



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

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1450



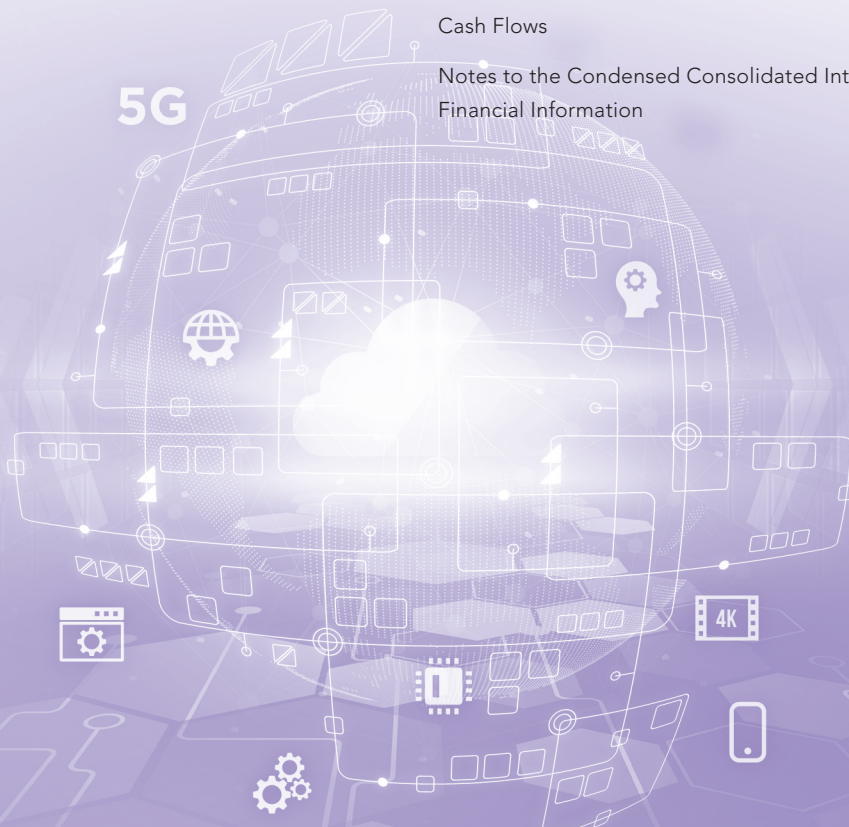
2021

INTERIM REPORT

CONTENTS

| | |
|---|----|
| Corporate Information | 2 |
| Chairman’s Statement | 4 |
| Management Discussion and Analysis | 6 |
| Share Award Plan and Share Option Scheme | 18 |
| Other Information | 30 |
| Interim Condensed Consolidated Statement of Comprehensive Income | 36 |
| Interim Condensed Consolidated Balance Sheet | 38 |
| Interim Condensed Consolidated Statement of Changes in Equity | 40 |
| Interim Condensed Consolidated Statement of Cash Flows | 41 |
| Notes to the Condensed Consolidated Interim Financial Information | 42 |

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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. Geng Liang (耿亮)
Mr. Li Jinping (李金平)

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. Chan Sze Ting (陳詩婷)

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. Geng Liang
Mr. Li Jinping

COMPANY SECRETARY

Ms. Chan Sze Ting
ACG, ACS

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CORPORATE INFORMATION

AUDITORS

Mazars CPA Limited

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 54, 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 2021 (the "**Interim Period**").

REVIEW

The Group is a China-based video service provider of all-media application solutions to facilitate content production, broadcast and live broadcasting, transmission, system maintenance services, and sales of self-developed products. During the Interim Period, the situation of COVID-19 in both the PRC and overseas is gradually under control. However, as the nationwide prevention and control measures are still taking effect, the financial performance of the Group has been affected to some extent. The revenue of the Company increased by approximately 109.7% from approximately RMB53.0 million for the six months ended 30 June 2020 (the "**Corresponding Period**") to approximately RMB111.0 million for the Interim Period. The gross profit of the Company increased by approximately 61.9% from approximately RMB17.8 million for the Corresponding Period to approximately RMB28.9 million for the Interim Period, however, the gross profit margin of the Group decreased from approximately 33.7% for the Corresponding Period to approximately 26.0% for the Interim Period.

While the Group keeps monitoring the development of COVID-19 and adopted cost control measures, the Group continued to focus on the exploration and application of video system technologies into certain kinds of industries to meet the needs of potential customers and broaden the customer base of the Group. Meanwhile, the Group has successively launched new media e-commerce live streaming business based on different platforms by using mature event streaming technology and experience, which the Group believes has achieved great breakthrough and development in the new media market.

CHAIRMAN'S STATEMENT

PROSPECTS

Going forward, the Group intends to further deepen its overall layout in all-media market and strengthen the application of the Group's superior video technologies and services into other industries and scenarios by providing more efficient equipments, quality services and precision marketing to the customers. The Group believes that the improvement of video system technologies and the growing business development of new media services of the Group will promote growth and expansion of the Group's business and enrich the source of income of the Group in the near future.

APPRECIATION

I, on behalf of the Board, would like to take this opportunity to express my sincere gratitude to our valued shareholders, customers and business partners for their trust and support. I would also like to thank all our staff for their professionalism and wholehearted commitment.

Lo Chi Sum

Chairman

31 August 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Interim Period, the Group continued to aggregate resources in key business segments and adopted cost control measures to strive for a healthy and sustainable development of the Group. Meanwhile, the Group placed great emphasis on the exploration and application of video system technologies into other industries including medical industry, security industry and smart cities programs. Taking advantage of the Group's superior live broadcast and video streaming technologies, the Group has allocated more resources into the development of new media services and further developed business in new media marketing and e-commerce live broadcasting platforms during the Interim Period.

Starting from May 2020, the Company has successively launched new media e-commerce live streaming business based on different platforms by using mature event streaming technology and experience. During the Interim Period, the revenue from the new media services segment recorded approximately RMB7.7 million, representing approximately 7.0% of the total revenue of the Group and increased by approximately 3.3 times as compared to the Corresponding Period.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 109.7% from approximately RMB53.0 million for the six months ended 30 June 2020 to approximately RMB111.0 million for the six months ended 30 June 2021. The increase was due to the inclusion of revenue of Beijing Gefei Technology Corporation* (北京格非科技股份有限公司) ("Beijing Gefei") in the statement of profit or loss subsequent to the reclassification of Beijing Gefei from interests in associates to subsidiary since 31 August 2020. The revenue from the applications solutions segment increased by approximately 127.1%. Comparing with the Corresponding Period, the revenue from the system maintenance services has decreased by approximately 13.2% from approximately RMB4.4 million to approximately RMB3.8 million due to the decreased demand for services to maintain the customers facilities during the Interim Period. The revenue from the sales of self-developed products segment increased by approximately 76.7% as compared to the Corresponding Period due to the inclusion of revenue of Beijing Gefei. The revenue from the new media services segment increased by approximately 3.3 times comparing with the Corresponding Period. The table below sets out the Group's segment revenue for the six months ended 30 June 2020 and 2021 respectively:

| | For the six months ended 30 June | | | |
|----------------------------------|----------------------------------|-----------------------|------------------------------|-----------------------|
| | 2021 RMB'000 Unaudited | % of total revenue | 2020 RMB'000 Unaudited | % of total revenue |
| Segment revenue | | | | |
| Application solutions | 76,207 | 68.6% | 33,552 | 63.4% |
| System maintenance services | 3,845 | 3.5% | 4,431 | 8.4% |
| Sales of self-developed products | 23,260 | 20.9% | 13,161 | 24.9% |
| New media services | 7,736 | 7.0% | 1,813 | 3.3% |
| Total | 111,048 | 100.0% | 52,957 | 100.0% |

