



# 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



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Lo Chi Sum (盧志森)  
Mr. Leung Wing Fai (梁榮輝)  
Mr. Wong Kwok Fai (王國輝)

### Independent non-executive Directors

Dr. Ng Chi Yeung, Simon (吳志揚)  
Mr. Hung Muk Ming (洪木明)  
Mr. Mak Kwok Wing (麥國榮)

## AUTHORISED REPRESENTATIVES

Mr. Leung Wing Fai  
Ms. Ngai Kit Fong

## AUDIT COMMITTEE

Mr. Hung Muk Ming (*Chairman*)  
Dr. Ng Chi Yeung, Simon  
Mr. Mak Kwok Wing

## REMUNERATION COMMITTEE

Dr. Ng Chi Yeung, Simon (*Chairman*)  
Mr. Hung Muk Ming  
Mr. Mak Kwok Wing  
Mr. Lo Chi Sum  
Mr. Leung Wing Fai

## NOMINATION COMMITTEE

Mr. Lo Chi Sum (*Chairman*)  
Mr. Hung Muk Ming  
Dr. Ng Chi Yeung, Simon

## INVESTMENT COMMITTEE

Mr. Lo Chi Sum (*Chairman*)  
Mr. Leung Wing Fai  
Mr. Wong Kwok Fai

## COMPANY SECRETARY

Ms. Ngai Kit Fong  
*FCIS, FCS(PE)*

## 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 207-9, 2nd Floor  
Tins Enterprises Centre  
777 Lai Chi Kok Road  
Cheung Sha Wan  
Kowloon  
Hong Kong

## AUDITORS

PricewaterhouseCoopers

# CORPORATE INFORMATION

## LEGAL ADVISERS TO THE COMPANY AS TO HONG KONG LAW

Chiu & Partners

## CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

## STOCK CODE

1450

## WEBSITE AND CONTACT

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# CHAIRMAN'S STATEMENT

Dear shareholders,

The board (the "Board") of directors (the "Directors") of Century Sage Scientific Holdings Limited (the "Company") hereby presents the interim report of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2018 (the "Interim Period").

2018 is the beginning of the second decade of the Group. Due to the downturn trend of the overall market environment and the innovation of industry technologies, the revenue and the gross profit of the Group decreased during the Interim Period as compared to the six months ended 30 June 2017 (the "Corresponding Period").

Standing at the starting point of this new era, although the current growth pace of the Group has slowed down a bit, the Group has been making full preparation for the ongoing technology revolution and the business upgrade and transformation, including but not limited to (i) for business operations, the Group actively participated in several projects involving new technologies such as 4K and all-IP, explored various business opportunities from city to county level TV stations as well as new media players, strengthened and improved the research and development capability, and established strategic cooperation relationship with overseas partners; and (ii) for daily management, the Group perfected its organisation structure and resources allocation, enhanced management efficiency and improved team competitiveness. The Board believes that the prompt adoption and strict implementation of the above strategies will enable the Group to become more competitive in the long term and be able to react promptly to the rapid development of the market and the upcoming challenges.

At present, the global economy outlook is complex, with some positive developments and several uncertainties. Although it is expected that opportunities and challenges will exist side by side with the Group in the second half of the year, the Board is confident that through proper adjustment of the Group's operation and management strategies, increase in the performance and production efficiency, enhancement of the cost-effectiveness and optimisation of resources allocation, the Group will have the ability and opportunities to realise a healthier and better quality development of the Group.

# CHAIRMAN'S STATEMENT

On behalf of the Board, I would like to express our appreciation to all our staff and the management team for their unwavering contribution to the Group. I would also like to extend my heartfelt gratitude to all our business partners and shareholders for their consistent support and trust!

**Lo Chi Sum**

*Chairman*

29 August 2018



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

At present, the PRC is carrying out strategic adjustment of the economic structure, and the economic development enters into a new normal and economic growth has slowed down. During the Interim Period, due to the downturn trend of the overall market environment and the innovation of industry technologies, the revenue of the Group recorded a decrease of approximately 32.5% as compared to the Corresponding Period. Projects involving new technologies including 4K, conversion to IP, virtualisation, cloud computing and artificial intelligence were still under development and evaluation before rolling out to the market. As such, the Group has further integrated its overwhelming resources and improved its internal management to embrace the upcoming projects with advanced technologies.

Although the revenue of the Group in the Interim Period recorded a decrease as compared to the Corresponding Period, the Group's leading position as a national one-stop all-media solution services provider remains unchanged. During the Interim Period, the Group continued to provide solutions and services for traditional TV broadcasters including but not limited to the provisions of application solutions services for CCTV, Hainan Provincial TV Station and Qingdao TV Station. The Group was also involved in projects of new media areas, which included the provision of one-stop all-media application solution services such as master control system and studio system for national leading internet media platform companies, several new media groups, integrated media institutions, etc. Meanwhile, the Group also participated in several application solutions projects involving new technologies such as 4K and conversion to IP during the Interim Period.

The Chinese sports industry is still in its important period of golden development. However, affected by the seasonal factors, most of the sports events are normally held in the second half of the year, the performance of the sports and events business segment of the Group paled in comparison with that of the Corresponding Period. In order to open up the sports and events business segment into all-around and manifold development as well as to broaden its sources of revenue and profits, the Group established a professional team engaging in the operation, management and medium publicity of sports events during the Interim Period. Therefore, the Group's sports and events business segment is able to cover the entire business chain from production and broadcasting technology services to events operation and medium publicity services.

# MANAGEMENT DISCUSSION AND ANALYSIS

Responding to the significant national strategic plan for comprehensively improving the quality and level of the Chinese manufacturing industry based on the trend of international industrial transformation, the Group actively focused on and grasped the latest development trend of the industry and invested in new product research and development based on the latest trends and market demand in order to diversify the Group's self-developed product line. During the Interim Period, the sales of the self-developed products of the Group recorded a gross profit margin of up to 75.4% (Corresponding Period: 57.4%) and again realised the improvement and breakthrough of gross profit of the self-developed products, which was mainly due to the Group's continuing efforts in staff optimisation and improvement of cost efficiency while maintaining the quality and level of the Group's self-developed products.

