | (294,109) |

### (c) Due from subsidiaries

(i) The amounts due are unsecured, non-interest bearing and the settlement of which is neither planned nor likely to occur in the foreseeable future.

(ii) 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 2022**

| Name | Fees | Salaries, housing allowances, other allowances and benefits in kind | 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 | – | 1,005 | – | 31 | – | 1,036 |
| ***Executive directors*** | | | | | | |
| Mr. Li Jinping | – | 474 | – | 118 | – | 592 |
| Mr. Li Jun | – | 840 | 232 | – | – | 1,072 |
| Ms. Zhao Hui Li | – | 720 | 203 | 138 | – | 1,061 |
| Mr. Li Liang | – | 8 | – | – | – | 8 |
| ***Independent non-executive directors*** | | | | | | |
| Mr. Cui Xiao Bo | – | 188 | – | – | – | 188 |
| Mr. Ma Zhan Kai | – | 188 | – | – | – | 188 |
| Dr. Yu Guo Jie | – | 188 | – | – | – | 188 |
| | – | 3,611 | 435 | 287 | – | 4,333 |

## 37. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

### (a) Directors' emoluments *(continued)*

Year ended 31 December 2021

| Name | Fees | Salaries, housing allowances, other allowances and benefits in kind | 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 |

Mr. Li Liang was appointed as executive director with effect from 28 December 2022.

Mr. Li Jinping resigned as executive director with effect from 28 December 2022.

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.

No emoluments were paid or payable by the Group to directors or past 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 2022 and 2021.

### (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 (2021: 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 | | | | |
|---|---|---|---|---|---|
| | **2022 RMB'000** | 2021 RMB'000 | 2020 RMB'000 | 2019 RMB'000 | 2018 RMB'000 |
| **CONTINUING OPERATIONS** | | | | | |
| **Results** | | | | | |
| Revenue | **425,606** | 202,788 | 153,306 | 191,030 | 298,704 |
| Cost of sales | **(227,358)** | (138,451) | (97,455) | (142,443) | (237,579) |
| **Gross profit** | **198,248** | 64,337 | 55,851 | 48,587 | 61,125 |
| Selling expenses | **(70,860)** | (10,929) | (10,922) | (19,925) | (25,465) |
| Administrative expenses | **(107,847)** | (76,172) | (68,072) | (78,168) | (95,682) |
| Loss allowance on trade receivables | **(92)** | (6,124) | (21,767) | (2,056) | – |
| Loss allowance on other receivables | **(1,800)** | – | – | – | – |
| Provision for inventories | **(8,452)** | (4,006) | (11,487) | (30,828) | (1,055) |
| 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 (losses) gains, net | **(3,813)** | 4,228 | 6,611 | 4,688 | 53,997 |
| **Operating profit (loss)** | **5,384** | (55,349) | (68,919) | (77,702) | (7,080) |
| **Finance costs, net** | **(11,590)** | (16,247) | (14,624) | (16,993) | (18,948) |
| Share of results of associates/ investments accounted for using the equity method | **150** | (638) | (16,115) | 3,156 | (4,618) |
| **Loss before income tax** | **(6,056)** | (72,234) | (99,658) | (91,539) | (30,646) |
| Income tax (expense) credit | **(10,335)** | 3,510 | 1,701 | 2,895 | (8,156) |
| Loss from continuing operations for the year | **(16,391)** | (68,724) | (97,957) | (88,644) | (38,802) |
| **DISCONTINUED OPERATIONS** | | | | | |
| Profit from discontinued operations | **–** | – | – | – | 3,157 |
| **Loss for the year** | **(16,391)** | (68,724) | (97,957) | (88,644) | (35,645) |
| **(Loss) Earnings Per Share — basic and diluted (RMB cents per share)** | | | | | |
| From continuing operations | **(0.80)** | (5.83) | (9.37) | (8.16) | (3.78) |
| From discontinuing operations | **–** | – | – | – | 0.31 |
| | **(0.80)** | (5.83) | (9.37) | (8.16) | (3.47) |
| **Assets and Liabilities** | | | | | |
| Total Assets | **446,906** | 422,681 | 498,642 | 515,006 | 738,324 |
| Total Liabilities | **343,923** | 334,287 | 392,856 | 332,683 | 471,044 |
| Total Equity | **102,983** | 88,394 | 105,786 | 182,323 | 267,280 |