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Century Sage Scientific Holdings Limited

世紀睿科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1450)

DISCLOSEABLE TRANSACTION IN RELATION TO DISPOSAL OF 55% EQUITY INTEREST IN THE TARGET COMPANY

THE DISPOSAL

The Board is pleased to announce that, after trading hours on 9 November 2018, the Subsidiary, the Purchaser and the Target Company entered into the Agreement in relation to the disposal of the Sale Interest by the Subsidiary to the Purchaser at a consideration of RMB42.9 million (subject to adjustment).

LISTING RULES IMPLICATIONS

As certain of the relevant applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

THE AGREEMENT

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Major terms of the Agreement are set out below:

Date:

9 November 2018

Parties:

- (1) The Subsidiary
- (2) The Purchaser
- (3) The Target Company

Assets to be disposed:

Pursuant to the Agreement, the Subsidiary will dispose of the Sale Interest to the Purchaser.

Consideration

Pursuant to the Agreement, the Consideration is RMB42.9 million, subject to adjustment, which comprises the following:

- (a) RMB22.0 million in cash shall be deposited by the Purchaser into the Jointly Controlled Account within three business days after the Subsidiary has pledged its remaining 45% equity interest in the Target Company (the “**Equity Pledge**”) to guarantee the performance of its obligations under the Agreement, which shall be released from the Jointly Controlled Account and transferred to the Subsidiary upon (i) the Conditions Precedent being fulfilled or waived (except for Condition Precedent (vi)); and (ii) the due registration of the Disposal with the relevant industrial and commercial authority(ies) in the PRC;
- (b) RMB2.9 million (the “**Second Payment**”) in cash shall be paid by the Purchaser to the Subsidiary by 20 October 2019 upon (i) the settlement, on or before 30 September 2019, of all amount due to the Target Company (the “**Settlement of Amount Due**”) from the Subsidiary, its ultimate beneficial owner or its associate(s) (the “**Related Party(ies)**”) prior to the Completion Date; (ii) the repayment of certain bank borrowings by the Related Parties borrowed under the name of the Target Company (the “**Bank Repayment**”) on or before 30 September 2019; (iii) the release of a guarantee provided to a Related Party by the Target Company (the “**Guarantee Release**”) on or before 30 September 2019 ((i), (ii) and (iii) are collectively referred to as the “**Outstanding Obligations**”); and (iv) the net profit of the Target Company for the year ending 31 December 2018, as audited by the Target Company’s auditor and confirmed by the Purchaser, is not less than RMB5 million; and
- (c) RMB18.0 million (subject to the adjustment as stated in the paragraph headed “Adjustment to the Consideration” below) (the “**Third Payment**”) in cash shall be payable by the Purchaser to the Subsidiary within seven days after the issuance of the audited financial statements of the Target Company for the three years ending 31 December 2020.

In the event the Outstanding Obligations are not fulfilled on or before 30 September 2018, the Purchaser shall be relieved from its obligation to pay the Second Payment and the Third Payment to the Subsidiary and the Subsidiary shall pay a penalty fee of RMB10,000 per day to the Purchaser for each day the Outstanding Obligations remain outstanding. If the Outstanding Obligations are not fulfilled on or before 30 November 2019, the Purchaser can

elect to (i) use the Second Payment and Third Payment for the purpose of the Bank Repayment and the Guarantee Release, and then the Purchaser shall be deemed to have fulfilled its payment obligations under the Agreement; or (ii) transfer the Sale Interest to the Subsidiary (subject to compliance with the Listing Rules) at a consideration being the sum of (a) any part(s) of the Consideration already paid to the Subsidiary; (b) the profit generated from the Target Company which is attributable to the Sale Interest during the period from 1 December 2018 to the date of completion of the transfer of the Sale Interest to the Subsidiary; and (c) all costs incurred by the Purchaser related to the transfer of the Sale Interest to the Subsidiary.

Adjustment to the Consideration

In the event that the actual aggregate net profit of the Target Company for the three years ending 31 December 2020 as set out in the audited financial statements of the Target Company (the “**Financial Statements**”) prepared by an auditor to be appointed by the Purchaser (the “**Actual Profit**”) does not meet RMB30.0 million (the “**Profit Target**”) but is not less than RMB21.0 million (the “**Minimum Profit Target**”), then (i) the Consideration shall be adjusted downwards; or (ii) additional equity interest in the Target Company shall be transferred by the Subsidiary to the Purchaser, at the election of the Purchaser.