## FINANCIAL REVIEW

### Revenue

Revenue of the Group decreased by approximately 32.5% from RMB289.4 million for the Corresponding Period to RMB195.4 million for the Interim Period. The decline indicated a slow down of the general economy in the Interim Period. The table below sets out the Group's segment revenue for the six months ended 30 June 2017 and 2018 respectively:

	For the six months ended 30 June			
	2018		2017	
	RMB'000	% of total revenue	RMB'000	% of total revenue
<b>Segment revenue</b>				
Application solutions	166,253	85.1%	224,183	77.5%
Sports and events business	5,499	2.8%	27,799	9.5%
System maintenance services	6,588	3.4%	11,545	4.0%
Sales of self-developed products	17,025	8.7%	25,916	9.0%
<b>Total</b>	<b>195,365</b>	<b>100.0%</b>	<b>289,443</b>	<b>100.0%</b>



# MANAGEMENT DISCUSSION AND ANALYSIS

## **Application solutions**

Revenue generated by the Group's application solutions segment representing approximately 77.5% and 85.1% respectively of the total revenue of the Group for the six months ended 30 June 2017 and 2018. It decreased from RMB224.2 million for the Corresponding Period to RMB166.3 million for the Interim Period. The result was mainly attributable to the fact that the all-media 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 and new media players were still carrying out feasibility study before rolling out their projects, thereby 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, including but not limited to the 4K/HD studio project of CCTV and master control system project for video media centre of a leading national internet company. 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 9.5% and 2.8% of the total revenue of the Group for the six months ended 30 June 2017 and 2018, respectively and decreased from RMB27.8 million for the Corresponding Period to RMB5.5 million for the Interim Period, representing a decrease of approximately 80.2%. Such decrease was mainly attributable to the decrease in market demand for important political news and affairs broadcast during the Interim Period. The Group however foresees a strong pipeline of sports events to be held in the second half of 2018 and therefore it is optimistic to achieve good full year results. The Group will also spend more effort in exploiting new events in the future to overcome the seasonable effects that fewer events will be generally held in the first half of the year.

## **System maintenance services**

Revenue from the system maintenance services segment represented approximately 4.0% and 3.4% of the total revenue of the Group for the six months ended 30 June 2017 and 2018, respectively and decreased from RMB11.5 million for the Corresponding Period to RMB6.6 million for the Interim Period, representing a decrease of approximately 42.9%. Such decrease was mainly attributable to less demand for onsite support services during the Interim Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Sales of self-developed products

Revenue from the sales of self-developed products segment represented approximately 9.0% and 8.7% of the total revenue of the Group for the six months ended 30 June 2017 and 2018, respectively and decreased from RMB25.9 million for the Corresponding Period to RMB17.0 million for the Interim Period, representing a decrease of approximately 34.3%. Such decrease was mainly attributable to a decrease in the number of units of the Group's self-developed products sold during the Interim Period.

## Cost of sales

For the six months ended 30 June 2017 and 2018, the Group's cost of sales was RMB211.5 million and RMB148.6 million respectively, representing a decrease of approximately 29.7%. The following table sets forth the cost of sales for each business segment for the six months ended 30 June 2017 and 2018 respectively:

	For the six months ended 30 June			
	2018		2017	
	RMB'000	% of total	RMB'000	% of total
Application solutions	(137,004)	92.2%	(184,014)	87.0%
Sports and events business	(3,945)	2.7%	(10,319)	4.9%
System maintenance services	(3,445)	2.3%	(6,114)	2.9%
Sales of self-developed products	(4,190)	2.8%	(11,048)	5.2%
	(148,584)	100.0%	(211,495)	100.0%

The Group's cost of sales for the application solutions segment decreased by approximately 25.5% 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 2017 and 2018, the Group's gross profit was RMB77.9 million and RMB46.8 million respectively. The Group's gross profit margin was approximately 26.9% and 23.9% 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:

# MANAGEMENT DISCUSSION AND ANALYSIS

## Segment gross profit and gross profit margin

	For the six months ended 30 June			
	2018 RMB'000	Gross profit margin	2017 RMB'000	Gross profit margin
Application solutions	29,249	17.6%	40,169	17.9%
Sports and events business	1,554	28.3%	17,480	62.9%
System maintenance services	3,143	47.7%	5,431	47.0%
Sales of self-developed products	12,835	75.4%	14,868	57.4%
Total	46,781	23.9%	77,948	26.9%

For the application solutions segment, the Group noted a slight decrease in the gross profit margin from approximately 17.9% for the Corresponding Period to approximately 17.6% for the Interim Period. The Group believes the decrease is within a reasonable range in its normal operation.

For the sports and events business segment, the gross profit margin decreased from approximately 62.9% to 28.3%. Such decrease was mainly attributable to the decrease in market demand for important political news and affairs broadcast during the Interim Period.

For the system maintenance services segment, the Group noted a slight increase of gross profit margin from approximately 47.0% for the Corresponding Period to approximately 47.7% for the Interim Period. The Group believes the increase is within a reasonable range in its normal operation.

For the sales of self-developed products segment, the gross profit margin increased significantly from approximately 57.4% for the Corresponding Period to approximately 75.4% for the Interim Period. The increase was mainly attributable to the increase of the software sales in the Group's self-developed product portfolio.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Selling expenses

Selling expenses for the six months ended 30 June 2017 and 2018 were RMB14.6 million and RMB14.1 million respectively, representing a decrease of approximately 3.2%. The decrease of expenses was due to the decrease of marketing activities.

## Administrative expenses

Administrative expenses for the six months ended 30 June 2017 and 2018 were RMB45.8 million and RMB41.8 million respectively, representing a decrease of approximately 8.8%. The decrease of administrative expenses was due to the improvement of the Group's operation.

## Finance costs

For the six months ended 30 June 2017 and 2018, the net finance costs of the Group were RMB2.1 million and RMB0.9 million respectively, representing a decrease of approximately 55.2%. The net finance cost is calculated by deducting the finance cost (2018: RMB1.2 million; 2017: RMB7.1 million) by the financial income (2018: RMB0.3 million; 2017: RMB5.0 million).

## Income tax expense

Income tax expense amounted to RMB2.9 million and RMB0 (nil) respectively for the six months ended 30 June 2017 and 2018. The decrease was attributable to the net loss of the Group for the Interim Period.

## Profit for the period

As a result of the aforementioned factors, profit attributable to owners of the Company decreased from a net profit of RMB15.5 million for the Corresponding Period to a net loss of RMB5.9 million for the Interim Period, representing a decrease of approximately 137.9%. While the profit attributable to owners of the Company decreased from RMB14.7 million for the Corresponding Period to a loss of RMB6.0 million for the Interim Period.

