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Century Sage Scientific Holdings Limited

世紀睿科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1450)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 0.5% to RMB289.4 million for the six months ended 30 June 2017 from RMB291.0 million for the six months ended 30 June 2016.
- Gross profit decreased by approximately 7.8% to RMB77.9 million for the six months ended 30 June 2017 from RMB84.5 million for the six months ended 30 June 2016.
- Net profit decreased by approximately 27.9% to RMB15.5 million for the six months ended 30 June 2017 from RMB21.5 million for the six months ended 30 June 2016.
- The Board does not recommend the distribution of any interim dividend for the six months ended 30 June 2017 (2016: Nil).

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) is pleased to announce the unaudited condensed consolidated interim results of Century Sage Scientific Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2017 (the “**Interim Period**”), together with the comparative figures for the six months ended 30 June 2016 (the “**Corresponding Period**”). The unaudited condensed consolidated interim results of the Group have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Six months ended 30 June	
		2017	2016
		RMB'000	RMB'000
		Unaudited	Unaudited
Revenue	4	289,443	290,990
Cost of sales	4	(211,495)	(206,474)
Gross profit	4	77,948	84,516
Selling expenses		(14,563)	(13,498)
Administrative expenses		(45,838)	(40,366)
Other income		2,124	1,121
Operating profit	6	19,671	31,773
Finance income	7	5,019	51
Finance costs		(7,074)	(6,375)
Finance income — net		(2,055)	(6,324)
Share of post-tax profits of an associate	5	827	1,216
Profit before income tax		18,443	26,665
Income tax expense	8	(2,947)	(5,181)
Profit for the period		15,496	21,484
Profit attributable to:			
Owners of the Company		14,655	21,484
Non-controlling interests		841	—
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Currency translation differences		(92)	(784)
Other comprehensive loss for the six-month period then ended, net of tax		(92)	(784)
Total comprehensive income for the period		15,404	20,700

	<i>Note</i>	Six months ended 30 June	
		2017	2016
		<i>RMB'000</i>	<i>RMB'000</i>
		Unaudited	Unaudited
Total comprehensive income attributable to:			
Owners of the Company		14,563	20,700
Non-controlling interests		841	–
		<hr/>	<hr/>
Earnings per share (expressed in RMB cents per share)			
— Basic and diluted	<i>16</i>	1.44	2.14
		<hr/> <hr/>	<hr/> <hr/>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	30 June 2017 RMB'000 Unaudited	31 December 2016 RMB'000 Audited
Assets			
Non-current assets			
Property, plant and equipment	<i>10</i>	54,356	56,013
Intangible assets	<i>10</i>	58,683	57,892
Deferred income tax assets		1,641	1,429
Trade and other receivables	<i>11</i>	134,424	135,684
Financial assets at fair value through profit or loss		43,266	43,800
Investment in associates	<i>5</i>	34,234	29,657
Other non-current assets		741	1,058
		<hr/> 327,345	<hr/> 325,533
Current assets			
Inventories		163,816	193,922
Trade and other receivables	<i>11</i>	572,427	571,674
Pledged bank deposits		11,975	26,240
Cash and cash equivalents		34,378	50,571
		<hr/> 782,596	<hr/> 842,407
Total assets		<hr/> 1,109,941	<hr/> 1,167,940
Equity			
Equity attributable to owners of the Company			
Share capital	<i>12</i>	8,106	8,106
Share premium	<i>12</i>	265,396	265,396
Other reserves		(65,778)	(66,995)
Retained earnings		264,798	255,456
		<hr/> 472,522	<hr/> 461,963
Total equity		472,522	461,963
Non-controlling interests		<hr/> 14,195	<hr/> 13,354
Total equity		<hr/> 486,717	<hr/> 475,317

	<i>Note</i>	30 June 2017 RMB'000 Unaudited	31 December 2016 RMB'000 Audited
Liabilities			
Non-current liabilities			
Borrowings	<i>14</i>	100,824	147,704
Deferred income tax liabilities		2,195	2,542
		<u>103,019</u>	<u>150,246</u>
Current liabilities			
Trade and other payables	<i>15</i>	297,592	313,514
Current income tax liabilities		16,395	15,539
Borrowings	<i>14</i>	206,218	213,324
		<u>520,205</u>	<u>542,377</u>
Total liabilities		<u>623,224</u>	<u>692,623</u>
Total equity and liabilities		<u>1,109,941</u>	<u>1,167,940</u>
Net current assets		<u>262,391</u>	<u>300,030</u>
Total assets less current liabilities		<u>589,735</u>	<u>625,563</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				
	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>
Unaudited					
Balance at 1 January 2017	8,106	265,396	(66,995)	255,456	461,963
Comprehensive income					
Profit for the period	–	–	–	14,655	14,655
Other comprehensive income					
— currency translation differences	–	–	(92)	–	(92)
Total comprehensive income for the period ended 30 June 2017	–	–	(92)	14,655	14,563
Transactions with owners					
Dividend	–	–	–	(5,313)	(5,313)
Employees share award and option scheme — value of employee services	–	–	1,309	–	1,309
Total transactions with owners, recognised directly in equity	–	–	1,309	(5,313)	(4,004)
Balance as at 30 June 2017	8,106	265,396	(65,778)	264,798	472,522
Balance at 1 January 2016	7,933	252,286	(58,031)	209,185	411,373
Comprehensive income					
Profit for the period	–	–	–	21,484	21,484
Other comprehensive income					
— currency translation differences	–	–	(784)	–	(784)
Total comprehensive income for the period ended 30 June 2016	–	–	(784)	21,484	20,700
Transactions with owners					
Dividend	–	–	–	(5,000)	(5,000)
Employees share award and option scheme — value of employee services	–	–	910	–	910
Issue of ordinary share for the equity consideration for investment in an associate	71	8,183	(8,254)	–	–
Total transactions with owners, recognised directly in equity	71	8,183	(7,344)	(5,000)	(4,090)
Balance as at 30 June 2016	8,004	260,469	(66,159)	225,669	427,983

