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Century Sage Scientific Holdings Limited

世紀睿科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1450)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Century Sage Scientific Holdings Limited (the “**Company**”) hereby present the audited consolidated final results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2019 (the “**Corresponding Period**”). The audited consolidated final results of the Group have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Note</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue	4	153,306	191,030
Cost of sales	5	(97,455)	(142,443)
Gross profit		55,851	48,587
Other gains, net		6,611	4,688
Selling expenses	5	(10,922)	(19,925)
Administrative expenses	5	(79,559)	(108,996)
Loss allowance on trade receivables		(21,767)	(2,056)
Impairment loss on goodwill		(13,884)	–
Impairment loss on intangible assets		(5,249)	–

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
Operating loss		(68,919)	(77,702)
Finance costs, net	6	(14,624)	(16,993)
Share of results of associates		(16,115)	3,156
Loss before income tax		(99,658)	(91,539)
Income tax credit	7	1,701	2,895
Loss for the year		(97,957)	(88,644)
Loss attributable to:			
Owners of the Company		(97,531)	(84,325)
Non-controlling interests		(426)	(4,319)
		(97,957)	(88,644)
Loss per share (expressed in RMB cents per share)			
— basic and diluted	8	(9.37)	(8.16)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Loss for the year	(97,957)	(88,644)
Other comprehensive income (loss)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	<u>5,968</u>	<u>(2,688)</u>
Total comprehensive loss for the year	<u>(91,989)</u>	<u>(91,332)</u>
Total comprehensive loss attributable to:		
Owners of the Company	(91,563)	(87,013)
Non-controlling interests	<u>(426)</u>	<u>(4,319)</u>
	<u>(91,989)</u>	<u>(91,332)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Assets			
Non-current assets			
Property, plant and equipment		33,824	37,352
Intangible assets	9	17,556	43,947
Right-of-use assets		2,746	4,295
Deferred income tax assets		1,013	1,027
Trade and other receivables	11	19,710	24,809
Interests in associates		33,896	64,998
		<hr/>	<hr/>
Total non-current assets		108,745	176,428
		<hr/>	<hr/>
Current assets			
Inventories		89,473	90,756
Other current assets		36,194	27,933
Trade and other receivables	11	193,707	157,816
Financial assets at fair value through profit or loss	10	52,279	48,296
Pledged bank deposits		5,463	107
Bank balances and cash		12,781	13,670
		<hr/>	<hr/>
Total current assets		389,897	338,578
		<hr/>	<hr/>
Total assets		498,642	515,006
		<hr/> <hr/>	<hr/> <hr/>
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	12	8,290	8,290
Share premium		269,212	269,212
Other reserves		(59,819)	(66,164)
Accumulated losses		(136,800)	(40,419)
		<hr/>	<hr/>
		80,883	170,919
		<hr/>	<hr/>
Non-controlling interests		24,903	11,404
		<hr/>	<hr/>
Total equity		105,786	182,323
		<hr/>	<hr/>

	<i>Note</i>	2020 RMB'000	2019 RMB'000
Liabilities			
Non-current liabilities			
Bank and other borrowings	<i>13</i>	15,457	21,257
Lease liabilities		420	1,068
Deferred income tax liabilities		162	457
		<hr/>	<hr/>
Total non-current liabilities		16,039	22,782
		<hr/>	<hr/>
Current liabilities			
Contract liabilities		73,687	57,452
Trade and other payables	<i>14</i>	129,098	115,051
Current income tax liabilities		11,288	12,668
Bank and other borrowings	<i>13</i>	160,988	122,052
Lease liabilities		1,756	2,678
		<hr/>	<hr/>
Total current liabilities		376,817	309,901
		<hr/>	<hr/>
Total liabilities		392,856	332,683
		<hr/>	<hr/>
Total equity and liabilities		498,642	515,006
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Century Sage Scientific Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 18 December 2012 as an exempted company with limited liability under the Companies Act (Cap. 22, as consolidated and revised) of the Cayman Islands. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The ultimate holding company of the Company is Cerulean Coast Limited (“**Cerulean**”), which owns 64.11% (2019: 64.11%) of the Company’s shares as at 31 December 2020. The ultimate controlling party of the Company is Mr. Lo Chi Sum.

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 (together the “**Group**”) are principally engaged in the provision of (i) application solutions; (ii) system maintenance services; and (iii) sales of self-developed products, for the all-media industry in the People’s Republic of China (the “**PRC**”). The Group has operations mainly in the PRC.