## Liquidity, financial resources and capital structure

Net cash generated from the Group's operating activities amounted to RMB14.8 million for the Interim Period while net cash generated from the Group's operating activities amounted to RMB34.0 million for the Corresponding Period. The net cash inflow of the Group's operating activities in the Interim Period mainly arose from (i) the decrease in inventories resulted from the improvement of the project management and inventory planning work for the Interim Period; and (ii) the extended payment support from suppliers.

# MANAGEMENT DISCUSSION AND ANALYSIS

Net cash used in the Group's investing activities amounted to RMB3.4 million for the Interim Period while net cash generated from the Group's investing activities amounted to RMB3.4 million for the Corresponding Period. The net cash outflow for the Interim Period was mainly used to purchase assets.

Net cash used in the Group's financing activities amounted to RMB57.0 million for the Interim Period while the net cash used in the Group's financing activities amounted to RMB54.0 million for the Corresponding Period. The net cash used in financing activities for the Interim Period was mainly attributable to the increase in the repayment of bank loans.

## Charge on assets

As at 30 June 2018, bank borrowings of RMB55,100,000 (31 December 2017: RMB70,000,000) were secured by the buildings of the Group, net book value of which amounted to RMB34,953,478 (31 December 2017: RMB36,194,000); trade receivables of RMB25,843,224 (31 December 2017: RMB25,310,000), and were guaranteed by Beijing Zhongguancun Sic-tech Financing Guarantee Co., Ltd.

## Gearing position

The gearing ratio, which represented total borrowings divided by total equity multiplied by 100%, was approximately 85.1% and 67.8% respectively as of 31 December 2017 and 30 June 2018. The total borrowings of the Group decreased from RMB265.6 million as at 31 December 2017 to RMB208.5 million as at 30 June 2018. Such decrease was mainly attributable to the net repayment of working capital loan to the banks (repayment: RMB107.6 million; new borrowing proceeds: RMB50.5 million).

# MANAGEMENT DISCUSSION AND ANALYSIS

## Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar (“USD”), Hong Kong Dollar (“HKD”), Great British Pound (“GBP”) and Euro. Foreign exchange risk arose from future commercial transactions, recognised assets and liabilities which are denominated in non-RMB. The management of the Group has set up a policy to require the Group’s subsidiaries to manage their foreign exchange risk against their functional currency. The Group’s subsidiaries are required to control the exposure of the foreign currency during their business operation. The foreign currency exposure is mainly due to the purchase of equipment from all over the world and the management controls the payment schedule to reduce the foreign exchange risk. Save for certain bank balances and accounts payables in USD and HKD, the Group considers that the impact of foreign exchange exposure to the Group was minimal and there was no significant adverse effect on normal operations. During the Interim Period, the Group did not commit to any financial instruments to hedge its exposure to foreign exchange risk. However, the management of the Group will monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## Interest rate risk

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

The Group’s interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group has not hedged its cash flow interest rate risks.

## Significant investments, mergers and acquisitions

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## 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. On 16 December 2014, the Claimant withdrew the lawsuit against this subsidiary. In November 2016, the Claimant re-litigate the contractual claim against the same subsidiary of the Company. In October 2017, the court entered a judgement that this subsidiary was not liable for compensation. The Claimant then appealed to the upper court and brought claims of about RMB4.42 million against this subsidiary and the Client.

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 2018, except for the legal dispute as disclosed above, the Directors were not aware of any other significant events that would have resulted in material contingent liabilities.

## Dividends

The Board does not recommend the distribution of interim dividend for the Interim Period (2017: Nil).

## Employees and remuneration policies

As at 30 June 2018, the Group had a total of 346 employees (as at 31 December 2017: 357 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FUTURE OUTLOOK

As the macro-economy is still undergoing recovery and the all-media industry is under technology transformation and innovation, the current growth pace of the Group has slowed down a bit, however, the Board remains confident in the prospects of the Group's development.

With the in-depth development of media convergence, the traditional TV broadcasters and new media customers are expected to expand their investment in building their own content creation platforms, to establish production, broadcasting and management system for integrated media, which serve as great drivers for the application solutions business segment of the Group. In the meantime, the golden period of the Chinese sports industry will continue to promote and support the development of the sports and events business segment of the Group. It is expected that most of the sports events will normally be held in the second half of the year and the Group is expected to involve in the provision of production, broadcasting, operation and promotion services for sports events including but not limited to bicycle races, triathlon league and winter sports games. For the sales of self-developed products segment, the Group will adhere to its dual track expansion strategy covering both multiple vertical markets and overseas market. On 2 August 2018, Cogent Technologies Limited ("Cogent"), a wholly-owned subsidiary of the Company, has entered into a strategic cooperation partnership with Integrated Microwave Technology Ltd trading as Vislink ("Vislink"), which is a wholly-owned subsidiary of xG Technology, Inc., a NASDAQ listed entity (stock code: XGTI) whereby Vislink will help promoting and selling Cogent's products and solutions outside China. The parties wish to further expand in overseas market and to continuously improve the design and production of the self-developed products in order to increase the overall competitiveness in overseas market. For details, please refer to the announcement published by the Company on 13 August 2018.

Pursuant to several forecast reports issued by international institutions, it is expected that the Chinese economy will maintain a slower but stable performance with good momentum for growth. With the better growth in the macro-economy development, the increasing maturity of the new industry technologies and the in-depth convergence of media, the Board is confident and optimistic about the overall future prospects of the Group's main business segments including application solutions, sports and events business, and sales of self-developed products.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group had total assets of approximately RMB825.8 million (31 December 2017: approximately RMB880.5 million) which was financed by current liabilities of approximately RMB444.4 million (31 December 2017: approximately RMB544.0 million) and shareholders' equity of approximately RMB323.7 million (31 December 2017: approximately RMB328.1 million).

As at 30 June 2018, the Group's current ratio (which is calculated by dividing current assets by current liabilities) was 1.41 (31 December 2017: 1.24).

The cash and cash equivalents of the Group as at 30 June 2018 were mainly denominated in HKD, USD, GBP, Euro and RMB.

## SUBSEQUENT EVENTS AFTER THE INTERIM PERIOD

The Group had no significant events after the Interim Period.