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	Unaudited	Unaudited
Cash flows from operating activities		
Cash generated from operations	41,059	(106,638)
Interest paid	(4,702)	(4,515)
Income tax paid	(2,335)	(1,622)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	34,022	(112,775)
Cash flows from investing activities		
Purchases of property, plant and equipment	(2,766)	(576)
Payment of pledged bank deposits	(11,975)	(17,544)
Collection of pledged bank deposits	26,240	16,115
Purchase of financial asset at fair value through profit or loss	–	(22,325)
Purchase of intangible assets	(4,338)	(2,393)
Prepayments for acquisition of a subsidiary	–	(7,500)
Acquisition of an associate	(3,750)	–
	<hr/>	<hr/>
Net cash generated from/(used in) investing activities	3,411	(34,223)
Cash flows from financing activities		
Proceeds from borrowings	102,151	390,172
Repayments of borrowings	(156,137)	(275,017)
Dividends paid to the then shareholders	–	(5,000)
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	(53,986)	110,155
Net decrease in cash and cash equivalents		
Cash and cash equivalents at beginning of period	50,571	62,082
Exchange gain on cash and cash equivalents	360	223
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	34,378	25,462
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2017

1. GENERAL INFORMATION

Century Sage Scientific Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 18 December 2012 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands.

The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of (i) application solutions, (ii) sports and events business, (iii) system maintenance services and (iv) sales of self-developed products, as well as other related services, for the delivery of various formats of media content in the People’s Republic of China (the “**PRC**”). The Group has operations mainly in the mainland China.

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

This interim financial information was approved for issue by the Board on 18 August 2017.

This interim financial information has not been audited.

2. BASIS OF PREPARATION AND PRESENTATION

This interim financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”), “Interim financial reporting”. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

Amendments to HKFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

Taxes on income in the interim periods are accrued using the tax rates that would be applicable to expected total annual earnings.

4. SEGMENT INFORMATION

The chief operating decision-maker (“**CODM**”) mainly includes the executive directors, who are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, the CODM considers the business from both business and geographical perspective.

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

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

The CODM assess the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling expenses, administrative expenses and finance cost are common costs incurred for the operating segment as a whole and therefore they are not included in the measure of the segments' performance which is used by the CODM.

The segment information provided to the CODM for the reportable segments for the periods is as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Segment revenue		
Application solutions	224,183	255,336
Sports and events business	27,799	9,825
System maintenance services	11,545	10,674
Sales of self-developed products	25,916	15,155
Total	289,443	290,990
Segment cost		
Application solutions	(184,014)	(187,811)
Sports and events business	(10,319)	(6,557)
System maintenance services	(6,114)	(4,928)
Sales of self-developed products	(11,048)	(7,178)
Total	(211,495)	(206,474)
Segment gross profit		
Application solutions	40,169	67,525
Sports and events business	17,480	3,268
System maintenance services	5,431	5,746
Sales of self-developed products	14,868	7,977
Total	77,948	84,516
Depreciation		
Application solutions	3,426	3,993
Sports and events business	425	154
System maintenance services	176	167
Sales of self-developed products	396	237
Total	4,423	4,551

5. INVESTMENT IN AN ASSOCIATE

	Six months ended 30 June 2017 RMB'000
At 1 January 2017	29,657
Addition	3,750
Share of post-tax profits of an associate	827
	<hr/>
At 30 June 2017	<u>34,234</u>

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

	Six months ended 30 June 2017 RMB'000
Assets	93,518
Liabilities	46,413
Revenues	23,535
Share of profit	827
	<hr/>
Percentage held	<u>49%</u>

6. OPERATING PROFIT

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Equipment costs	205,596	202,011
Servicing and agency costs	7,154	8,966
Business development	2,597	3,982
Depreciation and amortisation	7,970	6,399
	<hr/>	<hr/>
	<u>223,317</u>	<u>221,358</u>

7. FINANCIAL INCOME

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	Unaudited	Unaudited
Financial Income		
— Interest income on short-term bank deposits	79	51
— Interest income on long-term trade receivable	4,940	—
	<hr/>	<hr/>
Total	<u>5,019</u>	<u>51</u>

8. INCOME TAX EXPENSE

Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from the Cayman Islands income tax.

Hong Kong profits tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for the year ended 31 December 2016 and for the six months ended 30 June 2017 on the estimated assessable profit for the year. Hong Kong profits tax amounted at RMB0 (year ended 31 December 2016: RMB2,584,248) was provided for profit amounted at RMB0 (year ended 31 December 2016: RMB9,668,786) which was subject to Hong Kong profits tax during the period.

PRC enterprise income tax (“EIT”)

Entities incorporated in the PRC are subject to EIT. According to the Law of the PRC on EIT (the “EIT Law”) effective from 1 January 2008, all PRC enterprises are subject to a standard enterprise income tax rate of 25%, except for enterprises which are allowed to enjoy the preferential policies and provisions as discussed below:

Certain subsidiaries of the Group were qualified as the High and New Technology Enterprise (“HNT”) and the EIT was provided at a preferential tax rate as 15%.

PRC withholding tax

In addition, according to the EIT Law, dividends, interests, rent, royalties and gains on transfers of property received by a foreign enterprise, i.e. a non-China tax resident enterprise, will be subject to PRC withholding tax at 10% or a reduced treaty rate depending on provisions of tax treaty entered between the PRC and the jurisdiction where the foreign enterprise incorporated. The withholding tax rate is 5% for the parent company in Hong Kong if it is the beneficial owner of the dividend received from the invested enterprises in the PRC and obtained the approval of enjoying the treaty rate from the PRC tax authorities. The withholding tax imposed on the dividend income received from the Group’s PRC entities will reduce the Company’s net income.

The income tax expense of the Group for the six months ended 30 June 2017 is analysed as follows:

	Six months ended 30 June	
	2017	2016
	RMB’000	RMB’000
Current income tax	3,506	8,394
Deferred income tax	(559)	(3,213)
Income tax expense	<u>2,947</u>	<u>5,181</u>

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

9. DIVIDENDS

The final dividend of approximately HKD6.1 million (equivalent to RMB5.3 million) for the year ended 31 December 2016 was declared and approved by the shareholders of the Company at the annual general meeting of the Company held on 13 June 2017, and the payment was made on 6 July 2017.