These consolidated financial statements are presented in Renminbi (“**RMB**”) and rounded to the nearest thousands (“**000**”), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

2.1 Basis of preparation

(a) *Statement of compliance*

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

(b) *Historical cost convention*

The consolidated financial statements have been prepared on a historical cost basis, except for contingent consideration receivable and financial assets at fair value through profit or loss (“**FVPL**”), which are measured at fair value.

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

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2019 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year:

Amendments to HKASs 1 and 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business

Amendments to HKASs 1 and 8: Definition of Material

The amendments clarify the definition of material and align the definition used across HKFRSs.

Amendments to HKFRS 3: Definition of a Business

The amendments, among others, revise the definition of a business and include new guidance to evaluate whether an acquired process is substantive.

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

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

Amendments to HKFRS 16	Covid-19-Related Rent Concessions ¹
Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform — Phase 2 ²
Amendments to HKAS 16	Proceeds before Intended Use ³
Amendments to HKAS 37	Cost of Fulfilling a Contract ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Annual Improvements to HKFRSs	2018–2020 Cycle ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁴
HKFRS 17	Insurance Contracts ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 January 2023

⁵ The effective date to be determined

The Group is in the process of making a detailed assessment of the possible impact on the future adoption of the new/revised HKFRSs. So far the management is of the opinion that the adoption of the new/revised HKFRSs will not have any significant impact on the consolidated financial statements.

3. SEGMENT INFORMATION

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

The Group has the following reportable segments during the year:

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

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

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

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

For the year ended 31 December 2020

	Application solutions <i>RMB’000</i>	System maintenance services <i>RMB’000</i>	Sales of self-developed products <i>RMB’000</i>	Inter-segment elimination <i>RMB’000</i>	Total <i>RMB’000</i>
Revenue (from external customers)	95,164	13,673	44,469	–	153,306
— Inter-segment revenue	–	–	3,389	(3,389)	–
Total revenue	<u>95,164</u>	<u>13,673</u>	<u>47,858</u>	<u>(3,389)</u>	<u>153,306</u>
Results					
Segment results	<u>13,948</u>	<u>6,665</u>	<u>16,105</u>	–	36,718
Share of results of associates					(16,115)
Unallocated income					8,293
Unallocated expenses					(112,322)
Loss on deemed disposal of an associate					(1,608)
Finance costs, net					<u>(14,624)</u>
Loss before income tax					(99,658)
Taxation					<u>1,701</u>
Loss for the year					<u>(97,957)</u>
Other segment information:					
Impairment loss on goodwill	–	–	(13,884)	–	(13,884)
Impairment loss on intangible assets	<u>–</u>	<u>–</u>	<u>(5,249)</u>	<u>–</u>	<u>(5,249)</u>

For the year ended 31 December 2019

	Application solutions <i>RMB'000</i>	System maintenance services <i>RMB'000</i>	Sales of self-developed products <i>RMB'000</i>	Inter-segment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue (from external customers)	148,761	17,228	25,041	–	191,030
— Inter-segment revenue	–	–	14,035	(14,035)	–
Total revenue	148,761	17,228	39,076	(14,035)	191,030
Results					
Segment results	18,581	9,828	20,178	–	48,587
Share of results of associates					3,156
Unallocated income					7,121
Unallocated expenses					(133,410)
Finance costs, net					(16,993)
Loss before income tax					(91,539)
Taxation					2,895
Loss for the year					(88,644)

Information about major customers

Revenue from customers from application solutions segment individually accounting for 10% or more of the revenue of the Group is as follows:

	Year ended 31 December			
	2020		2019	
	Amount <i>RMB'000</i>	% of total revenue	Amount <i>RMB'000</i>	% of total revenue
Customer A	49,513	32%	37,502	20%
Customer B	N/A	N/A	25,156	13%

The revenue from Customer B was less than 10% of the revenue of the Group for the year ended 31 December 2020.

The Group's revenue was principally derived from the business carried out in the PRC. The revenue from external customers in the PRC and other countries and districts are disclosed as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
The PRC	151,279	175,053
Hong Kong	1,879	10,302
Others	148	5,675
	153,306	191,030

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Total of non-current assets other than deferred income tax assets and trade and other receivables		
The PRC	87,466	150,058
Hong Kong	556	364
Others	–	170
	<u>88,022</u>	<u>150,592</u>

4. REVENUE

Revenue represents the net invoiced value of services provided or goods sold, after allowances for returns and trade discounts, during the year.