If cash adjustment is elected by the Purchaser, the amount to be deducted from the Third Payment is illustrated below:

$$\text{Amount to be deducted from the Third Payment} = \frac{\text{Profit Target} - \text{Actual Profit}}{\text{Profit Target}} \times \text{Consideration}$$

If equity interest adjustment is elected by the Purchaser, RMB18.0 million shall be paid to the Subsidiary, and the additional equity interest in the Target Company to be transferred to the Purchaser is illustrated below:

$$\text{Additional equity interest to be transferred by the Subsidiary to the Purchaser} = \frac{\text{Profit Target} - \text{Actual Profit}}{\text{Profit Target}} \times \text{Amount of registered capital in the Target Company corresponding to the Sale Interest}$$

Failure to meet the Minimum Profit Target

In the event the Actual Profit does not meet the Minimum Profit Target, the Purchaser shall have the right to request the refund of all part(s) of the Consideration already paid to the Subsidiary, together with interest at the rate of 10% per annum on such amount, within 30 days after the Financial Statements are issued, and the Purchaser shall transfer the Sale Interest to the Subsidiary (subject to compliance with the Listing Rules).

Basis of the Consideration

The Consideration (including the adjustment) was determined based on normal commercial terms and after arm’s length negotiations between the Subsidiary and the Purchaser after taking into account the reasons and benefits of the Disposal as described under the paragraph headed “Reasons for and benefits of the Disposal” below.

After taking into account the above factors, the Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable.

Conditions Precedent

Completion is conditional upon fulfillment or waiver (as the case may be) of, inter alia, the following conditions:

- (i) up to the Completion Date, the representations and warranties made by the Subsidiary remain to be true, valid and accurate;
- (ii) up to the Completion Date, the Subsidiary has fulfilled all of its undertakings and obligations under the Agreement;
- (iii) up to the Completion Date, the Target Company has not occurred or happened an event or situation that has brought or is reasonably expected to have a material adverse effect;
- (iv) the shareholder of the Target Company has passed resolutions approving the Disposal;
- (v) written consents have been obtained from or written notices have been given to third parties where such consents or notices are required for the entering into of the Agreement;
- (vi) the Settlement of Amount Due and the Guarantee Release have been completed;
- (vii) the Target Company has disposed of its entire equity interest in each of Beijing Evertop Media and Times Sage (Beijing), and relevant registration with the relevant industrial and commercial authority(ies) has been completed;
- (viii) Beijing Yongda Tianheng Sports Management Co., Ltd.* (北京永達天恒體育管理有限責任公司) and Beijing Yongda Tianheng Sports Culture Co., Ltd.* (北京永達天恒體育文化有限公司) have ceased to use the trade name of Yongda* (永達), and the registration in relation to the change of company name of these two companies with the relevant industrial and commercial authority(ies) has been completed;
- (ix) each of the core employees has signed an employment contract with the Target Company for a term not less than five years from the Completion Date;
- (x) Su Yu (蘇羽), a core employee, has resigned as the general manager of Guoguang Kaike (Beijing) Culture Media Co., Ltd.* (國廣凱克(北京)文化傳媒有限公司) and Sun Qingjun (孫清君), a core employee, has resigned as the chairman of the board of Beijing Yongda Tianheng Sports Culture Co., Ltd.* (北京永達天恒體育文化有限公司);
- (xi) the registration or filing in relation to the amendment of the articles of the Target Company and the change of its directors, supervisors and management have been completed, and the Target Company has obtained a business licence after such changes, and the Purchaser is satisfied with the content and form of all documents filed with the company registration authority (including but not limited to the Agreement, the shareholders resolutions, the articles, etc.);

- (xii) the Target Company has paid all due but unpaid taxes and fees incurred before the Completion Date;
- (xiii) the registration of the Equity Pledge has been completed; and
- (xiv) if the Disposal requires approval of the Shareholders and/or the Stock Exchange, the relevant approval(s) has been obtained, and the Purchaser shall provide active cooperation in this regard.

Completion

Completion shall take place on the third business day after the fulfillment or waiver of the Conditions Precedent (except for Condition Precedent (vi)), and shall not take place after the Long Stop Date.