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2017 (for the six months ended 30 June 2016: nil).

10. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment <i>RMB'000</i>	Other intangible assets <i>RMB'000</i>
Six months ended 30 June 2017		
Net book value or valuation		
Opening amount as at 1 January 2017	56,013	57,892
Additions	2,766	4,338
Depreciation	(4,423)	(3,547)
	<u>54,356</u>	<u>58,683</u>
Closing amount as at 30 June 2017	<u><u>54,356</u></u>	<u><u>58,683</u></u>
Six months ended 30 June 2016		
Net book value or valuation		
Opening amount 1 January 2016	58,677	38,142
Additions	576	2,393
Disposals	(259)	–
Depreciation	(4,551)	(1,848)
	<u>54,443</u>	<u>38,687</u>
Closing amount as at 30 June 2016	<u><u>54,443</u></u>	<u><u>38,687</u></u>

11. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2017 RMB'000	31 December 2016 RMB'000
Included in current assets		
Trade receivables	596,469	586,360
Less: provision for impairment of trade receivable	<u>(2,234)</u>	<u>(1,978)</u>
Trade receivables — net	594,235	584,382
Other receivables		
Amount due from customers for contract work	—	2,936
Deposit for guarantee certificate over tendering and performance	29,554	44,355
Deposit for acquisition of a subsidiary	17,358	17,890
Deposit for acquisition of an associate	5,583	5,373
Prepayments	27,701	27,522
Cash advance to staff	7,924	6,460
Others	<u>24,496</u>	<u>18,440</u>
	706,851	707,358
Less:		
Included in non-current assets	<u>134,424</u>	<u>135,684</u>
Current portion	<u><u>572,427</u></u>	<u><u>571,674</u></u>

As at 31 December 2016 and 30 June 2017, the aging analysis of the trade receivables based on revenue recognition date is as follows:

	As at	
	30 June 2017 RMB'000	31 December 2016 RMB'000
Up to 3 months	161,575	118,812
3 to 6 months	43,171	168,544
6 months to 1 year	202,264	154,855
1 to 2 years	111,635	69,655
2 to 3 years	48,725	49,552
Over 3 years	<u>29,099</u>	<u>24,942</u>
	<u><u>596,469</u></u>	<u><u>586,360</u></u>

12. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares <i>HK\$'000</i>	Equivalent nominal value of ordinary shares <i>RMB'000</i>	Share premium <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at 1 January 2017 and 30 June 2017	1,020,300,761	10,203	8,106	265,396	273,502
At 1 January 2016	1,000,000,000	10,000	7,933	252,286	260,219
Investment in associates (e)	8,396,000	84	71	8,813	8,254
Balance at 30 June 2016	1,008,396,000	10,084	8,004	260,469	268,473

13. SHARE BASED PAYMENTS

(i) Share Award Plan

The Company has adopted a share award plan (the “**Share Award Plan**”) on 24 March 2014, which is administered by a trustee (the “**Trustee**”). The major shareholder of the Company, Cerulean Coast Limited, have reserved and set aside a total of 22,500,000 award shares and held by the Trustee. Pursuant to the Share Award Plan, the Trustee purchased a total of 1,090,000 shares of the Company on the Stock Exchange during 2016. The Share Award Plan involves granting of existing shares held by the Trustee and no new shares will be issued pursuant to the Share Award Plan.

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

	Number of awarded shares
At 1 January 2017	12,884,868
Granted	–
Lapsed	(819,228)
At 30 June 2017	12,065,640
At 1 January 2016	7,864,868
Granted	6,025,000
Vested	(280,000)
At 30 June 2016	13,609,868

The fair value of the awarded shares was calculated based on the market price of the Company’s shares at the respective grant date. There are no awarded shares granted during the six months ended 30 June 2017.

The outstanding 7,470,640 awarded shares will be vested in four tranches on 21 November 2017, 2018, 2019 and 2020 respectively. And the outstanding 4,595,000 awarded shares will be vested on 18 May 2019.

(i) **Share Option Scheme**

The Company has adopted a share option scheme (the “**Share Option Scheme**”) on 13 June 2014.

On 9 April 2015, the Board approved a share option of 14,216,000 shares at the exercise price of HK\$1.84 (the “**2015 Scheme**”). The options were divided into 2 tranches at the grant date. The first tranche of 50% of the option can be exercised beginning on the 3rd anniversary of the grant date and the remaining tranche will become exercisable on the 4th anniversary of the grant date.

On 7 April 2016, the Board approved a share option of 13,542,000 shares at the exercise price of HK\$0.77 (the “**2016 Scheme**”) representing the following:

Type A: 12,912,000 share options under the 2016 Scheme were divided into 2 tranches at the grant date as replacement of the outstanding share options under the 2015 Scheme. The first tranche of 50% of the option can be exercised beginning on the 2nd anniversary of the grant date and the remaining tranche will become exercisable on the 3th anniversary of the grant date. The incremental fair value of new 2016 Scheme at the date of modification (compared with the 2015 Scheme) would be spread over the vesting period of the new 2016 Scheme.

Type B: The remaining 630,000 share options under the 2016 Scheme were divided into 2 tranches at the grant date. The first tranche of 50% of the option can be exercised beginning on the 3rd anniversary of the grant date and the remaining tranche will become exercisable on the 4th anniversary of the grant date.