An analysis of the Group's revenue is as follows:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers within the scope of HKFRS 15:		
Application solutions	95,164	148,761
System maintenance services	13,673	17,228
Sales of self-developed products	44,469	25,041
	<u>153,306</u>	<u>191,030</u>
Timing of revenue recognition		
At a point in time	139,633	173,802
Over time	13,673	17,228
	<u>153,306</u>	<u>191,030</u>

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

5. EXPENSES BY NATURE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Costs of inventories*	91,620	133,918
Employee benefit expenses	50,347	60,878
Provision for inventory obsolescence	11,487	30,828
Amortisation expenses of intangible assets	7,380	8,527
Depreciation expenses of property, plant and equipment	4,841	4,312
Travelling and transportation expenses	3,852	8,819
Depreciation expenses of right-of-use assets	2,989	2,459
Office expenses	2,978	3,291
Legal fee and professional charges	2,823	2,295
Others	2,801	2,844
Business development	2,085	2,865
Auditors' remuneration	1,500	1,500
Value-added tax and other transaction taxes	1,390	1,916
Servicing and agency costs	1,121	1,993
Advertising costs	506	2,259
Leases expenses under short term leases	216	2,660
	<u>187,936</u>	<u>271,364</u>

* *Cost of inventories includes RMB2,299,000 (2019: RMB2,954,000) relating to employee benefit expenses.*

6. FINANCE INCOME AND COSTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Finance income		
— Interest income on short-term bank deposits	<u>33</u>	<u>41</u>
Finance costs		
— Interest expenses on bank and other borrowings	(10,738)	(15,151)
— Interest expenses on amount due to a shareholder	(421)	(980)
— Interest expenses on lease liabilities	(166)	(243)
— Interest expenses on amounts due to directors	(188)	(240)
— Net foreign exchange loss	<u>(3,144)</u>	<u>(420)</u>
	<u>(14,657)</u>	<u>(17,034)</u>
Finance costs, net	<u>(14,624)</u>	<u>(16,993)</u>

7. INCOME TAX CREDIT

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
PRC enterprise income tax (“EIT”)		
— Current income tax	441	601
— Over-provision in prior year	<u>(1,861)</u>	<u>(3,003)</u>
	(1,420)	(2,402)
Deferred income tax	<u>(281)</u>	<u>(493)</u>
Income tax credit	<u>(1,701)</u>	<u>(2,895)</u>

Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act (Cap. 22, as consolidated and revised) of the Cayman Islands and accordingly, is exempted from the Cayman Islands income tax.

Hong Kong profits tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for the year ended 31 December 2020 (2019: 16.5%) on the estimated assessable profit for the year. Hong Kong profits tax has not been provided as the Group incurred a loss for taxation purposes during both years.

PRC EIT

Entities incorporated in the PRC are subject to EIT. According to the EIT law effective from 1 January 2008, all PRC enterprises are subject to a standard EIT rate of 25%, except for enterprises which are allowed to enjoy the preferential policies and provisions as discussed below:

Cogent (Beijing) Technology Company Limited* (高駿(北京)科技有限公司) (“**Cogent (Beijing)**”), Beijing Century Sage Scientific System and Technology Company Limited* (北京世紀睿科系統技術有限公司) (“**CSS (Beijing)**”), Times Sage (Beijing) Tech Company Limited* (時代華睿(北京)科技有限公司) (“**TST (Beijing)**”), Beijing BroadVision Information Technology Company Limited* (北京經緯中天信息技術有限公司) (“**Beijing BroadVision**”) and Beijing Gefei Technology Corporation* (北京格非科技股份有限公司) (“**Beijing Gefei**”) (2019: Cogent (Beijing), CSS (Beijing), TST (Beijing) and Beijing BroadVision) obtained the High and New Technology Enterprise qualification and the applicable income tax rate for the year ended 31 December 2020 is 15% (2019: 15%).

PRC withholding tax

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

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

8. LOSS PER SHARE

(a) Basic

Basic loss per share for the years ended 31 December 2020 and 2019 are calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares deemed to be in issue during each respective year:

	2020	2019
Loss attributable to owners of the Company (in RMB'000)	<u>(97,531)</u>	<u>(84,325)</u>
Weighted average number of ordinary shares in issue (in thousand)	<u>1,041,243</u>	<u>1,033,221</u>
Basic loss per share (RMB cents per share)	<u>(9.37)</u>	<u>(8.16)</u>

(b) Diluted

Potential dilutive ordinary shares are not included in the calculation of diluted loss per share because they are anti-dilutive. Therefore, the diluted loss per share equals the basic loss per share.