# SHARE AWARD PLAN AND SHARE OPTION SCHEME

## SHARE AWARD PLAN

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

### (a) Summary of terms

#### (i) Purpose and participants

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

- (aa) any employee (whether full-time or part-time, including any executive director of the Company, any of the subsidiaries or any entity (the “Share Award Plan Invested Entity”) in which any member of us holds an equity interest (the “Share Award Plan Eligible Employee”));
- (bb) any non-executive directors (including independent non-executive directors) of the Company, any of the subsidiaries or any Share Award Plan Invested Entity;
- (cc) any supplier of goods or services to any member of us or any Share Award Plan Invested Entity;
- (dd) any customer of any member of us or any Share Award Plan Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of us or any Share Award Plan Invested Entity;

# SHARE AWARD PLAN AND SHARE OPTION SCHEME

- (ff) any shareholder of any member of us or any Invested Entity or any holder of any securities issued by any member of us or any Share Award Plan Invested Entity;
- (gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of us or any Share Award Plan Invested Entity; and
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to our development and growth;

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

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

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

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

- (aa) such Shares as may be (1) transferred to the Share Award Plan Trustee from any person (other than the Group) by way of gift, or (2) purchased by the Share Award Plan Trustee by utilising the funds received by the Share Award Plan Trustee from any person (other than the Group) by way of gift, but subject to the limitations set out in paragraph (iv) below;
- (bb) such Shares as may be purchased by the Share Award Plan Trustee on the Stock Exchange by utilising the funds allocated by the Board out of our resources (the "Group Contribution"), but subject to the limitations set out in paragraph (iv) below;

# SHARE AWARD PLAN AND SHARE OPTION SCHEME

- (cc) such Shares as may be subscribed for at par value by the Share Award Plan Trustee by utilising Group Contribution, but subject to the limitations set out in (iv) below; and
- (dd) such Shares which remain unvested and revert to the Share Award Plan Trustee in accordance with the rules of the Share Award Plan.

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

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

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

- (aa) The Share Award Plan Trustee may purchase Shares on the Stock Exchange at the prevailing market price or off the market. In respect of off-market transactions, purchases shall not be made with any connected person, nor shall the purchase price be higher than the lower of the following: (1) the closing market price on the date of such purchase, and (2) the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange.
- (bb) In the event that the Board considers it appropriate for the Share Award Plan Trustee to subscribe Shares by utilising the Group Contribution, the Share Award Plan Trustee shall, upon the instructions of the Board, apply to the Company for the allotment and issue of the appropriate number of new Shares as instructed by the Board. Such allotment and issue shall only be made upon (i) shareholders' approval in general meeting to authorise the Directors to allot and issue new Shares to the Share Award Plan Trustee, subject to the limitations set out in paragraph (iv) below and (ii) the Listing Committee of the Stock Exchange has granted the listing of and permission to deal in such Shares, which may be allotted and issued by the Company to the Share Award Plan Trustee pursuant to the Share Award Plan.



# SHARE AWARD PLAN AND SHARE OPTION SCHEME

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

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

**(v) Vesting of the awarded Shares**

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

- (aa) the date specified on the notice of the award given by the Board to the Share Award Plan Trustee (which shall not be earlier than the first business day immediately following the expiry of six months after the Listing Date); and
- (bb) where applicable, the date on which the condition(s) or performance target(s) (if any) to be attained by such Selected Participant as specified in the related notice of award have been attained and notified to the Share Award Plan Trustee by the Board in writing.

**(vi) Remaining life**

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

# SHARE AWARD PLAN AND SHARE OPTION SCHEME

## (b) Movement of the awarded Shares

A total of 5,107,016 Shares were remain unvested as at 30 June 2018.

Movement of the awarded shares under the Share Award Scheme during the Interim Period is as follows:

Selected Participants	Date of Award	Vesting Dates	Outstanding as at 1 January 2018	Number of Awarded Shares			Outstanding as at 30 June 2018
				Awarded during the Interim Period	Vested during the Interim Period	Lapsed/ cancelled during the Interim Period	
<b>Executive Director</b>							
Wong Kwok Fai	18 May 2016	100% on 18 May 2019	100,000	-	-	-	100,000
	21 August 2017	100% on 21 August 2020	100,000	-	-	-	100,000
<b>Senior management members</b>							
Li Lianmin	18 May 2016	100% on 18 May 2019	100,000	-	-	-	100,000
	21 August 2017	100% on 21 August 2020	100,000	-	-	-	100,000
Ng Kwok Chung	18 May 2016	100% on 18 May 2019	50,000	-	-	-	50,000
So Yun Wah	21 August 2017	100% on 21 August 2020	100,000	-	-	-	100,000
<b>Others</b>							
Employees	26 March 2015	25% each on 21 November 2017, 2018, 2019 & 2020	1,182,687	-	-	295,671	887,016
Employees	18 May 2016	100% on 18 May 2019	4,095,000	-	-	525,000	3,570,000
Employee	21 August 2017	100% on 21 August 2020	100,000	-	-	-	100,000
			5,927,687	-	-	820,671	5,107,016

Save as disclosed above, none of the above Selected Participants are directors of the Company.

# SHARE AWARD PLAN AND SHARE OPTION SCHEME

## SHARE OPTION SCHEME

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

### (a) Summary of terms

#### (i) Purpose and participants

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

- (aa) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of the subsidiaries or any entity (the “Invested Entity”) in which any member of the Group holds an equity interest;
- (bb) any non-executive directors (including independent non-executive directors) of the Company, any of the subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of the Group or any Invested Entity;
- (dd) any customer of any member of the Group or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to the Group or any member of any Invested Entity;
- (ff) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

# SHARE AWARD PLAN AND SHARE OPTION SCHEME

(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 our Directors from time to time on the basis of the Directors' opinion as to his 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 (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 issued shares of the Company 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 interim report, the number of share options available for issue under the Share Option Scheme was 65,042,000, representing approximately 6.37% of the total issued Shares as at the date of this interim report.

# SHARE AWARD PLAN AND SHARE OPTION SCHEME

**(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 interim report, the Share Option Scheme had a remaining life of approximately six years.

# SHARE AWARD PLAN AND SHARE OPTION SCHEME

## (b) 2015 Scheme

On 9 April 2015, the Board has granted share options to subscribe for an aggregate of 14,216,000 underlying Shares at the exercise price of HK\$1.84 per Share (the "2015 Scheme"). The options were divided into two tranches at the grant date. The respective exercise dates of the options are as follows:

- (i) Tranche I: beginning on the 3rd anniversary of the grant date (i.e. 9 April 2018): 50% of such options granted; and
- (ii) Tranche II: beginning on the 4th anniversary of the grant date (i.e. 9 April 2019): 50% of such options granted.