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

	Number of share options	
	2015 Scheme	2016 Scheme
At 1 January 2017	4,072,000	13,170,000
Cancelled	–	(814,000)
	<hr/>	<hr/>
At 30 June 2017	<u>4,072,000</u>	<u>12,356,000</u>

The Directors have used the Binomial Model to determine the fair value of the options granted, which is to be expensed over the vesting period. Significant judgment on parameters, such as risk free rate, dividend yield and expected volatility, was agreed by the management of the Group in applying the Binomial Model, which are summarised below:

	Type A	Type B
Risk free rate	0.87%	0.95%
Dividend yield	0.80%	0.80%
Expected volatility	51.19%	50.13%

14. BORROWINGS

	As at	
	30 June 2017 RMB'000	31 December 2016 RMB'000
Non-current		
Bank borrowings	100,824	147,704
Current		
Bank borrowings	206,218	213,324
Total borrowings	<u>307,042</u>	<u>361,028</u>

As at 30 June 2017, bank borrowings of RMB70,000,000 (31 December 2016: RMB76,699,000,000) were secured by the buildings of the Group, net book value of which amounted to RMB39,259,145 (31 December 2016: RMB40,366,800); trade receivables of RMB26,817,544 (31 December 2016: RMB25,834,502), and guaranteed by Beijing Zhongguancun Sic-tech Financing Guarantee Co., Ltd. Bank borrowings of RMB161,543,185 (31 December 2016: RMB196,713,998) was secured by insurance policies of the Group classified as financial assets at fair value through profit or loss amounted to RMB42,864,792 (31 December 2016: RMB43,800,000), and trade receivables of RMB62,704,665 (31 December 2016: RMB77,296,072).

15. TRADE AND OTHER PAYABLES

	As at	
	30 June 2017 RMB'000	31 December 2016 RMB'000
Trade payables	158,879	142,866
Advances from customers	42,639	87,448
Employee benefits payable	913	2,949
Other taxes payable	67,552	66,377
Dividends payable (<i>Note 9</i>)	5,314	–
Accrual for professional service fee	868	2,010
Others	21,427	11,864
	<u>297,592</u>	<u>313,514</u>

As at 30 June 2017, the aging analysis of the trade payables based on invoice date were as follows:

	As at	
	30 June 2017 RMB'000	31 December 2016 RMB'000
Up to 3 months	120,877	117,563
3 to 6 months	12,241	3,874
6 months to 1 year	12,504	10,065
1 to 2 years	9,982	9,321
2 to 3 years	1,343	134
Over 3 years	1,932	1,909
	<u>158,879</u>	<u>142,866</u>

16. EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the six months ended 30 June 2016 and 2017 are calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares deemed to be in issue during each respective year:

	Six months ended 30 June	
	2017	2016
Profit attributable to owners of the Company (in RMB'000)	14,655	21,484
Weighted average number of ordinary shares in issue	<u>1,020,300,761</u>	<u>1,000,874,104</u>
Basic earnings per share (RMB cents per share)	<u>1.14</u>	<u>2.14</u>

(b) Diluted

Potential dilutive ordinary shares are not included in the calculation of diluted earnings per share because they are anti-dilutive. The diluted earnings per share equal to the basic earnings per share.

17. OPERATING LEASE COMMITMENTS

The Group leases various offices and warehouses under both cancellable and non-cancellable operating lease agreements. The non-cancellable lease terms are between 1 and 4 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. The Group is required to give at least one month prior notice for the termination of these agreements. The lease expenditure and related management fee, water and electricity (if necessary) charged to the income statement during the period is disclosed.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at	
	30 June 2017	31 December 2016
	RMB'000	RMB'000
	Unaudited	Audited
No later than 1 year	2,903	2,809
Later than 1 year and no later than 2 years	2,340	2,453
Later than 2 years	<u>5,041</u>	<u>2,665</u>
	<u>10,284</u>	<u>7,927</u>

18. CONTINGENCIES

In March 2014, one of the subsidiaries of the Group was involved in a contractual dispute with a supplier of television broadcasting systems (the “Claimant”). The Claimant supplied certain television broadcasting systems to this subsidiary, who provided the application solution services for the systems to a client in Hunan (“Client”), the end-user of the systems. The contractual claim amounting RMB6.77 million was brought by the Claimant against this subsidiary and the Client in relation to the outstanding amount payable for the sale of the systems. In light of the quality problems in the systems supplied by the Claimant, and the Client is the end user of the system and bear the ultimate obligation to settle payments, the Directors consider that the ultimate outcome of the legal dispute will not have a material adverse effect on the financial statements and therefore no provision has been made for the six months ended 30 June 2017.

BUSINESS REVIEW

The year 2017 is an important year that connects the preceding and the following after the implementation of China's 13th Five-Year Plan, and further promotes the advancement of the country's press, publication, radio, film and television system. This is an era with unprecedented changes in communication technologies and represents a significant historical milestone of innovation-driven development of media.

Standing at the forefront of an era of converging media, the Group, as a national leading one-stop all-media provider, has striven to promote business upgrade, launch new converging media projects and maintain its leading position in the industry by keeping pace with the time, embracing the trend of converging media, and firmly establishing the philosophy of integration-powered development, based on a deep understanding of the maxim "reform to advance, innovate to differentiate, and reform and innovate to succeed (唯改革者進，唯創新者強，唯改革創新者勝)". During the Interim Period, the Group not only maintained a steady growth of traditional radio and television customers but also established excellent business relationships with increasing number of new media and industry customers by leveraging its professional business and technical capabilities and innovation-driven operation philosophy.

During the Interim Period, the Group actively advanced the following strategic transformations:

- To improve business penetration and further expand business coverage and build management talent pipeline, as of the date of this announcement, the Group has established 12 regional offices in the main provinces and autonomous regions in the PRC, Hong Kong and Taiwan and appointed their general managers with a view of enhancing the Group's ability to capture emerging business opportunities in the local areas and develop business relationships with local partners;
- Seizing the opportunity of converging media, the Group has enhanced its competitive strength by transforming from a hardware system integrator to a one-stop all-media provider with software and hardware integration capability while continuously working to upgrade its traditional business and to transform and innovate its business;
- Digging the potential of mutual advancement and coordination among the Group's subsidiaries and second-level companies, the Group has achieved supplementation of their respective advantages and maximisation of benefits, diversified and enhanced the Group's overall converging media business capabilities, and gradually expanded its presence and penetration in the converging media market; and
- Focusing the Group's efforts in business with revenues with a high gross margin, stabilising cash flows and reducing costs and expenses while continuously optimising internal management and diversifying business operations.