9. INTANGIBLE ASSETS

	Goodwill <i>RMB'000</i>	Computer software <i>RMB'000</i>	Customer relationships <i>RMB'000</i>	Technical knowhow <i>RMB'000</i>	Development costs <i>RMB'000</i>	Total <i>RMB'000</i>
Reconciliation of carrying amount — year ended 31 December 2019						
At 1 January 2019	21,012	11,299	5,450	2,859	9,550	50,170
Additions	–	–	–	–	2,304	2,304
Amortisation	–	(2,040)	(2,033)	(1,318)	(3,136)	(8,527)
At 31 December 2019	<u>21,012</u>	<u>9,259</u>	<u>3,417</u>	<u>1,541</u>	<u>8,718</u>	<u>43,947</u>
Reconciliation of carrying amount — year ended 31 December 2020						
At 1 January 2020	21,012	9,259	3,417	1,541	8,718	43,947
Additions	–	122	–	–	–	122
Amortisation	–	(1,622)	(1,189)	(1,100)	(3,469)	(7,380)
Impairment	(13,884)	–	–	–	(5,249)	(19,133)
At 31 December 2020	<u>7,128</u>	<u>7,759</u>	<u>2,228</u>	<u>441</u>	<u>–</u>	<u>17,556</u>
At 31 December 2019						
Cost	21,012	18,729	12,336	6,688	16,933	75,698
Accumulated amortisation	–	(9,470)	(8,919)	(5,147)	(8,215)	(31,751)
Net book value	<u>21,012</u>	<u>9,259</u>	<u>3,417</u>	<u>1,541</u>	<u>8,718</u>	<u>43,947</u>
At 31 December 2020						
Cost	21,012	18,851	12,336	6,688	16,933	75,820
Accumulated amortisation	–	(11,092)	(10,108)	(6,247)	(11,684)	(39,131)
Accumulated impairment	(13,884)	–	–	–	(5,249)	(19,133)
Net book value	<u>7,128</u>	<u>7,759</u>	<u>2,228</u>	<u>441</u>	<u>–</u>	<u>17,556</u>

10. FINANCIAL ASSETS AT FVPL

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At beginning of the year	48,296	45,263
Fair value change	<u>3,983</u>	<u>3,033</u>
At end of the year	<u><u>52,279</u></u>	<u><u>48,296</u></u>

The financial assets designated at FVPL represented key-man life insurance policies. The Group is the beneficiary of the insurance policies. The insurance policies were pledged to the bank as securities for bank borrowing as disclosed in note 13(d).

11. TRADE AND OTHER RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables		
— from third parties	207,274	153,027
— from an associate	<u>3,803</u>	<u>2,691</u>
	(i) <u>211,077</u>	155,718
Less: provision for impairment of trade receivables	<u>(50,977)</u>	<u>(29,210)</u>
Trade receivables, net	<u>160,100</u>	<u>126,508</u>
Other receivables		
Deposit for guarantee certificate over tendering and performance	16,838	18,139
Deposit paid for acquisition of a subsidiary	16,934	16,934
Cash advance to employees	7,716	5,183
Contingent consideration receivable	17,755	17,755
Consideration receivable in relation to disposal of Beijing Evertop (as defined in note 14(b))	—	2,900
Due from related parties	(ii) <u>1,487</u>	1,117
Other deposits paid	<u>915</u>	<u>592</u>
Others	<u>8,606</u>	<u>10,431</u>
	<u>70,251</u>	<u>73,051</u>
Less: provision for impairment of deposits paid for acquisition of a subsidiary	<u>(16,934)</u>	<u>(16,934)</u>
	<u>53,317</u>	<u>56,117</u>
Total trade and other receivables	<u>213,417</u>	<u>182,625</u>
Less: Non-current portion		
Contingent consideration receivable	17,755	17,755
Trade receivables — third parties	(i) <u>2,009</u>	7,108
Less: provision for impairment of trade receivables	<u>(54)</u>	<u>(54)</u>
Non-current portion	<u>19,710</u>	<u>24,809</u>
Current portion	<u><u>193,707</u></u>	<u><u>157,816</u></u>

As at 31 December 2020 and 2019, the fair values of trade and other receivables of the Group approximate their carrying amounts.