If Completion does not take place on or before the Long Stop Date, the Purchaser may:

- (i) extend the fulfillment or waiver (as the case may be) of the Conditions Precedent to a period of no longer than six months; or
- (ii) cease to pay the remaining Consideration to the Subsidiary, and the Subsidiary shall refund all the Consideration already paid by the Purchaser to the Subsidiary and shall also bear the responsibility for breach of the Agreement.

In addition, if the registration of the Disposal with the relevant industrial and commercial authority has not been completed by 30 March 2019, the Purchaser also has the right to terminate the Agreement and require the Subsidiary to bear the responsibility for breach of the Agreement.

Other arrangement

Dividend payment

Dividends amounting to RMB17.0 million (the “**Dividends**”) are allowed to be declared and paid out of retained earnings of the Target Company accumulated prior to the signing of the Agreement to the Subsidiary upon fulfilment of, among others, the Settlement of the Amount Due on or before 30 September 2019 and the repayment of RMB10.0 million by the Subsidiary and its associates to the Target Company before 27 August 2019 for the repayment of a bank borrowing amounting to RMB10.0 million borrowed from Bank of Nanjing Co., Ltd..

Capital reduction

It was originally intended that the registered capital of the Target Company should be reduced by RMB12.0 million (the “**Reduction Amount**”) to RMB11.5 million (the “**Capital Reduction**”) prior to Completion. However, in order to expedite and facilitate Completion, it is agreed by the parties that the Capital Reduction shall be carried out after Completion and the Reduction Amount shall belong to the Subsidiary as the Target Company’s sole shareholder prior to Completion.

Directors and senior management of the Target Company

After the signing of the Agreement, the board of directors of the Target Company shall consist of five directors, of whom three of them shall be nominated by the Purchaser and the remaining two shall be nominated by the Subsidiary. The chairman of the board of the Target Company shall be elected from the directors nominated by the Purchaser. The Target Company shall have one supervisor nominated by the Purchaser after signing of the Agreement.

After the signing of the Agreement, the management of the Target Company shall include the chairman, general manager, executive deputy general manager (executive general manager), financial controller, and deputy general manager. The general manager shall be nominated by the Purchaser and appointed by the board of directors of the Target Company. The deputy general manager (executive general manager) and deputy general manager shall be nominated by the general manager and appointed by the board of directors of the Target Company. The financial controller of the Target Company shall be nominated by the Purchaser and appointed by the board of directors of the Target Company.

Equity incentive scheme

Upon Completion, the Purchaser and the Subsidiary shall allocate an aggregate of 5% of the equity interest in the Target Company on a pro-rata basis for the purpose of an equity incentive scheme (the “**Scheme**”) to be adopted by the board of directors of the Target Company before 30 June 2019. Upon the expiration of the Scheme, if any of the employees holds any equity interest in the Target Company, the relevant employee can request the Target Company to repurchase his/her equity interest in the Target Company before 30 June 2024 at a consideration of 8.33 times on the average net profit of the Target Company between 2019 to 2023.

Non-competition

The Subsidiary undertakes with the Purchaser that, within five years from the Completion Date, the Subsidiary shall use its best endeavours to maintain the stability of the core employees with the Target Company and procure the core employees of the Target Company to sign agreements in relation to confidentiality, intellectual property rights protection and non-competition with the Target Company, whereby the core employees of the Target Company shall undertake, among others, not to compete with the Target Company and its subsidiaries during their term of employment and until two years after the expiration of their employment contracts.

INFORMATION OF THE PURCHASER

The Purchaser is a company established in the PRC and is principally engaged in, among others, the provision of sports events operation and organisation services.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties.

INFORMATION OF THE TARGET COMPANY AND THE GROUP

The Target Company is principally engaged in providing event production and broadcasting services for sports and events in the PRC.

The Group is a China-based one-stop provider of high-end hardware and software All-Media application solutions to facilitate content production, broadcast and transmission; event broadcast services; system maintenance services; and sales of self-developed products.

Financial information of the Target Company

According to the unaudited management accounts of the Target Company, the total asset value and net asset value of the Target Company (including the initial long term investment value of Beijing Evertop Media and Time Sage (Beijing)) was approximately RMB120.6 million and RMB52.8 million as at 30 June 2018. The net profits of the Target Company before and after taxation and extraordinary items for the year ended 31 December 2017 were approximately RMB7.9 million and RMB6.7 million respectively. The net profits of the Target Company before and after taxation and extraordinary items for the year ended 31 December 2016 were approximately RMB5.6 million and RMB5.0 million respectively.