In the sports and events business segment, the Group achieved an outstanding performance during the Interim Period, and recorded a strong growth in both revenue and profit, with revenue increasing by nearly 183% year on year to RMB27.8 million and profit jumping by 435% to RMB17.48 million. This has not only demonstrated the success of the Group's effort to continuously expand the sports and events segment, but also proven again the Group's powerful strength and firm position in the segment. During the Interim Period, the Group provided core broadcasting technology services for the Belt and Road Forum for International Cooperation (“一帶一路”國際合作高峰論壇) (the “**Belt and Road Forum**”) held in Beijing, including public signal production in the International Broadcast Center, master control system setup and field pickup system layout design. The broadcasting technology services provided by the Group to the Belt and Road Forum allowed the public signals of the event to be smoothly transmitted to domestic and foreign media and ensured that the event was broadcast to the public synchronously and smoothly. So far, the Group has successfully provided broadcasting technology services to a significant number of major international and domestic events, including the Beijing Olympic Games in 2008, National Day celebration of the 60th anniversary of the PRC in 2009, the September 3 military parade in 2015, the G20 Hangzhou Summit in 2016, and the Belt and Road Forum in 2017.

Meanwhile, driven by China's drive to promote and support the sports industry and the increasing popularity of fitness and sports activities nationwide, China's sports industry has entered an important golden period of development. During the Interim Period, Beijing Evertop Sports Culture Media Co., Ltd.* (北京永達天恒體育文化傳媒有限公司) (“**Evertop (Beijing)**”), a wholly-owned subsidiary of the Company, had provided outstanding services for top sports events including the Chinese Triathlon League, Wanda Triathlon, London Derby Football Race in National Stadium, Tour of Qinghai Lake, Tour of Chongming Island International Cycling Race, and Tianjin Marathon of the National Games, etc. Evertop (Beijing), which specialises in sports and events production, broadcasting and operation services, has enjoyed unprecedented opportunities of development during the Interim Period as the Group put in place an increasingly diversified and strong talent team in the sports and events business segment, and will create increasing sources of income for the Group. The Directors believe that the sports and events business segment will bring more pleasant surprises to the Group.

In the sales of self-developed products segment, during the Interim Period, the Group continued to commit resources to independent research and development (the “**R&D**”) of innovative products and posted an over 70% growth of revenue over the Corresponding Period, marking the third consecutive period of revenue growth in this segment. Benefiting from the government's incentive policies for enterprise innovation and self-developed products, as well as the increasing number of units of the Group's self-developed products sold and the increased portfolio of products offering to the market during the Interim Period, the Group has achieved a substantial growth of revenue in this segment. Being the key products of the Group, Cogent 4G transmission devices are able to provide quality and smooth live broadcasting and return transmission services for major events, including but not limited to the celebration of the 20th anniversary of Hong Kong's return to China, the 2017 Summer Davos and the inauguration ceremony of the Fuxing bullet train.

Meanwhile, Beijing BroadVision Information Technology Company Limited* (北京經緯中天信息技術有限公司) (“**Beijing BroadVision**”), one of the Company’s subsidiaries and as the Group’s key strategic unit in the converging media landscape, has completed several major converging media projects as of the date of this announcement, including the respective converging media project of Henan Daxiang Converging Media Group, Beijing New Media Group, Xinhua News Agency and China Radio International’s “Global News + APP” converging media platform project. The Group’s R&D business has formed a comprehensive technology integration platform. The Directors believe that the sales of self-developed products segment will continue to maintain a strong momentum of growth and expect that it will bring even greater benefits to the Company’s investors in the near future.

During the Interim Period, revenue from the Group’s application solutions segment decreased by approximately 13.8% from RMB255.3 million for the Corresponding Period to RMB224.2 million for the Interim Period. The result was mainly attributable to the fact that some projects adopted new technologies including 4K, conversion to IP, virtualisation and cloud computing which were still under development and evaluation. Many television stations were still in the stage of feasibility study before rolling out their projects, thus leading to a decline of revenue of the application solutions segment during the Interim Period.

In spite of the decline of revenue of the application solutions segment, the Group only experienced a slight decline of its overall revenue by 0.5% during the Interim Period, thanks to the rapid growth of the high-gross-margin sports and events business segment and the sales of self-developed products segment. The Directors believe that, with the rapid development of the high-gross-margin segments, the Company’s business structure will be further optimised to bring the Company’s value to a higher level. The growth model where the Group’s growth is driven by its three main business segments simultaneously with synergic coordination among its subsidiaries has been established. The converging development of radio and television media and emerging media is the inevitable trend. The Directors believe that the positive interaction among the Group’s subsidiaries, the supplementation of product advantages of the different business segments and the growth model based on mutual coordination will combine to enable the Group to continue to innovate and scale new heights, and further consolidate its position as a leading one-stop all-media provider in the industry.

FINANCIAL REVIEW

Revenue

Revenue of the Group slightly decreased by 0.5% from RMB291.0 million for the Corresponding Period to RMB289.4 million for the Interim Period. Compared with the Corresponding Period, the revenue of the sports and events business segment and the sales of self-developed products segment have been increased significantly with a growth rate of 182.9% and 71.0% respectively. The other business segments, namely the system maintenance services segment also has a decent growth rate of 8.2%. The revenue of the application solutions segment has recorded a decline of RMB31.1 million from RMB255.3 million to RMB224.2 million as compared to the Corresponding Period. The revenue performance fully demonstrated the Group’s strategic deployment, which on one hand to maintain the application solutions business to a certain scale, while on the other hand, to accelerate the drives and promotion of the high speed growth of the sports and events and sales of self-developed

products business segments. This will enable the Company to build a solid foundation to achieve a new level of success. The table below sets out the Group's segment revenue for the six months ended 30 June 2016 and 2017 respectively:

	For the six months ended 30 June			
	2017		2016	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
Segment revenue				
Application solutions	224,183	77.5%	255,336	87.7%
Sports and events business	27,799	9.5%	9,825	3.4%
System maintenance services	11,545	4.0%	10,674	3.7%
Sales of self-developed products	25,916	9.0%	15,155	5.2%
Total	<u>289,443</u>	<u>100.0%</u>	<u>290,990</u>	<u>100.0%</u>