Notes:

- (i) Invoices issued to our customers (both third parties and associates) are payable on issuance and no credit terms are stipulated in our project contracts generally. The majority of the Group's trade receivables will be settled from three months to two years based on the historical record. The Group has put in place control measures so that our accounting and finance department will keep regular tracking of outstanding receivables, and our head of sales department would supervise our sales personnel to closely monitor and follow up with our customers on settlement of the outstanding receivables. The ageing analysis of the trade receivables based on invoice date is as follows:

	2020	2019
	RMB'000	RMB'000
Up to 3 months	75,296	33,054
Over 3 months but less than 6 months	11,045	6,795
Over 6 months but less than 1 year	11,734	10,789
Over 1 year but less than 2 years	20,799	37,079
Over 2 years but less than 3 years	40,144	31,824
Over 3 years	52,059	36,177
	211,077	155,718

The Group applies simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

- (ii) The amounts due are unsecured, interest-free and repayable on demand. The maximum amount outstanding for the year ended 31 December 2020 was RMB1,487,000 (2019: RMB1,117,000)

12. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares HKD'000
Authorised:		
Ordinary shares of HKD0.01 each		
As at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	5,000,000,000	50,000

Ordinary shares of HKD0.01 each, issued and fully paid:

	Number of ordinary shares	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000
Balance at 1 January 2019	1,020,300,761	10,203	8,106
Issue of ordinary shares	20,942,408	209	184
Balance at 31 December 2019, 1 January 2020 and 31 December 2020	1,041,243,169	10,412	8,290

13. BANK AND OTHER BORROWINGS

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
Bank borrowings, unsecured and guaranteed	<i>(a)</i>	2,900	–
Bank borrowings, secured and guaranteed	<i>(b)</i>	48,000	50,000
Bank borrowings, unsecured and unguaranteed	<i>(c)</i>	11,409	32,420
Bank borrowings, secured and unguaranteed	<i>(d)</i>	20,228	23,164
Other borrowings, unsecured and guaranteed	<i>(e)</i>	20,000	–
Other borrowings, secured and unguaranteed	<i>(f)</i>	48,917	5,239
Other borrowings, unsecured and unguaranteed	<i>(g)</i>	18,785	25,282
		<hr/>	<hr/>
Bank and other borrowings		170,239	136,105
Bank overdrafts, unsecured and unguaranteed	<i>(h)</i>	6,206	7,204
		<hr/>	<hr/>
		176,445	143,309
		<hr/>	<hr/>
Non-current		15,457	21,257
Current		160,988	122,052
		<hr/>	<hr/>
		176,445	143,309
		<hr/>	<hr/>

(a) Bank borrowings, unsecured and guaranteed

The bank borrowings are unsecured, bear interest at fixed rate of 5.95% per annum and guaranteed by non-controlling shareholders of a subsidiary. The bank borrowings are wholly repayable within one year.

(b) Bank borrowings, secured and guaranteed

The bank borrowings bear interest (i) at the prevailing interest rate of Loan Prime Rate (“LPR”) in the PRC plus 3.85% per annum; or (ii) at fixed rate of 6.5% per annum (2019: (i) at the prevailing interest rate of LPR in the PRC plus 0.2575% per annum or 1.02% per annum; or (ii) at fixed rate of 6.5% per annum).

The bank borrowings are secured by the buildings with carrying amount of RMB30,441,000 (2019: RMB32,921,000) and are guaranteed by two independent third parties, Beijing Zhongguancun Sci-Tech Financing Guaranty Co., Ltd. and Beijing Culture Sci-Tech Financing Guaranty Co., Ltd (2019: Beijing Zhongguancun Sci-Tech Financing Guaranty Co., Ltd. and Beijing Culture Sci-Tech Financing Guaranty Co., Ltd.). The bank borrowings are wholly repayable within one year.

(c) Bank borrowings, unsecured and unguaranteed

The bank borrowings are unsecured, bear interest (i) at The Hong Kong Interbank Offered Rate (“HIBOR”) plus 4% per annum; or (ii) at fixed rate of 2.61% per annum (2019: (i) at HIBOR plus 4% per annum; or (ii) at The London Interbank Offered Rate (“LIBOR”) plus 4.5% per annum). The bank borrowings are wholly repayable within one year.