MANAGEMENT DISCUSSION AND ANALYSIS

Application solutions

Revenue generated by the Group's application solutions business segment represented approximately 63.4% and 68.6% of the total revenue of the Group for the Corresponding Period and the Interim Period, respectively. Such revenue has increased from approximately RMB33.6 million for the Corresponding Period to approximately RMB76.2 million for the Interim Period, representing an increase of approximately 127.1%. The increase was mainly due to the inclusion of revenue of Beijing Gefei.

System maintenance services

Revenue from the system maintenance services business segment represented approximately 8.4% and 3.5% of the total revenue of the Group for the Corresponding Period and the Interim Period, respectively, and decreased from approximately RMB4.4 million for the Corresponding Period to approximately RMB3.8 million for the Interim Period, representing a decrease of approximately 13.2%. Such decrease was mainly attributable to the decrease in demand for onsite support services during the Interim Period because of the ongoing epidemic of COVID-19.

Sales of self-developed products

Revenue from the sales of self-developed products business segment represented approximately 24.9% and 20.9% of the total revenue of the Group for the Corresponding Period and the Interim Period, respectively, and increased from approximately RMB13.2 million for the Corresponding Period to approximately RMB23.3 million for the Interim Period, representing an increase of approximately 76.7%. The increase was mainly due to the inclusion of revenue of Beijing Gefei.

New media services

Revenue from the new media services business segment represented approximately 3.3% and 7.0% of the total revenue of the Group for the Corresponding Period and the Interim Period, respectively, and increased from approximately RMB1.8 million for the Corresponding Period to approximately RMB7.7 million for the Interim Period, representing an increase of approximately 3.3 times. Taking advantage of the Group's superior live broadcast and video streaming technologies, the Group has allocated more resources into the development of new media services and further developed business in new media marketing and e-commerce live broadcasting platforms during the Interim Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales

For the six months ended 30 June 2020 and 2021, the Group's cost of sales was approximately RMB35.1 million and RMB82.2 million, respectively, representing an increase of approximately 133.9%. The following table sets forth the cost of sales for each business segment for the six months ended 30 June 2020 and 2021 respectively:

| | For the six months ended 30 June | | | |
|----------------------------------|----------------------------------|-----------------|---------------|-----------------|
| | 2021 | | 2020 | |
| | RMB'000 | % of total cost | RMB'000 | % of total cost |
| | Unaudited | | Unaudited | |
| Segment cost of sales | | | | |
| Application solutions | 67,538 | 82.2% | 26,606 | 75.7% |
| System maintenance services | 3,038 | 3.7% | 3,545 | 10.1% |
| Sales of self-developed products | 8,583 | 10.4% | 4,591 | 13.1% |
| New media services | 3,037 | 3.7% | 394 | 1.1% |
| Total | 82,196 | 100.0% | 35,136 | 100.0% |

The Group's cost of sales for the application solutions segment increased by approximately 153.8% for the Interim Period as compared to the Corresponding Period, which was primarily due to the increase in revenue of the application solutions segment. The cost of sales for the system maintenance services segment decreased by approximately 14.3% for the Interim Period as compared to the Corresponding Period, which was primarily due to the decrease in revenue of the system maintenance services segment. The cost of sales of the sales of self-developed products segment increased by approximately 87.0% due to the increase in revenue of the self-developed products segment during the Interim Period as compared to the Corresponding Period. The cost of sales of the new media services increased by approximately 6.7 times due to the increase in revenue of the new media services during the Interim Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

For the six months ended 30 June 2020 and 2021, the Group's gross profit was approximately RMB17.8 million and RMB28.9 million, respectively, representing an increase of approximately 61.9%. However, the Group's gross profit margin decreased from approximately 33.7% for the Corresponding Period to approximately 26.0% for the Interim Period, mainly due to the increase in revenue contribution from the application solutions segment, which had relatively lower profit margin as compared to other segments of the Group. 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 | | | |
|---|----------------------------------|--------|-----------|--------|
| | 2021 | | 2020 | |
| | RMB'000 | % of | RMB'000 | % of |
| | Unaudited | Gross | Unaudited | Gross |
| | | profit | | profit |
| | | margin | | margin |
| Segment gross profit and gross profit margin | | | | |
| Application solutions | 8,669 | 11.4% | 6,946 | 20.7% |
| System maintenance services | 807 | 21.0% | 886 | 20.0% |
| Sales of self-developed products | 14,677 | 63.1% | 8,570 | 65.1% |
| New media services | 4,699 | 60.7% | 1,419 | 78.3% |
| Total | 28,852 | 26.0% | 17,821 | 33.7% |

For the application solutions segment, the Group noted a decrease in the gross profit margin from approximately 20.7% for the Corresponding Period to approximately 11.4% for the Interim Period. The decrease in gross profit was mainly due to the combination of Beijing Gefei that engaged in different fields of the application solutions segment with lower gross profit.

For the system maintenance services segment, the Group noted an increase of gross profit margin from approximately 20.0% for the Corresponding Period to approximately 21.0% for the Interim Period. The increase was within a reasonable range in its normal operation.

MANAGEMENT DISCUSSION AND ANALYSIS

For the sales of self-developed products segment, the gross profit margin decreased from approximately 65.1% for the Corresponding Period to approximately 63.1% for the Interim Period. The decrease was within a reasonable range in its normal operation.

For the new media services segment, the gross profit margin decreased from approximately 78.3% for the Corresponding Period to approximately 60.7% for the Interim Period. The decrease was mainly due to that the Group started to allocate more resources and concentrated itself more to seize the business opportunities in new media market and further development of the new media services business.

Selling expenses

The selling expenses for the six months ended 30 June 2020 and 2021 were approximately RMB5.1 million and RMB4.0 million, respectively, representing a decrease of approximately 22.4%. The decrease in selling expenses was due to the cost control measures of the Group.

Administrative expenses

The administrative expenses for the six months ended 30 June 2020 and 2021 were approximately RMB23.2 million and RMB29.5 million, respectively, representing an increase of approximately 27.2%. The increase in administrative expenses was due to the combination of Beijing Gefei, which was partly offset by the decrease in number of employees of the Group's other main subsidiaries as a result of cost control measures.