Application solutions

Revenue generated by the Group's application solutions segment representing approximately 87.7% and 77.5% respectively of the total revenue of the Group for the six months ended 30 June 2016 and 2017. It decreased from RMB255.3 million for the Corresponding Period to RMB224.2 million for the Interim Period. The result was mainly attributable to the fact that the broadcast industry is still undergoing gradual technology changes, that new technologies including 4K, conversion to IP, virtualisation and cloud computing were still in development and many television stations were still carrying out feasibility study before rolling out their projects, thus leading to a decline of project roll-outs during the Interim Period. The Directors are pleased that the Group has been involved in many of the pioneering projects in these new technologies. Please refer to the Company's announcement dated 1 November 2016 about the "Project of the Master Control of All-IP Systems" and the "Provision of Design and Application Solution Services for 4K Ultra High-definition Broadcasting Vehicle" for details. These enable the Group to gain leading edge knowhow and differentiate the Group from its competitors. Therefore, the Directors are optimistic that the Group can capture the golden opportunities of new projects when they are rolled out.

Sports and events business

Revenue from the sports and events business segment represented approximately 3.4% and 9.5% of the total revenue of the Group for the six months ended 30 June 2016 and 2017, respectively and increased from RMB9.8 million for the Corresponding Period to RMB27.8 million for the Interim Period, representing an increase of 182.9%. Such increase was mainly attributable to the increase in market demand for important politic news and affairs broadcast and sports event broadcast and the Group's effort in expanding the segment business during the Interim Period.

System maintenance services

Revenue from the system maintenance services segment represented approximately 3.7% and 4.0% of the total revenue of the Group for the six months ended 30 June 2016 and 2017, respectively and increased from RMB10.7 million for the Corresponding Period to RMB11.5 million for the Interim Period, representing an increase of 8.2%. Such increase was mainly attributable to the increasing demand for the Group's onsite support services during the Interim Period.

Sales of self-developed products

Revenue from the sales of self-developed products segment represented approximately 5.2% and 9.0% of the total revenue of the Group for the six months ended 30 June 2016 and 2017, respectively and increased from RMB15.2 million for the Corresponding Period to RMB25.9 million for the Interim Period, representing an increase of 71.0%. Such increase was mainly attributable to an increase in the number of units of the Group's self-developed products sold during the Interim Period and the increased portfolio of products offering to the market. The widened portfolio also allowed the Group to address a wider customer base in China.

Cost of sales

For the six months ended 30 June 2016 and 2017, the Group's cost of sales was RMB206.5 million and RMB211.5 million respectively, representing an increase of 2.4%. The following table sets forth the cost of sales for each business segment for the six months ended 30 June 2016 and 2017 respectively:

	For the six months ended 30 June			
	2017		2016	
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>
Application solutions	(184,014)	87.0%	(187,811)	91.0%
Sports and events business	(10,319)	4.9%	(6,557)	3.2%
System maintenance services	(6,114)	2.9%	(4,928)	2.4%
Sales of self-developed products	(11,048)	5.2%	(7,178)	3.4%
	<u>(211,495)</u>	<u>100.0%</u>	<u>(206,474)</u>	<u>100.0%</u>

The Group's cost of sales for the application solutions segment decreased by 2.0% for the Interim Period, compared to the Corresponding Period, which was primarily due to the decrease in revenue of the application solutions segment.

Gross profit and gross profit margin

For the six months ended 30 June 2016 and 2017, the Group's gross profit was RMB84.5 million and RMB77.9 million respectively. The Group's gross profit margin was 29.0% and

26.9% for the Corresponding Period and the Interim Period, respectively. The following table sets forth the gross profit and gross profit margin of each of the Group's segments during the periods:

Segment gross profit and gross profit margin

	For the six months ended 30 June			
	2017		2016	
	<i>RMB'000</i>	<i>Gross Profit margin</i>	<i>RMB'000</i>	<i>Gross Profit margin</i>
Application solutions	40,169	17.9%	67,525	26.4%
Sports and events business	17,480	62.9%	3,268	33.3%
System maintenance services	5,431	47.0%	5,746	53.8%
Sales of self-developed products	14,868	57.4%	7,977	52.6%
Total	<u>77,948</u>	<u>26.9%</u>	<u>84,516</u>	<u>29.0%</u>

The Group's gross profit was decreased by 7.8% during the Interim Period. The gross profit margin was decreased gently from 29.0% for the Corresponding Period to 26.9% for the Interim Period. The decrease of the Group's gross profit margin was mainly attributable to a decrease in the gross profit margin for the application solutions segment from 26.4% to 17.9%. The decrease of the gross profit margin of the application solutions was mainly attributable to the fact that those projects adopting the new technologies including 4K, conversion to IP, virtualisation and cloud computing were yet to launch. Many television stations were still in the stage of feasibility study before rolling out their new projects. During the Interim period, many of the projects recognised are with relatively more mature technology. Therefore, the customers are more price sensitive and the Group has been offering more competitive pricing where the gross margin was lower. However, the Directors are pleased that the Group has been involved in many of the on-going pioneering projects with new technologies, such as the master control of CCTV all-IP system project, the 4K ultra high-definition broadcasting vehicle project, etc. These enable the Group to gain leading edge knowhow and charge a premium when the new technology projects are launched.

Gross profit margin for sports and events business segment increased from 33.3% for the Corresponding Period to 62.9% for the Interim Period. For the Corresponding Period, the Group has adopted the strategy to subsidizing some of the sports events in order to strengthen the Group's position in the sports commercial and operation businesses. For the Interim Period, this was gradually recovered and the gross margin was normalised to the higher level.

In the system maintenance services segment, the Group noted a slight decrease of gross profit from RMB5.7 million for the Corresponding Period to RMB5.4 million for the Interim Period that we believe the decrease is within a reasonable range of normal operation.