(d) Bank borrowings, secured and unguaranteed

The bank borrowings bear interest at LIBOR plus 1% per annum (2019: LIBOR plus 1% per annum).

The bank borrowings are secured by the key-man life insurance policies included in financial assets at FVPL with carrying amount of RMB52,279,000 (2019: RMB48,296,000). The bank borrowings are wholly repayable within one year.

(e) Other borrowings, unsecured and guaranteed

The other borrowings are unsecured, bear interest at fixed rate of 2% per month and are guaranteed by a non-controlling shareholder of a subsidiary and a company controlled by a non-controlling shareholder of a subsidiary. The other borrowings are wholly repayable within one year.

(f) Other borrowings, secured and unguaranteed

The other borrowings bear interest (i) at the prevailing interest rate of LPR in the PRC plus 1.35% per annum; or (ii) at rates ranging from 10% to 12% per annum (2019: prevailing interest rate of LPR in the PRC plus 1.35% per annum).

The other borrowings of RMB1,257,000 (2019: RMB5,239,000) are secured by inventories of RMB10,409,000 (2019: RMB22,295,000); and the remaining other borrowings of RMB47,660,000 (2019: Nil) are secured by 311,960,000 shares and 28,040,000 shares of the Company, which are owned by Cerulean and Future Miracle Limited, a shareholder of the Company which is beneficially owned by Mr. Leung Wing Fai, respectively. As at 31 December 2020, amount of RMB33,917,000 (2019: RMB3,982,000) included in the balance are repayable within one year and classified as current liabilities.

(g) Other borrowings, unsecured and unguaranteed

The other borrowings are unsecured, bear interest at rates ranging from 5.5% to 18% per annum (2019: 5.5% to 12% per annum). As at 31 December 2020, amount of RMB18,328,000 (2019: RMB5,282,000) included in the balance are repayable within one year and classified as current liabilities.

(h) Bank overdrafts, unsecured and unguaranteed

The bank overdrafts bear interest at The Hongkong and Shanghai Banking Corporation Limited's HKD Best Lending rate plus 0.5% per annum (2019: The Hongkong and Shanghai Banking Corporation Limited's HKD Best Lending rate plus 0.5% per annum).

14. TRADE AND OTHER PAYABLES

	<i>Note</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables			
— to third parties		39,644	58,978
— to an associate		7,703	1,714
	(a)	47,347	60,692
Other payables			
Other taxes payables		29,955	18,994
Employee benefits payables		17,486	8,094
Due to an associate	(b)	8,178	821
Due to directors	(c)	4,407	2,630
Due to a shareholder	(d)	4,870	9,511
Accrual for professional service fees		1,500	1,500
Compensation payable for a legal dispute		–	3,437
Interest payables		9,799	3,846
Consideration payables for the acquisition of a subsidiary		558	558
Loan from a third party	(e)	3,500	4,500
Others		1,498	468
		81,751	54,359
		129,098	115,051

- (a) The credit period of trade payables is normally within 60 (2019: 60) days. The ageing analysis of the trade payables based on invoice date is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 3 months	30,564	40,335
Over 3 months but within 6 months	67	2,817
Over 6 months but within 1 year	417	11,435
Over 1 year but within 2 years	12,865	2,935
Over 2 years but within 3 years	991	531
Over 3 years	2,443	2,639
	47,347	60,692

- (b) The amounts due to Beijing Evertop Sports Culture Media Co., Ltd.* (北京永達天恆體育文化傳媒有限公司) (“**Beijing Evertop**”) are unsecured, interest-free and repayable on demand.
- (c) As at 31 December 2020, except for balance of RMB425,000 (2019: RMB240,000) which is interest-free, the amounts due to Mr. Lo Chi Sum (2019: Mr. Leung Wing Fai and Mr. Lo Chi Sum) are unsecured, bear interest at rates ranging from 5% to 5.25% (2019: 5.25%) per annum and repayable on demand.
- (d) The balance represents the amount due to Cerulean. As at 31 December 2020, except for the balance of RMB1,396,000 (2019: RMB980,000) which is interest-free, the balance is unsecured, bears interest at rate of 5.25% (2019: 5.25%) per annum and repayable on demand.
- (e) The amount is unsecured, interest-free and repayable within one year.

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

15. DIVIDENDS

The directors of the Company do not recommend payment of any final dividend for the year ended 31 December 2020 (2019: Nil).