Research and development expenses

The research and development ("R&D") expenses for the six months ended 30 June 2020 and 2021 were approximately RMB7.9 million and RMB13.1 million, respectively, representing an increase of approximately 66.6%. The increase in R&D expenses was due to the combination of Beijing Gefei, and the Group's continued effort to invest in the R&D to maintain the leading edge video technology in the industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

For the six months ended 30 June 2020 and 2021, the net finance costs of the Group were approximately RMB7.0 million and RMB9.9 million, respectively, representing an increase of approximately 41.1%. The finance costs of approximately RMB7.0 million for the Corresponding Period consisted of interest expenses of approximately RMB6.4 million and exchange loss of approximately RMB0.6 million. During the Interim Period, the finance costs of approximately RMB9.9 million was composed of interest expenses of approximately RMB9.0 million and exchange loss of approximately RMB0.9 million. The increase in interest expenses was due to the increase in borrowings during the Interim Period as a result of combination of Beijing Gefei.

Income tax expense/credit

Income tax credit amounted to approximately RMB117,000 for the Corresponding Period and income tax expense amounted to approximately RMB93,000 for the Interim Period.

Loss for the Interim Period

As a result of the aforementioned factors, loss of the Company decreased from a net loss of approximately RMB29.5 million for the Corresponding Period to a net loss of approximately RMB23.8 million for the Interim Period, representing a decrease of approximately 19.2%. Deducting the minority interests, the loss attributable to the owners of the Company decreased from a net loss of approximately RMB28.8 million for the Corresponding Period to a net loss of approximately RMB20.9 million for the Interim Period, representing a decrease of approximately 27.3%, mainly due to a decrease in operating loss of approximately RMB1.2 million, and an absence in share of loss of an associate during the Interim Period as compared to the share of loss in associates of approximately RMB7.2 million for the Corresponding Period primarily due to the improvement in operating results from associates and reclassification of Beijing Gefei from interests in associates to subsidiary since 31 August 2020.

Liquidity, financial resource and capital structure

Net cash generated from the Group's operating activities amounted to approximately RMB9.7 million for the Interim Period while net cash used in the Group's operating activities amounted to approximately RMB1.8 million for the Corresponding Period. The net cash inflow of the Group's operating activities during the Interim Period mainly arose from the decrease in inventories, trade and other receivables and other current assets of approximately RMB36.4 million, which resulted in a net inflow of approximately RMB9.7 million for the Interim Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Net cash generated from the Group's investing activities amounted to approximately RMB4.5 million for the Interim Period while net cash generated from the Group's investing activities amounted to approximately RMB0.7 million for the Corresponding Period. The net cash inflow for the Interim Period was mainly generated from collection of pledged bank deposits.

Net cash used in the Group's financing activities amounted to approximately RMB22.2 million for the Interim Period while the net cash generated from the Group's financing activities amounted to approximately RMB3.9 million for the Corresponding Period. The net cash used in financing activities for the Interim Period was mainly attributable to the repayment of bank and other borrowings.

The Group's bank balances and cash decreased to approximately RMB3.9 million as at 30 June 2021 from approximately RMB12.8 million as at 31 December 2020 mainly due to repayment of borrowings.

As at 30 June 2021, the Group had total assets of approximately RMB444.3 million (31 December 2020: approximately RMB498.6 million) which was financed by current liabilities of approximately RMB314.9 million (31 December 2020: approximately RMB376.8 million) and shareholders' equity of approximately RMB81.5 million (31 December 2020: approximately RMB105.8 million).

As at 30 June 2021, the Group's current ratio (which is calculated by dividing current assets by current liabilities) was 1.08 (31 December 2020: 1.03).

The cash and cash equivalents of the Group as at 30 June 2021 were mainly denominated in Hong Kong Dollar ("HKD"), the United States Dollar ("USD"), Great British Pound ("GBP"), Euro and Renminbi ("RMB").

Charge over assets

As at 30 June 2021, bank borrowings of RMB40.5 million (31 December 2020: RMB48.0 million) were secured by the buildings of the Group, net book value of which amounted to approximately RMB28.0 million (31 December 2020: approximately RMB30.4 million), and were guaranteed by two independent third parties, namely Beijing Zhongguancun Sic-Tech Financing Guaranty Co., Ltd., and Beijing Culture Sci-Tech Financing Guaranty Co., Ltd..

Bank borrowings of RMB18.6 million (31 December 2020: RMB20.2 million) are secured by the key-man life insurance policies included in financial assets at fair value through profit or loss with carrying amount of RMB52.2 million (31 December 2020: RMB52.3 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing position

The gearing ratio, which represented total borrowings divided by total equity multiplied by 100%, was approximately 166.8% and 189.3% respectively as at 31 December 2020 and 30 June 2021. The total borrowings of the Group decreased from approximately RMB176.4 million as at 31 December 2020 to approximately RMB154.2 million as at 30 June 2021. Such decrease was mainly attributable to repayment of bank and other borrowings (repayment: approximately RMB31.5 million; new borrowing proceeds: approximately RMB9.2 million).

Foreign exchange exposure

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, HKD, 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 Company's subsidiaries to manage their foreign exchange risk against their functional currency. The Company'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.

MANAGEMENT DISCUSSION AND ANALYSIS

Significant investments, mergers and acquisitions

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

Contingent liabilities

As at 30 June 2021, 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 (2020: Nil).

Employees and remuneration policies

As at 30 June 2021, the Group had a total of 221 employees (as at 31 December 2020: 275 employees).

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

FUTURE OUTLOOK

During the Interim Period, the situation of COVID-19 in both the PRC and overseas is gradually under control. However, as the nationwide prevention and control measures are still taking effect, including lockdown and social distancing measures, the operations of the Group's major customers have been adversely affected. The Group had experienced cancellation of orders as the operation of major international and domestic seminars, forums and sports events were cancelled or postponed due to crowd control measures, which had adversely affected the Group's revenue.

While the Group keeps monitoring the development of COVID-19, the Group has allocated more resources into researching and development for video system technologies to meet the needs of potential customers in industries not limited to medical, education, security industry, new media and e-commerce. In the meantime, the Group also further develops business in new media market and e-commerce live broadcasting platform by using video streaming media live broadcasting technology. The Group believes that it has achieved great breakthrough and development in the new media market, and is confident that such business development will improve the synergistic collaboration among the Group's business segments and further promote growth and expansion of the Group's business.

MANAGEMENT DISCUSSION AND ANALYSIS

Live broadcasting technique is increasingly important nowadays, which has been applied to all walks of life. Starting from May 2020, the Group has successively launched new media e-commerce live streaming business projects with several new media operators and thus further enrich the Group's experience in all-media related services provisions. Besides, the Group intends to further deepen its overall layout in all-media market and strengthen the application of the Group's superior video technologies and services into other industries and scenarios by providing more efficient equipments, quality services and precision marketing to the clients. The Group believes that the improvement of video system technologies and the growing business development of new media services of the Group will further expand the Group's client base and enrich the source of income of the Group.