The Group's gross profit from sales of self-developed products segment increased from RMB8.0 million for the Corresponding Period to RMB14.9 million for the Interim Period. The increase was mainly attributable to the increase of the software sales in our self-developed product portfolio.

Selling expenses

Selling expenses for the six months ended 30 June 2016 and 2017 were RMB13.5 million and RMB14.6 million respectively, representing an increase of 7.9%. Such increase was mainly attributable to the increase of selling expenses of Beijing BroadVision's sales team, which are the newly acquired team since the second half of the year 2016.

Administrative expenses

Administrative expenses for the six months ended 30 June 2016 and 2017 were RMB40.4 million and RMB45.8 million respectively, representing an increase of 13.6%. Such increase was mainly attributable to the increase of administrative expenses of RMB4.8 million of Beijing BroadVision.

Finance costs

For the six months ended 30 June 2016 and 2017, the net finance costs of the Group were RMB6.4 million and RMB2.1 million respectively, representing a decrease of 67.5%. The net finance cost is calculated by deducting the finance expenses (2017: RMB7.1 million; 2016: RMB6.4 million) by the finance incomes (2017: RMB5.0 million; 2016: RMB0.1 million).

Income tax expense

Income tax expense amounted to RMB5.2 million and RMB2.9 million respectively for the six months ended 30 June 2016 and 2017. The decrease was mainly attributable to (i) the decrease of taxable profit; and (ii) the decreased effective tax rate. The effective tax rate decreased from approximately 19.4% for the Corresponding Period to approximately 16.0% for the Interim Period, which was primarily due to the increase of domestic revenue and profit from a lower effective tax rate region, such as mainland China.

Profit for the period

As a result of the aforementioned factors, profit attributable to owners of the Company decreased from RMB21.5 million for the Corresponding Period to RMB15.5 million for the Interim Period, representing a decrease of 27.9%.

Liquidity, financial resources and capital structure

Net cash generated from the Group's operating activities amounted to RMB34.0 million for the Interim Period while net cash used in the Group's operating activities amounted to RMB112.7 million for the Corresponding Period. The net cash inflow of the Group's operating activities in the Interim Period mainly arose from (i) the acceleration in collection of trade receivables; and (ii) the decrease in inventories resulted from the improvement of the project management and inventory planning work for the Interim Period.

Net cash generated from the Group's investing activities amounted to RMB3.4 million for the Interim Period while the net cash used in the Group's investing activities amounted to RMB34.2 million for the Corresponding Period. The net cash inflow for the Interim Period mainly arose from the collection of pledged bank deposits.

Net cash used in the Group's financing activities amounted to RMB54.0 million for the Interim Period while the net cash generated from the Group's financing activities amounted to RMB110.2 million for the Corresponding Period. The net cash used in financing activities for the Interim Period was mainly attributable to the increase of the repayment of bank loans.

Charge on assets

As at 30 June 2017, bank borrowings of RMB70,000,000 (31 December 2016: RMB76,699,000) were secured by the buildings of the Group, net book value of which amounted to RMB39,259,145 (31 December 2016: RMB40,366,800); trade receivables of RMB26,817,544 (31 December 2016: RMB25,834,502), and guaranteed by Beijing Zhongguancun Sic-tech Financing Guarantee Co., Ltd. Bank borrowings of RMB161,543,185 (31 December 2016: RMB196,713,998) was secured by insurance policies of the Group classified as financial assets at fair value through profit or loss amounted to RMB43,265,940 (31 December 2016: RMB43,800,000), and trade receivables of RMB62,704,665 (31 December 2016: RMB77,296,072).

Gearing position

The gearing ratio, represented total borrowings divided by total equity multiplied by 100%, was 78.2% and 65.0% respectively as of 31 December 2016 and 30 June 2017. The total borrowings of the Group decreased from RMB361.0 million as at 31 December 2016 to RMB307.0 million as at 30 June 2017. Such decrease was mainly attributable to the net repayment of working capital loan to the banks (Repayment: RMB156.1 million; new borrowing proceeds: RMB102.2 million).

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar (“**USD**”), Hong Kong Dollar (“**HKD**”) and the Great British Pound (“**GBP**”). Foreign exchange risk arose from future commercial transactions, recognised assets and liabilities which are denominated in non-Renminbi (“**RMB**”). Management has set up a policy to require the Group's companies to manage their foreign exchange risk against their functional currency. The Group's 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 controls the payment schedule to reduce the foreign exchange risk. Save for certain bank balances and accounts payables in USD and HKD, the impact of foreign exchange exposure to the Group was minimal and there was no significant adverse effect on normal operations. During the Interim Period, the Group did not commit to any financial instruments to hedge its exposure to foreign exchange risk. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

Other than the bank balances with variable interest rate, the Group has no other significant interest-bearing assets. The management does not anticipate significant impact on 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 borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group has not hedged its cash flow interest rate risks.

Significant investments, mergers and acquisitions

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

Contingent liabilities

In March 2014, one of the subsidiaries of the Company was involved in a contractual dispute with a supplier of television broadcasting systems (the “**Claimant**”). The Claimant supplied certain television broadcasting systems to this subsidiary, which provided the application solution services for the systems to a client in Hunan (the “**Client**”), the end-user of the systems. The contractual claim amounting to RMB6.77 million was brought by the Claimant against this subsidiary and the Client in relation to the outstanding amount payable for the sale of the systems. In light of the quality problems in the systems supplied by the Claimant, and the Client is the end user of the system and bears the ultimate obligation to settle payments, the Directors consider that the ultimate outcome of such contractual dispute will not have a material adverse effect on the interim financial information of the Group and therefore, no provision has been made for the Interim Period.

As at 30 June 2017, except for the legal dispute as disclosed above, the Directors were not aware of any other significant events that would have resulted in material contingent liabilities.

Dividends

The final dividend of approximately HKD6.1 million (equivalent to RMB5.3 million) for the year ended 31 December 2016 was approved by the shareholders of the Company at the annual general meeting of the Company held on 13 June 2017, and the payment was made on 6 July 2017.

The Board does not recommend the distribution of interim dividend for the Interim Period (2016: Nil).