After Completion, the Target Company will be held as to 45% by the Subsidiary and 55% by the Purchaser. Accordingly, the financial results of the Target Company will no longer be consolidated into the financial statements of the Company.

FINANCIAL IMPACT OF THE DISPOSAL

Based on the Consideration payable by the Purchaser (without taking into account of the adjustment), it is estimated that the Company will recognise a gain of approximately RMB29.8 million from the Disposal (before tax and expenses and subject to audit), which is calculated by reference to the difference between the Consideration and the net asset value of the Target Company as at 30 June 2018 assuming the Capital Reduction has taken place and the Dividends have been paid as at 30 June 2018. It is expected that the proceeds from the Disposal will be used as general working capital of the Group.

REASONS AND BENEFITS OF THE DISPOSAL

The Target Company is a principally engaged in providing event production and broadcasting services for sports and events in the PRC. Since 2016, the Target Company has been cooperating with the Wanda group in the organisation, operation, promotion and execution of triathlon races held in China. As Wanda group is one of the market leaders around the world specialising in, among others, sports events organisation and operation, the Directors believe that the Disposal will provide business synergy between the Group and the Wanda group by putting together the skills and techniques of the Group and the resources of the Wanda group, thereby enhancing the Target Company's technological capabilities to provide more diversified solutions to its customers and increasing the exposure of the Target Company to participate in more sports and events. Accordingly, the Directors believe that the Disposal can bring higher investment return to the Shareholders in the future. Further, the Directors believe that the Disposal can strengthen the Group's market position in the industry as a leading PRC-based All-Media solution provider and to enhance the Group's cash flow and working capital for the Group's future business development.

Based on the factors mentioned above, the Directors are of the view that the terms, including the Consideration, of the Agreement are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As certain of the relevant applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors should note that the Completion is subject to the fulfillment or waiver of the Conditions Precedent (as the case may be) and the Completion thereof may or may not proceed. Shareholders and potential investors are therefore reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Agreement”	the equity transfer agreement dated 9 November 2018 entered into among the Subsidiary, the Purchaser and the Target Company in relation to the Disposal, the major terms of which are set out in the section headed “The Agreement” in this announcement
“Board”	the board of Directors
“Beijing Evertop Media”	Beijing Evertop Media Video Co., Limited* (北京永達雲創易傳媒有限公司), a limited liability company established in the PRC and is wholly owned by the Target Company as at the date of this announcement, which will be transferred to a subsidiary of the Group prior to Completion
“Company”	Century Sage Scientific Holdings Limited (世紀睿科控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal pursuant to the terms and conditions under the Agreement
“Completion Date”	the date on which Completion takes place
“Conditions Precedent”	conditions precedent to Completion, details of which are set out under the paragraph headed “Conditions Precedent” in this announcement

“Consideration”	the consideration for the Disposal, being RMB42.9 million (subject to the adjustment as stated in the paragraph headed “Adjustment to the Consideration” in this announcement)
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Interest by the Subsidiary pursuant to the terms and conditions under the Agreement
“Group”	collectively, the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial Shareholders of the Company or any of its subsidiaries or their respective associates
“Jointly Controlled Account”	a bank account to be opened and jointly controlled by the Subsidiary and the Purchaser
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2018 on such other date as agreed by the Subsidiary, the Purchaser and the Target Company
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Purchaser”	Wanda Sports Co., Ltd* (萬達體育有限公司), the purchaser of the Sale Interest
“Sale Interest”	55% equity interest in the Target Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subsidiary”	Evertop Technology (Int’l) Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Target Company”	Beijing Evertop Sports Culture Media Co., Ltd.* (北京永達天恒體育文化傳媒有限公司), a limited liability company established in the PRC and is wholly owned by the Subsidiary as at the date of this announcement
“Time Sage (Beijing)”	Time Sage (Beijing) Tech Company Limited* (時代華睿(北京)科技有限公司), a limited liability company established in the PRC and is wholly owned by the Target Company as at the date of this announcement, which will be transferred to a subsidiary of the Group prior to Completion
“%”	per cent.

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

Hong Kong, 9 November 2018

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

* *For identification purposes only*