These share options shall expire on the 5th anniversary of the date of the offer letter to the grantee granting to him the options to subscribe for the underlying Shares (i.e. 9 April 2020), or the earlier determination of the Share Option Scheme.

## (c) 2016 Scheme

On 7 April 2016, the Board has granted share options to subscribe for an aggregate of 13,542,000 underlying Shares at the exercise price of HK\$0.77 per Share (the "2016 Scheme"). 12,912,000 share options (the "Type A Options") under the 2016 Scheme as replacement of the outstanding share options under the 2015 Scheme shall be exercisable in two tranches as follows:

- (i) Tranche I: beginning on the 2nd anniversary of the grant date (i.e. 7 April 2018): up to 50% of such Type A Options granted; and
- (ii) Tranche II: beginning on the 3rd anniversary of the grant date (i.e. 7 April 2019): the rest of such Type A Options granted.

The Type A Options shall expire on the 4th anniversary of the date of the offer letter to each of the grantees granting to them the options to subscribe for the underlying Shares (i.e. 7 April 2020), or the earlier determination of the Share Option Scheme.



# SHARE AWARD PLAN AND SHARE OPTION SCHEME

630,000 share options (the "Type B Options") under the 2016 Scheme shall be exercisable in two tranches as follows:

- (i) Tranche I: beginning on the 3rd anniversary of the grant date (i.e. 7 April 2019): up to 50% of such Type B Options granted; and
- (ii) Tranche II: beginning on the 4th anniversary of the grant date (i.e. 7 April 2020): the rest of such Type B Options granted.

The Type B Options shall expire on the 5th anniversary of the grant date (i.e. 7 April 2021), or the earlier determination of the Share Option Scheme.

## (d) 2017 Scheme

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

- (i) Tranche I: beginning on the 3rd anniversary of the date of the employment agreement between the respective grantee and the Group: not more than 50% of the respective options granted; and
- (ii) Tranche II: beginning on the 4th anniversary of the date of the employment agreement between the respective grantee and the Group: the rest of the respective options granted.

These share options shall expire on the 5th anniversary of the date of grant (i.e. 21 August 2022), or the earlier determination of the Share Option Scheme.

# SHARE AWARD PLAN AND SHARE OPTION SCHEME

## (e) Movement of the share options

Movement of the share options under the 2015 Scheme, 2016 Scheme and 2017 Scheme respectively during the Interim Period is as follows:

### 2015 Scheme

Grantee	Date of grant	Exercise price (HK\$)	Outstanding as at 1 January 2018	Number of share options				Outstanding as at 30 June 2018
				Granted	Exercised	Cancelled	Lapsed	
<b>Senior Management Members</b>								
Sun Qingjun	9 April 2015	1.84	1,018,000	-	-	-	-	1,018,000
Zhou Jue	9 April 2015	1.84	1,018,000	-	-	-	-	1,018,000
Huang He	9 April 2015	1.84	1,018,000	-	-	-	-	1,018,000
Geng Liang	9 April 2015	1.84	1,018,000	-	-	-	1,018,000	-
Total			4,072,000	-	-	-	1,018,000	3,054,000

### 2016 Scheme — Type A Options

Grantee	Date of grant	Exercise price (HK\$)	Outstanding as at 1 January 2018	Number of share options				Outstanding as at 30 June 2018
				Granted	Exercised	Cancelled	Lapsed	
<b>Executive Director</b>								
Wong Kwok Fai	7 April 2016	0.77	1,358,000	-	-	-	-	1,358,000
<b>Senior Management Members</b>								
Sun Qingjun	7 April 2016	0.77	1,018,000	-	-	-	-	1,018,000
Zhou Jue	7 April 2016	0.77	1,018,000	-	-	-	-	1,018,000
Huang He	7 April 2016	0.77	1,018,000	-	-	-	-	1,018,000
Geng Liang	7 April 2016	0.77	1,018,000	-	-	-	1,018,000	-
So Yun Wah	7 April 2016	0.77	678,000	-	-	-	-	678,000
Li Lianmin	7 April 2016	0.77	682,000	-	-	-	-	682,000
<b>Others</b>								
Employees	7 April 2016	0.77	4,768,000	-	-	-	480,000	4,288,000
Total			11,558,000	-	-	-	1,498,000	10,060,000

# SHARE AWARD PLAN AND SHARE OPTION SCHEME

## 2016 Scheme — Type B Options

Grantee	Date of grant	Exercise price (HK\$)	Outstanding as at 1 January 2018	Number of share options				Outstanding as at 30 June 2018
				Granted	Exercised	Cancelled	Lapsed	
<b>Senior Management Member</b>								
Ng Kwok Chung	7 April 2016	0.77	200,000	-	-	-	-	200,000
<b>Others</b>								
Employees	7 April 2016	0.77	230,000	-	-	-	100,000	130,000
Total			430,000	-	-	-	100,000	330,000

## 2017 Scheme

Grantee	Date of grant	Exercise price (HK\$)	Outstanding as at 1 January 2018	Number of share options				Outstanding as at 30 June 2018
				Granted	Exercised	Cancelled	Lapsed	
Employees	21 August 2017	0.435	7,200,000	-	-	-	200,000	7,000,000
Total			7,200,000	-	-	-	200,000	7,000,000

# OTHER INFORMATION

## 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.

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

As at 30 June 2018, the Directors and the Company's chief executive, and their respective associates had the following interests in the Shares and underlying shares of the Company 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, 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 held (Note 1)	Approximate percentage of shareholding
Mr. Lo Chi Sum ("Mr. Lo")	The Company	Interest of controlled corporation	667,500,000 Shares (L) (Note 2)	65.42%
Mr. Lo	Cerulean Coast Limited	Beneficial owner	1 share	100%
Mr. Leung Wing Fai ("Mr. Leung")	The Company	Interest of controlled corporation	60,000,000 Shares (L) (Note 3)	5.88%
Mr. Leung	Future Miracle Limited	Beneficial owner	1 share	100%
Mr. Wong Kwok Fai	The Company	Beneficial owner	1,708,000 Shares (L) (Note 5)	0.17%

# OTHER INFORMATION

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

As at 30 June 2018, so far as the Directors are aware of, 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 of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of shareholder	Capacity/Nature of interest	Number of Shares held (Note 1)	Approximate percentage of shareholding
Cerulean Coast Limited	Beneficial owner	667,500,000 Shares (L) (Note 2)	65.42%
Future Miracle Limited	Beneficial owner	60,000,000 Shares (L) (Note 3)	5.88%
Ms. Wang Hui	Interest of spouse	60,000,000 Shares (L) (Note 4)	5.88%