Employees and remuneration policies

As at 30 June 2017, the Group had a total of 421 employees (as at 31 December 2016: 329 employees).

The emoluments payable to employees of the Group are determined based on their responsibilities, qualifications, experiences and the role taken as well as the industry practices.

CAPITAL STRUCTURE

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

The Group's overall strategy remains unchanged from 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.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group had total assets of approximately RMB1,109.9 million (31 December 2016: approximately RMB1,167.9 million) which was financed by current liabilities of approximately RMB520.2 million (31 December 2016: approximately RMB542.4 million) and shareholders' equity of approximately RMB486.7 million (31 December 2016: approximately RMB475.3 million).

As at 30 June 2017, the Group's current ratio was 1.50 (31 December 2016: 1.55) and the gearing ratio was 65.0% (31 December 2016: 78.2%).

The cash and cash equivalents of the Group as at 30 June 2017 were mainly denominated in HKD, USD, Euro and RMB.

FUTURE OUTLOOK

Looking into the second half of this year, the gradual stabilisation of global economies and the domestic economy in particular will give a greater and better boost to the Group's business development.

In a period of accelerated development of converging media, the Group will further increase synergistic coordination among its subsidiaries by combining their advantageous products and application systems and increasing investments in converging media applications to expand the Group's overall competitive stature in the converging media business. As traditional radio and television customers and converging media customers embrace and take advantage of the latest technologies, all types of customers are increasing investments to establish their content production platforms. On the basis of its existing 12 regional offices in the main provinces and autonomous regions in the PRC, Hong Kong and Taiwan, the Group will continue to strengthen its business coverage and extend its reach to new customers such as emerging converging media organisations, newspapers, online media, and emerging professional video companies, striving to provide all customers with the most professional and efficient services and capture emerging business opportunities in a timely way.

China's sports industry is in a golden period of buoyant development. The Group's wholly-owned subsidiary, Evertop (Beijing), which enjoys excellent reputation in the industry and possesses rich industry experience, offers services and has shown a strong performance in the rebroadcasting, events operation and support of different types of sports such as UCI, marathon, triathlon, and ice hockey. It is expected that in the second half of this year, Evertop (Beijing) will continue to make giant strides in the sports and events rebroadcasting and production services and commercial operation of sports events.

The Group has been committed to advancing the sales of self-developed products segment in compliance with national policy and according to the trends of industry development and market demands, and has achieved significant results. With the Group's acquisition of a 100% stake in Shanghai Accurate Video Info-Tech Co., Limited* (“上海精視信息技術有限公司”), a 49% stake in Beijing Gefei Technology Corporation* (“北京格非科技股份有限公司”), and a 55% stake in Beijing BroadVision since 2014, the Group's R&D business has built a comprehensive technology integration platform, not only with hardware and software development capabilities but also featured by a complete video program workflow containing acquisition, production and editing, playout and distribution and interactive applications on mobile phones and other devices. This has given the Group strong competitiveness in the media industry domestically and globally and further consolidated its leading position in the domestic all-media industry.

Benefiting from a succession of favourable policies in the industry where the Group operates, and driven by China's effort to accelerate the cultural industry and promote Chinese culture globally, the Directors hold an optimistic and positive outlook on the Group's three main segments — application solutions, sports and events business, and sales of self-developed products. The Directors also firmly believe that the Group will maintain its leading position in the industry and make more progress in expanding business areas and effectively improve its cost efficiency, play a prominent role in the development of converging media, the development of the sports industry, and China's drive to promote homegrown product production and innovation, and achieve even greater breakthroughs!

SHARE AWARD PLAN AND SHARE OPTION SCHEME

In order to recognise and reward the contribution of certain eligible participants to the growth and development of the Group, the Company adopted the Share Award Plan on 24 March 2014. The Share Award Plan does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). Details of the Share Award Plan and movement in the awarded shares during the Interim Period will be set out in the 2017 interim report of the Company.

In order to reward or make incentive to the employees, the Directors and other selected participants for their contributions to the Group, the Company conditionally adopted the Share Option Scheme on 13 June 2014. Details of the Share Option Scheme and movement in the share options during the Interim Period will be set out in the 2017 interim report of the Company.

EVENTS AFTER THE INTERIM PERIOD

The Group had no significant events after the Interim Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

CORPORATE GOVERNANCE

Throughout the Interim Period, the Company continued to apply the principles set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the “**CG Code**”). The Directors consider that the Company has complied with all the applicable code provisions under the CG Code, save as the following:

- Under the code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Currently, the roles of the chairman and the chief executive officer (the “**CEO**”) of the Group was not separated and was performed by the same individual, Mr. Lo Chi Sum, who acted as both the chairman and CEO throughout the Interim Period. The Directors will meet regularly to consider major matters affecting the operations of the Group. As such, the Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of the Group and believes that this structure will enable the Group to make and implement decisions promptly and efficiently.

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “**Model Code**”) (with certain modifications).

The Company has made specific enquiry of all Directors and all Directors have confirmed with the Company that they complied with the required standard set out in the Model Code and the Company’s code of conduct regarding Directors’ securities transactions for the Interim Period.

AUDIT COMMITTEE

The Audit Committee comprises three members, all of whom are independent non-executive Directors, namely Mr. Hung Muk Ming, Dr. Ng Chi Yeung, Simon and Mr. Mak Kwok Wing. Mr. Hung Muk Ming is the chairman of the Audit Committee. The Audit Committee has written terms of reference in compliance with the Listing Rules and the CG Code.

The Audit Committee has in conjunction with the management reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal controls and financial reporting matters of the Group. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

PUBLICATION

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.css-group.net) respectively. The 2017 interim report will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Century Sage Scientific Holdings Limited
Lo Chi Sum
Chairman

Hong Kong, 18 August 2017

As at the date of this announcement, the executive Directors are Mr. Lo Chi Sum, Mr. Leung Wing Fai, Mr. Wong Kwok Fai, and the independent non-executive Directors are Dr. Ng Chi Yeung, Simon, Mr. Hung Muk Ming and Mr. Mak Kwok Wing.

* *For identification purposes only*