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.

EVENTS AFTER THE INTERIM PERIOD

On 30 July 2021, the Company was notified that Cerulean Coast Limited (the then controlling shareholder of the Company and a company wholly owned by Mr. Lo Chi Sum, an executive Director) and Future Miracle Limited (a company wholly owned by Mr. Leung Wing Fai, an executive Director) (collectively, the "**Sellers**") entered into a sale and purchase agreement with four purchasers (namely, Starlink Vibrant Holdings Ltd, Yoshiaki Holding Corp, Orange Grove Global Limited and Foga Holdings Ltd., collectively the "**Purchasers**") pursuant to which Sellers conditionally agreed to sell 679,796,478 shares of the Company in aggregate (representing approximately 65.29% of the issued share capital of the Company) to the Purchasers (the "**Acquisition**"). Upon the completion of the Acquisition, Golden Ocean Holdings Corp. (the "**Offeror**") and the parties acting in concert with it will be interested in approximately 68.44% of the issued share capital of the Company, mandatory unconditional general offers in cash by Somerley Capital Limited for and on behalf of the Offeror (the "**Offers**") are required to be made pursuant to the Code on Takeovers and Mergers in Hong Kong (the "**Takeovers Code**").

MANAGEMENT DISCUSSION AND ANALYSIS

A composite document dated 7 September 2021 issued by the Offeror and the Company (the “**Composite Document**”) containing among others, (i) the details of the Offers (including the expected timetable and terms of the Offers); (ii) the recommendations from the independent board committee to the independent shareholders and the optionholders in relation to the Offers; (iii) a letter of advice from the independent financial adviser to the independent board committee in relation to the Offers; and (iv) other relevant information on the Offeror and the Group as required by the Takeovers Code together with the accompanying form(s) of acceptance have been despatched on 7 September 2021 in accordance with the Takeovers Code.

On 30 July 2021, the Company also entered into a subscription agreement with three subscribers (namely Silver Eternity Technology Ltd., Trinity Gate Limited and Hongshan Limited, collectively, the “**Subscribers**”) pursuant to which the Company conditionally agreed to issue and the subscribers conditionally agreed to subscribe, in cash, for convertible bonds in the principal amount of HK\$47,000,000 in aggregate (the “**Convertible Bonds**”), which may be converted into 204,347,826 conversion shares at the initial conversion price of HK\$0.23 per conversion share upon exercise of the conversion rights under the Convertible Bonds in full. The issuance of the Convertible Bonds under specific mandate shall be subject to the approval of independent shareholders in the extraordinary general meeting of the Company to be convened on 24 September 2021.

On 20 April 2020, Cerulean Coast Limited and Future Miracle Limited have respectively pledged 311,960,000 ordinary shares and 28,040,000 ordinary shares respectively (collectively, the “**Pledged Shares**”) in the issued share capital of the Company, in favour of an independent third party (the “**Lender**”) as security for a loan facility in an aggregate amount of RMB50,000,000 provided by the Lender to the Group as general working capital. On 30 August 2021, the Company received a notice from the Sellers that the Pledged Shares have been released. Upon the release of the Pledged Shares, all of the Acquisition Conditions as defined in the joint announcement dated 30 July 2021 issued by the Offeror and the Company have been fulfilled. Accordingly, completion of the Acquisition took place on 31 August 2021.

For details of the above, please refer to the joint announcements issued by the Offeror and the Company dated 30 July 2021 and 31 August 2021, the announcements of the Company dated 30 August 2021 and 6 September 2021, the circular of the Company dated 6 September 2021 and the Composite Document.

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

SHARE AWARD PLAN AND SHARE OPTION SCHEME

- (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 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 the Group or any Share Award Plan Invested Entity; and
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to our development and growth;

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

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

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

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

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

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 the Company 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 of the Company on the Stock Exchange (i.e. 7 July 2014); 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 from 24 March 2014. As at the date of this interim report, the Share Award Plan had a remaining life of approximately three years.

SHARE AWARD PLAN AND SHARE OPTION SCHEME

(b) Movement of the awarded Shares

No shares were remain unvested as at 30 June 2021.

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

| Selected Participants | Date of Award | Vesting Date | Number of Awarded Shares | | | | Outstanding as at 30 June 2021 |
|---------------------------------|-----------------|-----------------------|----------------------------------|-----------------------------------|----------------------------------|---|--------------------------------|
| | | | Outstanding as at 1 January 2021 | Awarded during the Interim Period | Vested during the Interim Period | Lapsed/ cancelled during the Interim Period | |
| Senior Management Member | | | | | | | |
| Mr. Wong Kwok Fai | 9 November 2020 | 100% on 26 April 2021 | 2,000,000 | - | 2,000,000 | - | - |
| | | | 2,000,000 | - | 2,000,000 | - | - |

None of the above Selected Participants are Directors.

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 372,000, representing approximately 0.04% 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.

SHARE AWARD PLAN AND SHARE OPTION SCHEME

(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 from 13 June 2014. As at the date of this interim report, the Share Option Scheme had a remaining life of approximately three years.

(b) 2017 Scheme

On 21 August 2017, the Board approved the grant of 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 under the 2017 Scheme 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 under the 2017 Scheme 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.

(c) 2018 Scheme

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

These share options under the 2018 Scheme shall expire on the 5th anniversary of the date of grant (i.e. 28 November 2023), or the earlier determination of the Share Option Scheme.

SHARE AWARD PLAN AND SHARE OPTION SCHEME

(d) 2020 Scheme

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

These share options shall expire on the 10th anniversary date of adoption of the Share Option Scheme (i.e. 13 June 2024), or the earlier termination of the Share Option Scheme.

(e) Movement of the share options

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

2017 Scheme

| Grantee | Date of grant | Exercise price (HK\$) | Outstanding as at 1 January 2021 | Number of share options | | | | Outstanding as at 30 June 2021 |
|-----------|----------------|-----------------------|----------------------------------|-------------------------|-----------|-----------|--------|--------------------------------|
| | | | | Granted | Exercised | Cancelled | Lapsed | |
| Employees | 21 August 2017 | 0.435 | 5,000,000 | - | - | - | - | 5,000,000 |
| Total | | | 5,000,000 | - | - | - | - | 5,000,000 |