Notes:

1. The letter "L" denotes a person's or a corporation's long position in the Shares.
2. These Shares were held by Cerulean Coast Limited, which was wholly owned by Mr. Lo.
3. These Shares were held by Future Miracle Limited, which was wholly owned by Mr. Leung.
4. Ms. Wang Hui is the spouse of Mr. Leung and she was deemed or taken to be interested in the 60,000,000 Shares held by Future Miracle Limited, which was wholly owned by Mr. Leung.
5. These Shares include (i) the share options to subscribe for 1,358,000 Shares granted to Mr. Wong under the Share Option Scheme on 7 April 2016; (ii) a total of 200,000 awarded Shares granted to Mr. Wong under the Share Award Plan on 18 May 2016 and 21 August 2017; and (iii) 150,000 Shares directly and beneficially held by Mr. Wong. Details of the exercise price and exercise dates of the share options and the vesting dates of the awarded Shares were set out in the section headed "Share Award Plan and Share Option Scheme" in this interim report.

# OTHER INFORMATION

## 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 Interim Period.

## CHANGE OF DIRECTOR'S INFORMATION

Mr. Wong Kwok Fai was appointed as a director of Cogent (Beijing) Technology Company Limited\* (高駿(北京)科技有限公司), an indirect wholly-owned subsidiary of the Company, on 5 March 2018.

## 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 Group has applied these principles and adopted all code provisions, where applicable, of the CG Code as our own code of corporate governance. The Directors consider that the Company has complied with 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 the chief executive should be clearly established and set out in writing. 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 of the Group 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.

\* For identification purposes only



# OTHER INFORMATION

## 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 internal controls and financial reporting matters of the Group. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2018 RMB'000 Unaudited	2017 RMB'000 Unaudited
Revenue	4	195,365	289,443
Cost of sales	4	(148,584)	(211,495)
<b>Gross profit</b>	4	<b>46,781</b>	77,948
Selling expenses		(14,091)	(14,563)
Administrative expenses		(41,810)	(45,838)
Other income		6,330	2,124
<b>Operating (loss)/profit</b>	6	<b>(2,790)</b>	19,671
Financial income	7	256	5,019
Finance costs		(1,177)	(7,074)
Finance loss — net		(921)	(2,055)
Share of post-tax (loss)/profits of associates	5	(2,164)	827
<b>(Loss)/Profit before income tax</b>		<b>(5,875)</b>	18,443
Income tax expense	8	—	(2,947)
<b>(Loss)/Profit for the period</b>		<b>(5,875)</b>	15,496
<b>(Loss)/Profit attributable to:</b>			
Owners of the Company		(5,978)	14,655
Non-controlling interests		103	841

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2018 RMB'000 Unaudited	2017 RMB'000 Unaudited
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Currency translation differences		(92)	(92)
<b>Other comprehensive loss for the six-month period then ended, net of tax</b>		<b>(92)</b>	<b>(92)</b>
<b>Total comprehensive (loss)/income for the period</b>		<b>(5,967)</b>	<b>15,404</b>
<b>Total comprehensive (loss)/income attributable to:</b>			
Owners of the Company		(6,070)	14,563
Non-controlling interests		103	841
<b>Earnings per share (expressed in RMB cents per share)</b>			
— Basic and diluted	16	(0.59)	1.44

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2018 RMB'000 Unaudited	31 December 2017 RMB'000 Audited
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	50,979	52,209
Intangible assets	10	52,944	55,081
Deferred income tax assets		4,675	6,133
Trade and other receivables	11	3,599	3,344
Financial assets at fair value through profit or loss		45,348	44,117
Investment in associates	5	41,363	43,527
Other non-current assets		1,226	1,172
		<b>200,134</b>	205,583
<b>Current assets</b>			
Inventories		150,185	157,957
Trade and other receivables	11	457,552	457,999
Pledged bank deposits		1,348	1,015
Cash and cash equivalents		16,574	57,986
		<b>625,659</b>	674,957
<b>Total assets</b>		<b>825,793</b>	880,540
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	12	8,106	8,106
Share premium	12	265,396	265,396
Other reserves		(61,330)	(62,769)
Retained earnings		95,464	101,443
		<b>307,636</b>	312,176
<b>Non-controlling interests</b>		<b>16,022</b>	15,919
<b>Total equity</b>		<b>323,658</b>	328,095

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2018 RMB'000 Unaudited	31 December 2017 RMB'000 Audited
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	14	57,746	6,586
Deferred income tax liabilities		–	1,847
		<b>57,746</b>	8,433
<b>Current liabilities</b>			
Trade and other payables	15	279,033	268,712
Current income tax liabilities		14,567	16,306
Borrowings	14	150,789	258,994
		<b>444,389</b>	544,012
<b>Total liabilities</b>		<b>502,135</b>	552,445
<b>Total equity and liabilities</b>		<b>825,793</b>	880,540
<b>Net current assets</b>		<b>181,270</b>	130,945
<b>Total assets less current liabilities</b>		<b>381,404</b>	336,528

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
<b>Unaudited</b>					
<b>Balance at 1 January 2018</b>	8,106	265,396	(62,769)	101,443	312,176
<b>Comprehensive income</b>					
Profit for the period	-	-	-	(5,979)	(5,979)
<b>Other comprehensive income</b>					
— currency translation differences	-	-	59	-	59
<b>Total comprehensive income for the period ended 30 June 2018</b>	-	-	59	(5,979)	(5,920)
<b>Transactions with owners</b>					
Dividend	-	-	-	-	-
Employees share award and option scheme					
— value of employee services	-	-	1,380	-	1,380
<b>Total transactions with owners, recognised directly in equity</b>	-	-	1,380	-	1,380
<b>Balance as at 30 June 2018</b>	8,106	265,396	(61,330)	95,464	307,636

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
<b>Balance at 1 January 2017</b>	8,106	265,396	(66,995)	255,456	461,963
<b>Comprehensive income</b>					
Profit for the period	–	–	–	14,655	14,655
<b>Other comprehensive income</b>					
— currency translation differences	–	–	(92)	–	(92)
<b>Total comprehensive income for the period ended 30 June 2017</b>	–	–	(92)	14,655	14,563
<b>Transactions with owners</b>					
Dividend	–	–	–	(5,313)	(5,313)
Employees share award and option scheme					
— value of employee services	–	–	1,309	–	1,309
Issue of ordinary share for the equity consideration for investment in an associate	–	–	–	–	–
<b>Total transactions with owners, recognised directly in equity</b>	–	–	1,309	(5,313)	(4,004)
<b>Balance as at 30 June 2017</b>	8,106	265,396	(65,778)	264,798	472,522