16. BUSINESS COMBINATION

The Group holds 49% equity interests in Beijing Gefei through Cogent (Beijing). On 31 August 2020, Cogent (Beijing) and one of the other investors of Beijing Gefei, namely Beijing Yutai Investment Co., Limited* (北京裕泰投资有限公司) (“**Yutai**”), a company incorporated in the PRC, which holds 2% equity interests in Beijing Gefei, entered into an agreement (the “**Voting Rights Arrangement**”) pursuant to which Yutai agreed to irrevocably appoint Cogent (Beijing) to exercise all of Yutai’s rights to vote at the general meetings of Beijing Gefei at nil consideration.

The relevant activities which significantly affect Beijing Gefei’s return are determined by shareholders based on a simple majority vote during shareholders’ meeting. As the Group’s voting rights in Beijing Gefei’s shareholders’ meeting exceed 50% followed by execution of the Voting Rights Arrangement, the directors of the Company have concluded that the Group has control over Beijing Gefei and Beijing Gefei is re-classified as a subsidiary of the Group since 31 August 2020 (2019: Beijing Gefei was an associate of the Group). The directors of the Company believed that the Voting Rights Arrangement will enable the Group to further develop its self-developed products segment.

Previously held equity interests in Beijing Gefei, which were accounted for interests in associates are measured at fair value upon the execution of the Voting Rights Arrangement while any gain or loss arising is recognised in the consolidated statement of profit or loss.

The following table summarises the consideration paid and the identifiable assets acquired and liabilities assumed, as well as the amount of non-controlling interest recognised at the acquisition date.

	<i>RMB’000</i>
Consideration	
Fair value of 49% equity interests in Beijing Gefei before business combination (<i>note i</i>)	<u>13,379</u>
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	368
Inventories	31,887
Trade and other receivables	71,025
Bank balances and cash	304
Contract liabilities	(18,097)
Trade and other payables	(31,095)
Bank and other borrowings	(25,936)
Income tax payables	<u>(1,152)</u>
Total identifiable net assets	27,304
Non-controlling interests (<i>note ii</i>)	<u>(13,925)</u>
	<u>13,379</u>

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

Notes:

- (i) The fair value of existing 49% equity interests in Beijing Gefei and the amounts of assets and liabilities arising from the Voting Rights Arrangement are determined by the management with the assistance from an independent valuer.
- (ii) The non-controlling interests are measured at the non-controlling interests' proportionate share of fair value of the identifiable net assets of Beijing Gefei.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the ongoing epidemic of coronavirus disease 2019 (“COVID-19”) and the continuing uncertainties surrounding the global politics and economy have posed severe challenges to the overall market sentiment as well as the Group’s financial performance.

Against such backdrop, the Group had continued to focus resources in core business segments and targeted at high-quality projects. During the Reporting Period, the Group had been engaged in several new media projects with well-known nationwide new media operators. In terms of operation management, to lower the negative impact from the epidemic of COVID-19 and the downward economic pressure during the Reporting Period, the Group had put in place several contingency measures such as remote working and obtaining employees social insurance relief from the government which enabled the Group to reduce the operating costs to certain degree.

FINANCIAL REVIEW

Revenue

Based on the financial information, the Group’s revenue decreased by approximately 19.7% to RMB153.3 million (2019: RMB191.0 million). The decrease was due to the outbreak of COVID-19 in late 2019 and the ongoing epidemic which led to an overall erosion in market sentiment. The application solutions segment decreased by approximately 36.0% while the revenue from the system maintenance services decreased by approximately 20.6%. The sales of self-developed products segment increased by approximately 77.6% mainly due to the business combination of a subsidiary which is engaged in the development and production of core technology equipment systems. The table below sets out the Group’s segment revenue for the years ended 31 December 2019 and 2020 respectively:

	For the year ended 31 December			
	2020		2019	
	<i>RMB’000</i>	<i>% of total revenue</i>	<i>RMB’000</i>	<i>% of total revenue</i>
Segment revenue				
Application solutions	95,164	62.1%	148,761	77.9%
System maintenance services	13,673	8.9%	17,228	9.0%
Sales of self-developed products	44,469	29.0%	25,041	13.1%
Total	153,306	100.0%	191,030	100.0%

Application solutions

Revenue generated by the Group's application solutions business segment represented approximately 77.9% and 62.1% of the total revenue of the Group for the Corresponding Period and the Reporting Period respectively, and decreased from approximately RMB148.8 million for the Corresponding Period to approximately RMB95.2 million for the Reporting Period, representing a decrease of approximately 36.0%. Such decrease was mainly attributable to the outbreak of COVID-19 in late 2019 and the ongoing epidemic which led to an overall erosion in market sentiment.