SHARE AWARD PLAN AND SHARE OPTION SCHEME

2018 Scheme

| Grantee | Date of grant | Exercise price (HK\$) | Outstanding as at 1 January 2021 | Number of share options | | | | Outstanding as at 30 June 2021 |
|--|------------------|-----------------------|----------------------------------|-------------------------|-----------|-----------|----------------|--------------------------------|
| | | | | Granted | Exercised | Cancelled | Lapsed | |
| Executive Director | | | | | | | | |
| Mr. Li Jinping | 28 November 2018 | 0.222 | 4,000,000 | - | - | - | - | 4,000,000 |
| Independent Non-executive Directors | | | | | | | | |
| Dr. Ng Chi Yeung, Simon | 28 November 2018 | 0.222 | 1,000,000 | - | - | - | - | 1,000,000 |
| Mr. Hung Muk Ming | 28 November 2018 | 0.222 | 1,000,000 | - | - | - | - | 1,000,000 |
| Mr. Mak Kwok Wing | 28 November 2018 | 0.222 | 1,000,000 | - | - | - | - | 1,000,000 |
| Senior Management Members | | | | | | | | |
| Mr. Wong Kwok Fai | 28 November 2018 | 0.222 | 5,000,000 | - | - | - | - | 5,000,000 |
| Ms. Song Dandan | 28 November 2018 | 0.222 | 4,000,000 | - | - | - | - | 4,000,000 |
| Ms. Ye Yang | 28 November 2018 | 0.222 | 3,000,000 | - | - | - | - | 3,000,000 |
| Others | | | | | | | | |
| Employees | 28 November 2018 | 0.222 | 29,940,000 | - | - | - | 400,000 | 29,540,000 |
| Total | | | 48,940,000 | - | - | - | 400,000 | 48,540,000 |

SHARE AWARD PLAN AND SHARE OPTION SCHEME

2020 Scheme

| Grantee | Date of grant | Exercise price (HK\$) | Outstanding as at 1 January 2021 | Number of share options | | | | Outstanding as at 30 June 2021 |
|---------------------------------|-------------------|-----------------------|----------------------------------|-------------------------|-----------|-----------|--------|--------------------------------|
| | | | | Granted | Exercised | Cancelled | Lapsed | |
| Executive Director | | | | | | | | |
| Mr. Li Jinping | 10 September 2020 | 0.067 | 4,000,000 | - | - | - | - | 4,000,000 |
| Senior Management Member | | | | | | | | |
| Ms. Yang Xiaofan | 10 September 2020 | 0.067 | 3,000,000 | - | - | - | - | 3,000,000 |
| Total | | | 7,000,000 | - | - | - | - | 7,000,000 |

Please refer to note 15(ii) for the accounting policy adopted for the share options.

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 2021, 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) | 64.11% (L) |
| | | | 311,960,000 Shares (S) (Note 2) | 29.96% (S) |
| Mr. Lo | Cerulean Coast Limited | Beneficial owner | 1 share | 100% |

OTHER INFORMATION

| Name of Director | Name of Group member/ associated corporation | Capacity/ Nature of interest | Number of shares held (Note 1) | Approximate percentage of shareholding |
|---------------------------------------|---|------------------------------------|--------------------------------------|--|
| Mr. Leung Wing Fai ("Mr. Leung") | The Company | Interest of controlled corporation | 60,000,000 Shares (L) (Note 3) | 5.76% (L) |
| | | | 28,040,000 Shares (S) (Note 3) | 2.69% (S) |
| Mr. Leung | Future Miracle Limited | Beneficial owner | 1 share | 100% |
| Mr. Geng Liang ("Mr. Geng") | The Company | Beneficial owner | 17,801,047 Shares (L) (Note 5) | 1.71% (L) |
| Mr. Li Jinping ("Mr. Li") | The Company | Beneficial owner | 9,100,000 Shares (L) (Note 6) | 0.87%(L) |
| Dr. Ng Chi Yeung, Simon ("Dr. Ng") | The Company | Beneficial owner | 1,000,000 Shares (L) (Note 7) | 0.10% (L) |
| Mr. Hung Muk Ming ("Mr. Hung") | The Company | Beneficial owner | 1,000,000 Shares (L) (Note 7) | 0.10% (L) |
| Mr. Mak Kwok Wing ("Mr. Mak") | The Company | Beneficial owner | 1,000,000 Shares (L) (Note 7) | 0.10% (L) |

Save as disclosed above, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the Shares and underlying Shares of the Company or any of its associated corporations as at 30 June 2021.

OTHER INFORMATION

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

As at 30 June 2021, 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) | 64.11% (L) |
| | | 311,960,000 Shares (S) (Note 2) | 29.96% (S) |
| Future Miracle Limited | Beneficial owner | 60,000,000 Shares (L) (Note 3) | 5.76% (L) |
| | | 28,040,000 Shares (S) (Note 3) | 2.69% (S) |
| Ms. Wang Hui | Interest of spouse | 60,000,000 Shares (L) (Note 4) | 5.76% (L) |
| | | 28,040,000 Shares (S) (Note 4) | 2.69% (S) |

Notes:

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

OTHER INFORMATION

4. Ms. Wang Hui is the spouse of Mr. Leung and was deemed or taken to be interested in the 60,000,000 Shares (long position) and 28,040,000 Shares (short position) held by Future Miracle Limited, which was wholly owned by Mr. Leung.
5. These Shares represented an aggregate of 17,801,047 Shares issued to Mr. Geng on 20 June 2019 as part of the consideration shares for the acquisition of 100% equity interest of Satron Technologies Co., Ltd.* (泰德星創(北京)科技有限公司) pursuant to the equity transfer agreement dated 14 May 2019.
6. These Shares include (i) the share options granted to Mr. Li to subscribe for 4,000,000 Shares under the Share Option Scheme on 28 November 2018; (ii) the share options granted to Mr. Li to subscribe for 4,000,000 Shares under the Share Option Scheme on 10 September 2020; and (iii) 100,000 awarded Shares and 1,000,000 awarded Shares under the Share Award Plan vested to Mr. Li on 18 May 2019 and 9 November 2020, respectively. 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.
7. These Shares represented the share options to subscribe for 1,000,000 Shares respectively granted to each of Dr. Ng, Mr. Hung and Mr. Mak on 28 November 2018. Details of the exercise price and exercise dates of the share options were set out in the section headed "Share Award Plan and Share Option Scheme" in this interim report.

Save as disclosed above, the Company is not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 30 June 2021.

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.

* For identification purposes only

OTHER INFORMATION

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.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

On 20 April 2020, Cerulean Coast Limited and Future Miracle Limited have respectively pledged 311,960,000 ordinary shares and 28,040,000 ordinary shares (collectively, the “**Pledged Shares**”) in the issued shares of the Company, in favour of an independent third party (the “**Lender**”) as security for a loan facility in an aggregate amount of RMB50,000,000 provided by the Lender to the Group as general working capital. The Pledged Shares represent approximately 32.65% of the total issued shares of the Company as at 20 April 2020. Such pledge of shares continued to exist as at 30 June 2021 but has been released on 30 August 2021.

For details of the pledge of shares by controlling shareholder of the Company and the relevant release of share pledge, please refer to the announcements of the Company dated 20 April 2020 and 30 August 2021.