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2018 RMB'000 Unaudited	2017 RMB'000 Unaudited
<b>Cash flows from operating activities</b>		
Cash generated from operations	21,665	41,059
Interest paid	(5,133)	(4,702)
Income tax paid	(1,739)	(2,335)
<b>Net cash generated from operating activities</b>	<b>14,793</b>	34,022
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(1,392)	(2,766)
Payment of pledged bank deposits	(1,348)	(11,975)
Collection of pledged bank deposits	1,015	26,240
Purchase of financial asset at fair value through profit or loss	–	–
Purchase of intangible assets	(1,829)	(4,338)
Proceeds from sale of property, plant and equipment	182	–
Acquisition of an associate	–	(3,750)
<b>Net cash used in investing activities</b>	<b>(3,372)</b>	3,411
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	50,544	102,151
Repayments of borrowings	(107,589)	(156,137)
Dividends paid to the then shareholders	–	–
<b>Net cash used in financing activities</b>	<b>(57,045)</b>	(53,986)
<b>Net decrease in cash and cash equivalents</b>	<b>(45,624)</b>	(16,553)
Cash and cash equivalents at beginning of period	57,986	50,571
Exchange gain on cash and cash equivalents	4,212	360
<b>Cash and cash equivalents at end of the period</b>	<b>16,574</b>	34,378



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 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 29 August 2018. 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 2018 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 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements.

Amendments to HKFRSs effective for the financial year ending 31 December 2018 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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4. SEGMENT INFORMATION *(Continued)*

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

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Segment revenue		
Application solutions	<b>166,253</b>	224,183
Sports and events business	<b>5,499</b>	27,799
System maintenance services	<b>6,588</b>	11,545
Sales of self-developed products	<b>17,025</b>	25,916
<b>Total</b>	<b>195,365</b>	289,443
Segment cost		
Application solutions	<b>(137,004)</b>	(184,014)
Sports and events business	<b>(3,945)</b>	(10,319)
System maintenance services	<b>(3,445)</b>	(6,114)
Sales of self-developed products	<b>(4,190)</b>	(11,048)
<b>Total</b>	<b>(148,584)</b>	(211,495)
Segment gross profit		
Application solutions	<b>29,249</b>	40,169
Sports and events business	<b>1,554</b>	17,480
System maintenance services	<b>3,143</b>	5,431
Sales of self-developed products	<b>12,835</b>	14,868
<b>Total</b>	<b>46,781</b>	77,948
Depreciation		
Application solutions	<b>1,148</b>	3,426
Sports and events business	<b>38</b>	425
System maintenance services	<b>46</b>	176
Sales of self-developed products	<b>118</b>	396
<b>Total</b>	<b>1,350</b>	4,423

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 5. INVESTMENT IN ASSOCIATES

	Six months ended 30 June 2018 RMB'000
At 1 January 2018	43,527
Addition	–
Share of post-tax profits of associates	(2,164)
At 30 June 2018	41,363

The Group's share of the results in Beijing Gefei Technology Corporation\* (北京格非科技股份有限公司) and its aggregated assets and liabilities are shown below:

	Six months ended 30 June 2018 RMB'000
Assets	95,200
Liabilities	42,933
Revenues	10,682
Share of profit	(1,821)
Percentage held	49%

The Group's share of the results in Beijing Gangtiexia Sports and Entertainment Company\* (北京鋼鐵俠體育娛樂有限公司) and its aggregated assets and liabilities are shown below:

	Six months ended 30 June 2018 RMB'000
Assets	12,160
Liabilities	5,193
Revenues	8,731
Share of profit	24
Percentage held	7.5%

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 5. INVESTMENT IN ASSOCIATES *(Continued)*

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

	Six months ended 30 June 2018 RMB'000
Assets	20,689
Liabilities	2,865
Revenues	6,186
Share of profit	(367)
Percentage held	16.95%

## 6. OPERATING PROFIT

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

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Equipment costs	136,894	205,596
Servicing and agency costs	3,374	7,154
Business development	2,382	2,597
Depreciation and amortisation	5,302	7,970
	147,951	223,317

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 7. FINANCIAL INCOME

	Six months ended 30 June	
	2018 RMB'000 Unaudited	2017 RMB'000 Unaudited
Financial Income		
— Interest income on short-term bank deposits	256	79
— Interest income on long-term trade receivable	—	4,940
Total	256	5,019

## 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 2017 and the six months ended 30 June 2018 on the estimated assessable profit for the year. Hong Kong profits tax amounted at RMB163,986 (year ended 31 December 2017: RMB78,756) was provided for profit amounted at RMB662,420 (year ended 31 December 2017: RMB-49,921,416) 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 ("HNTE") and the EIT was provided at a preferential tax rate as 15%.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 8. INCOME TAX EXPENSE *(Continued)*

### 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 2018 is analysed as follows:

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Current income tax	1,458	3,506
Deferred income tax	(1,458)	(559)
Income tax expense	–	2,947

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

## 9. DIVIDENDS

The Board does not recommend the distribution of interim dividend for the Interim Period (2017: Nil).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 10. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment RMB'000	Other intangible assets RMB'000
<b>Six months ended 30 June 2018</b>		
<b>Net book value or valuation</b>		
<b>Opening amount as at 1 January 2018</b>	<b>52,209</b>	<b>55,081</b>
Additions	302	1,815
Disposals	(182)	–
Depreciation	(1,350)	(3,952)
<b>Closing amount as at 30 June 2018</b>	<b>50,979</b>	<b>52,944</b>
<b>Six months ended 30 June 2017</b>		
<b>Net book value or valuation</b>		
<b>Opening amount 1 January 2017</b>	56,013	57,892
Additions	2,766	4,338
Depreciation	(4,423)	(3,547)
<b>Closing amount as at 30 June 2017</b>	<b>54,356</b>	<b>58,683</b>



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 11. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2018 RMB'000	31 December 2017 RMB'000
<b>Included in current assets</b>		
Trade receivables	357,548	518,895
Less: provision for impairment of trade receivable	(2,448)	(171,416)
Trade receivables — net	355,100	347,479
Other receivables		
Amount due from customers for contract work	2,775	2,775
Deposit for guarantee certificate over tendering and performance	31,506	32,402
Deposit for acquisition of a subsidiary	16,862	16,646
Prepayments	40,430	42,246
Cash advance to staff	4,742	9,612
Others	9,736	10,183
	461,151	461,343
<b>Less: Non-current portion</b>		
Trade receivables	3,599	64,360
<b>Less: provision for impairment of trade receivable</b>	—	(61,016)
	3,599	3,344
Current portion	457,552	457,999