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 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.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | Six months ended 30 June | |
|----------------------------------|------|------------------------------|------------------------------|
| | Note | 2021 RMB'000 Unaudited | 2020 RMB'000 Unaudited |
| Revenue | 4 | 111,048 | 52,957 |
| Cost of sales | 4 | (82,196) | (35,136) |
| Gross profit | 4 | 28,852 | 17,821 |
| Selling expenses | | (3,981) | (5,128) |
| Administrative expenses | | (29,453) | (23,158) |
| Research and development | | (13,098) | (7,860) |
| Other gains — net | | 3,567 | 2,988 |
| Operating loss | 6 | (14,113) | (15,337) |
| Finance income | 7 | 11 | 16 |
| Finance costs | 7 | (9,928) | (7,044) |
| Finance loss — net | | (9,917) | (7,028) |
| Gain on disposal of a subsidiary | | 86 | — |
| Share of results of associates | 5 | 208 | (7,236) |
| Loss before income tax | | (23,736) | (29,601) |
| Income tax (expense)/credit | 8 | (93) | 117 |
| Loss for the period | | (23,829) | (29,484) |
| Loss attributable to: | | | |
| Owners of the Company | | (20,916) | (28,790) |
| Non-controlling interests | | (2,913) | (694) |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | Six months ended 30 June | |
|---|------|------------------------------|------------------------------|
| | | 2021 RMB'000 Unaudited | 2020 RMB'000 Unaudited |
| Other comprehensive income: | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Currency translation differences | | (537) | (1,793) |
| Other comprehensive loss for the six-month period then ended, net of tax | | (537) | (1,793) |
| Total comprehensive loss for the period | | (24,366) | (31,277) |
| Total comprehensive loss attributable to: | | | |
| Owners of the Company | | (21,453) | (30,583) |
| Non-controlling interests | | (2,913) | (694) |
| Loss per share (expressed in RMB cents per share) | | | |
| Basic and diluted earnings per share | 18 | (2.01) | (2.76) |

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

| | Note | 30 June 2021 RMB'000 Unaudited | 31 December 2020 RMB'000 Audited |
|--|------|---|---|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 10 | 31,680 | 33,824 |
| Intangible assets | 10 | 15,748 | 17,556 |
| Right-of-use assets | | 1,686 | 2,746 |
| Deferred income tax assets | | 1,013 | 1,013 |
| Trade and other receivables | 11 | 19,710 | 19,710 |
| Interests in associates | 5 | 34,104 | 33,896 |
| Total non-current assets | | 103,941 | 108,745 |
| Current assets | | | |
| Inventories | | 84,912 | 89,473 |
| Other current assets | 12 | 23,974 | 36,194 |
| Trade and other receivables | 11 | 174,121 | 193,707 |
| Financial assets at fair value through profit or loss | | 52,220 | 52,279 |
| Pledged bank deposits | | 1,223 | 5,463 |
| Cash and cash equivalents | | 3,930 | 12,781 |
| Total current assets | | 340,380 | 389,897 |
| Total assets | | 444,321 | 498,642 |
| Equity | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 14 | 8,290 | 8,290 |
| Share premium | 14 | 269,212 | 269,212 |
| Other reserves | | (60,338) | (59,819) |
| Retained earnings | | (157,689) | (136,800) |
| Total equity | | 59,475 | 80,883 |
| Non-controlling interests | | 21,990 | 24,903 |
| Total equity | | 81,465 | 105,786 |

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

| | Note | 30 June 2021 RMB'000 Unaudited | 31 December 2020 RMB'000 Audited |
|--|------|---|---|
| Liabilities | | | |
| Non-current liabilities | | | |
| Borrowings | 16 | 47,660 | 15,457 |
| Lease liabilities | | 303 | 420 |
| Deferred income tax liabilities | | – | 162 |
| Total non-current liabilities | | 47,963 | 16,039 |
| Current liabilities | | | |
| Contract liabilities | 13 | 53,815 | 73,687 |
| Trade and other payables | 17 | 142,542 | 129,098 |
| Current income tax liabilities | | 11,380 | 11,288 |
| Lease liabilities | | 611 | 1,756 |
| Borrowings | 16 | 106,545 | 160,988 |
| Total current liabilities | | 314,893 | 376,817 |
| Total liabilities | | 362,856 | 392,856 |
| Total equity and liabilities | | 444,321 | 498,642 |
| Net current assets | | 25,487 | 13,080 |
| Total assets less current liabilities | | 129,428 | 121,825 |

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 |
| Unaudited | | | | | |
| Balance at January 1, 2021 | 8,290 | 269,212 | (59,819) | (136,800) | 80,883 |
| Comprehensive income | | | | | |
| Profit for the period | - | - | - | (20,916) | (20,916) |
| Other comprehensive income — currency translation differences | - | - | (537) | - | (537) |
| Total comprehensive income for the period ended 30 June 2021 | - | - | (537) | (20,916) | (21,453) |
| Transactions with owners | | | | | |
| Share option forfeited during the period | - | - | (27) | 27 | - |
| Employees share option scheme — value of employee services | - | - | 45 | - | 45 |
| Total transactions with owners, recognised directly in equity | - | - | 18 | 27 | 45 |
| Balance as at 30 June 2021 | 8,290 | 269,212 | (60,338) | (157,689) | 59,475 |
| Unaudited | | | | | |
| Balance at January 1, 2020 | 8,290 | 269,212 | (66,164) | (40,419) | 170,919 |
| Comprehensive income | | | | | |
| Profit for the period | - | - | - | (28,790) | (28,790) |
| Other comprehensive income — currency translation differences | - | - | (1,793) | - | (1,793) |
| Total comprehensive income for the period ended 30 June 2020 | - | - | (1,793) | (28,790) | (30,583) |
| Transactions with owners | | | | | |
| Dividend to the then shareholders | - | - | - | - | - |
| Employees share option scheme — value of employee services | - | - | 1,221 | - | 1,221 |
| Total transactions with owners, recognised directly in equity | - | - | 1,221 | - | 1,221 |
| Balance as at 30 June 2020 | 8,290 | 269,212 | (66,736) | (69,209) | 141,557 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Six months ended 30 June | |
|---|------------------------------|------------------------------|
| | 2021 RMB'000 Unaudited | 2020 RMB'000 Unaudited |
| Cash flows from operating activities | | |
| Cash generated from operations | 13,263 | 4,601 |
| Interest paid | (3,435) | (6,402) |
| Income tax paid | (93) | – |
| Net cash generated from/(used in) operating activities | 9,735 | (1,801) |
| Cash flows from investing activities | | |
| Purchases of property, plant and equipment | – | (137) |
| Payment of pledged bank deposits | (1,223) | (542) |
| Collection of pledged bank deposits | 5,463 | 107 |
| Purchase of intangible assets | – | (98) |
| Proceeds from sales of property, plant and equipment | 271 | – |
| Net cash generated from/(used in) investing activities | 4,511 | (670) |
| Cash flows from financing activities | | |
| Proceeds from borrowings | 9,231 | 30,000 |
| Repayments of borrowings | (31,471) | (26,129) |
| Net cash generated from/(used in) financing activities | (22,240) | 3,871 |
| Net increase/(decrease) in cash and cash equivalents | (7,994) | 1,400 |
| Cash and cash equivalents at beginning of period | 12,781 | 13,670 |
| Exchange loss on cash and cash equivalents | (857) | (626) |
| Cash and cash equivalents at end of the period | 3,930 | 14,444 |

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) system maintenance services, (iii) sales of self-developed products and (iv) new media services, for the all-media industry in the People’s Republic of China (“**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 31 August 2021. 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 2021 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 2020, 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 2020, as described in those annual financial statements.

Amendments to HKFRSs effective for the financial year ending 31 December 2021 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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.

During the six months ended 30 June 2020, the Group had three reportable segments, namely (i) application solutions; (ii) system maintenance services; and (iii) sales of self-developed products. During the six months ended 30 June 2021, to better reflect current and future business development of the Group, the CODM decided to add another business segment, namely, new media services, based on the nature of the products and services provided, which are currently the basis used for the purpose of assessing the business performance, allocating resources, and managing business operations. Therefore, there were four reportable business segments for the Interim Period as follows:

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

Consequently, the comparative segment information has been represented in order to conform with the presentation adopted in current period. The changes in the segment information do not have any impact on the Group’s consolidated financial statements for the year ended 31 December 2020.

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:

| | Six months ended 30 June | |
|----------------------------------|------------------------------|------------------------------|
| | 2021 RMB'000 Unaudited | 2020 RMB'000 Unaudited |
| Segment revenue | | |
| Application solutions | 76,207 | 33,552 |
| System maintenance services | 3,845 | 4,431 |
| Sales of self-developed products | 23,260 | 13,161 |
| New media services | 7,736 | 1,813 |
| Total | 111,048 | 52,957 |
| Segment cost | | |
| Application solutions | (67,538) | (26,606) |
| System maintenance services | (3,038) | (3,545) |
| Sales of self-developed products | (8,583) | (4,591) |
| New media services | (3,037) | (394) |
| Total | (82,196) | (35,136) |
| Segment gross profit | | |
| Application solutions | 8,669 | 6,946 |
| System maintenance services | 807 | 886 |
| Sales of self-developed products | 14,677 | 8,570 |
| New media services | 4,699 | 1,419 |
| Total | 28,852 | 17,821 |
| Depreciation | | |
| Application solutions | 1,015 | 1,268 |
| System maintenance services | 51 | 167 |
| Sales of self-developed products | 310 | 497 |
| New media services | 103 | 69 |
| Total | 1,479 | 2,001 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. INTERESTS IN ASSOCIATES

| | Six months ended 30 June | |
|---|------------------------------|------------------------------|
| | 2021 RMB'000 Unaudited | 2020 RMB'000 Unaudited |
| At 1 January | 33,896 | 64,998 |
| Addition | – | – |
| Share of post-tax profits of associates | 208 | (7,236) |
| At 30 June | 34,104 | 57,762 |

The Group's share of the results in Beijing Evertop Sports Culture Media Co., Ltd.* (北京永達天恆體育文化傳媒有限公司) and its aggregated assets and liabilities are shown below:

| | Six months ended 30 June | |
|-----------------|------------------------------|------------------------------|
| | 2021 RMB'000 Unaudited | 2020 RMB'000 Unaudited |
| Assets | 67,595 | 80,522 |
| Liabilities | 41,608 | 49,244 |
| Revenues | 7,563 | 1,098 |
| Share of profit | 208 | (3,688) |
| Percentage held | 45% | 45% |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. INTERESTS IN ASSOCIATES *(Continued)*

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 2020 RMB'000 Unaudited |
|-----------------|--|
| Assets | 92,353 |
| Liabilities | 52,920 |
| Revenues | 21,061 |
| Share of profit | (3,548) |
| Percentage held | 49% |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6. OPERATING LOSS

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

| | Six months ended 30 June | |
|-------------------------------|------------------------------|------------------------------|
| | 2021 RMB'000 Unaudited | 2020 RMB'000 Unaudited |
| Equipment costs | 79,512 | 32,886 |
| Servicing and agency costs | 554 | 618 |
| Business development | 931 | 1,290 |
| Depreciation and amortisation | 3,287 | 5,822 |
| | 84,284 | 40,616 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7. FINANCIAL INCOME/(COSTS)

| | Six months ended 30 June | |
|---|------------------------------|------------------------------|
| | 2021 RMB'000 Unaudited | 2020 RMB'000 Unaudited |
| Finance expenses | | |
| Interest expenses on bank borrowings | (8,704) | (6,024) |
| Interest expenses on lease liabilities | (63) | (80) |
| Interest expenses on amounts due to directors | (98) | (86) |
| Interest expenses on amounts due to a shareholder | (206) | (228) |
| Net foreign exchange loss | (857) | (626) |
| | (9,928) | (7,044) |
| Finance income | | |
| — Interest income on short-term bank deposits | 11 | 16 |
| Net finance costs | (9,917) | (7,028) |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8. INCOME TAX (EXPENSE)/CREDIT

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 six months ended 30 June 2021 on the estimated assessable profit for the period. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the Interim 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%.

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 was 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8. INCOME TAX (EXPENSE)/CREDIT *(Continued)*

PRC withholding tax *(Continued)*

The income tax expense of the Group for the Interim Period is analysed as follows:

| | Six months ended 30 June | |
|-----------------------------|------------------------------|------------------------------|
| | 2021 RMB'000 Unaudited | 2020 RMB'000 Unaudited |
| Current income tax | (93) | – |
| Deferred income tax | – | 117 |
| Income tax (expense)/credit | (93) | 117 |

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 (2020: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10. PROPERTY, PLANT AND EQUIPMENT

| | Property, plant and equipment RMB'000 Unaudited | Other intangible assets RMB'000 Unaudited |
|--|---|---|
| Six months ended 30 June 2021 | | |
| Net book value or valuation | | |
| Opening amount as at 1 January 2021 | 33,824 | 17,556 |
| Disposals | (271) | – |
| Disposals of a subsidiary | (394) | – |
| Depreciation | (1,479) | (1,808) |
| Closing amount as at 30 June 2021 | 31,680 | 15,748 |
| Six months ended 30 June 2020 | | |
| Net book value or valuation | | |
| Opening amount as at 1 January 2020 | 37,352 | 43,947 |
| Additions | 137 | 98 |
| Disposals | – | – |
| Depreciation | (2,001) | (3,821) |
| Closing amount as at 30 June 2020 | 35,488 | 48,344 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11. TRADE AND OTHER RECEIVABLES

| | As at | |
|--|---|---|
| | 30 June 2021 RMB'000 Unaudited | 31 December 2020 RMB'000 Audited |
| Included in current assets | | |
| Trade receivables | 184,313 | 207,274 |
| Trade receivables from associates | 4,026 | 3,803 |
| Less: provision for impairment of trade receivables | (50,969) | (50,977) |
| Trade receivables — net | 137,370 | 160,100 |
| Other receivables | | |
| Deposit for guarantee certificate over tendering and performance | 17,325 | 16,838 |
| Receivable related to deposit paid for acquisition of a subsidiary | 16,934 | 16,934 |
| Cash advance to staff | 7,162 | 7,716 |
| Contingent considerations receivable | 17,755 | 17,755 |
| Others | 14,219 | 11,008 |
| Less: provision for impairment of prepayment for acquisition of a subsidiary | (16,934) | (16,934) |
| Less: Non-current portion | 56,461 | 53,317 |
| Trade receivables | 2,009 | 2,009 |
| Receivable for disposal of a subsidiary | 17,755 | 17,755 |
| Less: provision for impairment of trade receivables | (54) | (54) |
| | 19,710 | 19,710 |
| Current portion | 174,121 | 193,707 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11. TRADE AND OTHER RECEIVABLES *(Continued)*