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 11. TRADE AND OTHER RECEIVABLES *(Continued)*

As at 31 December 2017 and 30 June 2018, the aging analysis of the trade receivables based on revenue recognition date is as follows:

	As at	
	30 June 2018 RMB'000	31 December 2017 RMB'000
Up to 3 months	94,141	84,295
3 to 6 months	31,332	17,940
6 months to 1 year	66,532	85,133
1 to 2 years	97,255	258,133
2 to 3 years	30,098	39,888
Over 3 years	38,190	33,506
	<b>357,548</b>	518,895

## 12. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares HK\$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Balance at 1 January 2018 and 30 June 2018	1,020,300,761	10,203	8,106	265,396	273,502
Balance at 1 January 2017 and 30 June 2017	1,020,300,761	10,203	8,106	265,396	273,502

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 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, has reserved and set aside a total of 22,500,000 award shares and held by the Trustee. The Share Award Plan involves granting of existing shares held by the Trustee.

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

	<b>Number of awarded shares</b>
At 1 January 2018	<b>5,927,687</b>
Granted	–
Lapsed	<b>(820,671)</b>
At 30 June 2018	<b>5,107,016</b>
At 1 January 2017	12,884,868
Granted	–
Lapsed	(819,228)
At 30 June 2017	12,065,640

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date. There were no shares awarded under the Share Award Plan during the six months ended 30 June 2018.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 13. SHARE BASED PAYMENTS *(Continued)*

### (ii) Share Option Scheme

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

On 9 April 2015, the Board approved the grant of share options in respect of 14,216,000 shares with 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 options can be exercised beginning on the 3rd anniversary of the grant date and the remaining tranche will become exercisable on the 4th anniversary of the grant date.

On 7 April 2016, the Board approved the grant of share options in respect of 13,542,000 shares with 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 options can be exercised beginning on the 2nd anniversary of the grant date and the remaining tranche will become exercisable on the 3rd anniversary of the grant date. 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 options can be exercised beginning on the 3rd anniversary of the grant date and the remaining tranche will become exercisable on the 4th anniversary of the grant date.

On 21 August 2017, the Board approved the grant of share options in respect of 7,200,000 shares with the exercise price of HK\$0.435 (the "2017 Scheme"). The options were divided into 2 tranches at the grant date. The first tranche of 50% of the options can be exercised beginning on the 3rd anniversary of the date of the employment agreement between the respective grantee and the Group. The remaining tranche will become exercisable on the 4th anniversary of the date of the employment agreement between the respective grantee and the Group.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 13. SHARE BASED PAYMENTS *(Continued)*

### (ii) Share Option Scheme *(Continued)*

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

	Number of share options		
	2015 Scheme	2016 Scheme	2017 Scheme
At 1 January 2018	4,072,000	11,988,000	7,200,000
Modified	–	–	–
Granted	–	–	–
Lapsed	(1,018,000)	(1,598,000)	(200,000)
At 30 June 2018	3,054,000	10,390,000	7,000,000

The Directors have used the Binomial Model to determine the fair value of the options granted, which is to be expensed over the vesting period. Significant 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:

	2016 Scheme		2017
	Type A	Type B	Scheme
Risk free rate	0.87%	0.95%	1.3%
Dividend yield	0.80%	0.80%	1.38%
Expected volatility	51.19%	50.13%	48.38%

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 14. BORROWINGS

	As at	
	30 June 2018 RMB'000	31 December 2017 RMB'000
<b>Non-Current</b>		
Bank borrowings	57,746	6,586
	57,746	6,586
<b>Current</b>		
— short term bank borrowings	150,789	192,473
— current portion of long term bank borrowings	—	66,521
	150,789	258,994
Total borrowings	208,535	265,580

As at 30 June 2018, bank borrowings of RMB55,100,000 (31 December 2017: RMB70,000,000) were secured by the buildings of the Group, net book value of which amounted to RMB34,953,478 (31 December 2017: RMB36,194,000); trade receivables of RMB25,843,224 (31 December 2017: RMB25,310,000), and were guaranteed by Beijing Zhongguancun Sic-tech Financing Guarantee Co., Ltd.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 15. TRADE AND OTHER PAYABLES

	As at	
	30 June 2018 RMB'000	31 December 2017 RMB'000
Trade payables	141,167	130,486
Advances from customers	65,499	55,181
Employee benefits payable	4,770	5,271
Other taxes payable	54,363	54,953
Amounts due to shareholders/directors	4,441	7,824
Accrual for professional service fee	1,121	2,643
Others	7,672	12,354
	<b>279,033</b>	268,712

As at 30 June 2018, the aging analysis of the trade payables based on invoice date were as follows:

	As at	
	30 June 2018 RMB'000	31 December 2017 RMB'000
Up to 3 months	107,231	101,783
3 to 6 months	5,853	7,597
6 months to 1 year	8,910	3,094
1 to 2 years	16,085	16,276
2 to 3 years	2,520	1,383
Over 3 years	569	353
	<b>141,167</b>	130,486

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 16. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share for the six months ended 30 June 2017 and 2018 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	
	2018	2017
(Loss)/Profit attributable to owners of the Company (in RMB'000)	(5,978)	14,655
Weighted average number of ordinary shares in issue ('000)	1,020,301	1,020,301
Basic earnings per share (RMB cents per share)	(0.59)	1.44

### (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.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 17. OPERATING LEASE COMMITMENTS *(Continued)*

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

	As at	
	30 June 2018 RMB'000 Unaudited	31 December 2017 RMB'000 Audited
No later than 1 year	2,558	2,421
Later than 1 year and no later than 2 years	2,150	2,305
Later than 2 years and no later than 3 years	14	1,937
Later than 3 years	–	345
	<b>4,722</b>	7,008

## 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. On 16 December 2014, the Claimant withdrew the lawsuit against this subsidiary. In November 2016, the Claimant re-litigate the contractual claim against the same subsidiary of the Company. In October 2017, the court entered a judgement that this subsidiary was not liable for compensation. The Claimant then appealed to the upper court and brought claims of about RMB4.42 million against this subsidiary and the Client. 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 2018.