As at 31 December 2020 and 30 June 2021, the aging analysis of the trade receivables based on revenue recognition date is as follows:

| | As at | |
|--------------------|---|---|
| | 30 June 2021 RMB'000 Unaudited | 31 December 2020 RMB'000 Audited |
| Up to 3 months | 60,500 | 75,296 |
| 3 to 6 months | 13,666 | 11,045 |
| 6 months to 1 year | 30,058 | 11,734 |
| 1 to 2 years | 22,469 | 20,799 |
| 2 to 3 years | 15,998 | 40,144 |
| Over 3 years | 45,648 | 52,059 |
| | 188,339 | 211,077 |

12. OTHER CURRENT ASSETS

| | As at | |
|--|---|---|
| | 30 June 2021 RMB'000 Unaudited | 31 December 2020 RMB'000 Audited |
| Prepayment for purchase of goods or services | 23,974 | 36,194 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13. CONTRACT LIABILITIES

| | As at | |
|-----------------------------------|---|---|
| | 30 June 2021 RMB'000 Unaudited | 31 December 2020 RMB'000 Audited |
| Contract liability to third party | 53,815 | 73,687 |

Contract liabilities primarily consist of the advance from customers for goods or services to be provided.

14. 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 2021 and 30 June 2021 | 1,041,243,169 | 10,412 | 8,290 | 269,212 | 277,502 |
| Balance at 1 January 2020 | 1,041,243,169 | 10,412 | 8,290 | 269,212 | 277,502 |
| Balance at 30 June 2020 | 1,041,243,169 | 10,412 | 8,290 | 269,212 | 277,502 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15. 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 Interim Period is as the following:

| | Number of awarded shares |
|-------------------|--------------------------------|
| At 1 January 2021 | 2,000,000 |
| Vested | (2,000,000) |
| Forfeited | – |
| At 30 June 2021 | – |
| At 1 January 2020 | 347,836 |
| Vested | – |
| Forfeited | – |
| At 30 June 2020 | 347,836 |

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 Interim Period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15. 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 21 August 2017, the Board approved the grant of an option in respect of 7,200,000 shares at the exercise price of HK\$0.435 per share under the option. 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 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.

On 28 November 2018, the Board approved the grant of an option in respect of 57,670,000 shares at the exercise price of HK\$0.222 per share under the option. The option can be exercised beginning on the 2nd anniversary of the grant date.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15. SHARE BASED PAYMENTS *(Continued)*

(ii) Share Option Scheme *(Continued)*

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

| | 2017 Scheme | 2018 Scheme | 2020 Scheme |
|-------------------|----------------|----------------|----------------|
| At 1 January 2021 | 5,000,000 | 48,940,000 | 7,000,000 |
| Granted | – | – | – |
| Lapsed | – | (400,000) | – |
| At 30 June 2021 | 5,000,000 | 48,540,000 | 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 judgement 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.

| | 2017 Scheme | 2018 Scheme | 2020 Scheme |
|---------------------|----------------|----------------|----------------|
| Risk free rate | 1.30% | 2.24% | 2.95% |
| Dividend yield | 1.38% | 0.00% | 0.00% |
| Expected volatility | 48.38% | 53.50% | 75.7% |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16. BORROWINGS

| | As at | |
|---------------------------|---|---|
| | 30 June 2021 RMB'000 Unaudited | 31 December 2020 RMB'000 Audited |
| Non-current | | |
| Other borrowings | 47,660 | 15,457 |
| Current | | |
| Bank and other borrowings | 106,545 | 160,988 |
| Total borrowings | 154,205 | 176,445 |

As at 30 June 2021, bank borrowings of RMB32,500,000 (31 December 2020: RMB48,000,000) were secured by the buildings of the Group, net book value of which amounted to RMB17,480,000 (31 December 2020: RMB30,441,000) and were guaranteed by two independent third parties, Beijing Zhongguancun Sic-Tech Financing Guaranty Co., Ltd, and Beijing Culture Sci-Tech Financing Guaranty Co., Ltd (31 December 2020: the same).

Bank borrowings of RMB8,000,000 (31 December 2020: Nil) are secured by the building with carrying amount of RMB10,543,000 (31 December 2020: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. TRADE AND OTHER PAYABLES

| | As at | |
|--------------------------------------|---|---|
| | 30 June 2021 RMB'000 Unaudited | 31 December 2020 RMB'000 Audited |
| Trade payables | 50,353 | 39,644 |
| Trade payables to an associate | 12,054 | 7,703 |
| Other taxes payable | 22,859 | 29,955 |
| Employee benefits payable | 18,212 | 17,486 |
| Amounts due to an associate | 7,217 | 8,178 |
| Amounts due to a director | 5,630 | 4,407 |
| Amounts due to a shareholder | 4,011 | 4,870 |
| Accrual for professional service fee | 750 | 1,500 |
| Interest payables | 12,539 | 9,799 |
| Loan from third parties | 7,000 | 3,500 |
| Others | 1,917 | 2,056 |
| | 142,542 | 129,098 |

At 30 June 2021, the aging analysis of the trade payables based on invoice date is as follows:

| | As at | |
|--------------------|---|---|
| | 30 June 2021 RMB'000 Unaudited | 31 December 2020 RMB'000 Audited |
| Up to 3 months | 32,112 | 30,564 |
| 3 to 6 months | 2,260 | 67 |
| 6 months to 1 year | 9,233 | 417 |
| 1 to 2 years | 12,515 | 12,865 |
| 2 to 3 years | 3,910 | 991 |
| Over 3 years | 2,377 | 2,443 |
| | 62,407 | 47,347 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18. EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the six months ended 30 June 2020 and 2021 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 | |
|---|------------------------------|------------------------------|
| | 2021 RMB'000 Unaudited | 2020 RMB'000 Unaudited |
| Loss attributable to owners of the Company (in RMB'000) | (20,916) | (28,790) |
| Weighted average number of ordinary shares in issue | 1,041,243 | 1,041,243 |
| Basic earnings per share (RMB cents per share) | (2.01) | (2.76) |

(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.

19. CONTINGENCIES

As at 30 June 2021, the Directors were not aware of any other significant events that would have resulted in material contingent liabilities.