System maintenance services

Revenue from the system maintenance services business segment represented approximately 9.0% and 8.9% of the total revenue of the Group for the Corresponding Period and the Reporting Period, respectively, and decreased from approximately RMB17.2 million for the Corresponding Period to approximately RMB13.7 million for the Reporting Period, representing a decrease of approximately 20.6%. Such decrease was mainly attributable to the decrease in demand for onsite support services during the Reporting Period because of the ongoing epidemic of COVID-19 and travel restrictions at home and abroad.

Sales of self-developed products

Revenue from the sales of self-developed products business segment represented approximately 13.1% and 29.0% of the total revenue of the Group for the Corresponding Period and the Reporting Period, respectively, and increased from approximately RMB25.0 million for the Corresponding Period to approximately RMB44.5 million for the Reporting Period, representing an increase of approximately 77.6%. Such increase was mainly attributable to the business combination of a subsidiary which is engaged in the development and production of core technology equipment systems.

Cost of sales

The Group's cost of sales decreased by approximately 31.6% from approximately RMB142.4 million for the Corresponding Period to approximately RMB97.5 million for the Reporting Period. The decline percentage in cost is higher than the decline in sales representing an overall improvement in gross profit margin. The following table sets forth the cost of sales for each business segment of the Group for the years ended 31 December 2019 and 2020 respectively:

	For the year ended 31 December			
	2020		2019	
	<i>RMB'000</i>	<i>% of total cost</i>	<i>RMB'000</i>	<i>% of total cost</i>
Segment cost of sales				
Application solutions	81,216	83.3%	130,180	91.4%
System maintenance services	7,008	7.2%	7,400	5.2%
Sales of self-developed products	9,231	9.5%	4,863	3.4%
Total	97,455	100.0%	142,443	100.0%

The Group's cost of sales for the application solutions segment decreased by approximately 37.6% for the Reporting Period as compared to the Corresponding Period, which was primarily due to the decrease in revenue of the application solutions segment. The cost of sales for the system maintenance services segment decreased by approximately 5.3% for the Reporting 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 89.8% due to the business combination of a subsidiary which is engaged in the development and production of core technology equipment systems.

Gross profit and gross profit margin

The Group's gross profit was approximately RMB48.6 million and approximately RMB55.9 million for the Corresponding Period and the Reporting Period, respectively, representing an increase of approximately 15.0%. The Group's gross profit margin was approximately 25.4% and approximately 36.4% for the Corresponding Period and the Reporting Period, respectively. The following table sets out the gross profit and gross profit margin of each of the Group's business segments for the years ended 31 December 2019 and 2020 respectively:

	For the year ended 31 December			
	2020		2019	
	<i>RMB'000</i>	<i>% of Gross profit margin</i>	<i>RMB'000</i>	<i>% of Gross profit margin</i>
Segment gross profit and gross profit margin				
Application solutions	13,948	14.7%	18,581	12.5%
System maintenance services	6,665	48.7%	9,828	57.0%
Sales of self-developed products	35,238	79.2%	20,178	80.6%
Total	55,851	36.4%	48,587	25.4%

Application solutions

For the application solutions segment, the Group noted an increase in the gross profit margin from approximately 12.5% for the Corresponding Period to approximately 14.7% for the Reporting Period. The Group believes that the increase was within a reasonable range in its normal operation.

System maintenance services

For the system maintenance services segment, the Group noted a decrease of gross profit margin from approximately 57.0% for the Corresponding Period to approximately 48.7% for the Reporting Period. The decrease was due to some of the system products are approaching the end-of-life which carry higher repair costs thus the gross margin for the maintenance services segment in the Reporting Period is lowered. On the other side, this is also a good sign that there is a strong demand for the upgrade of systems to the new ultra-high definition systems which the Board expects will cast excellent opportunities to the Group.

Sales of self-developed products

For the sales of self-developed products segment, the gross profit margin decreased from approximately 80.6% for the Corresponding Period to approximately 79.2% for the Reporting Period. The Group believes that the decrease was within a reasonable range in its normal operation.

Other gains, net

Other gains was approximately RMB4.7 million and RMB6.6 million for the Corresponding Period and the Reporting Period, respectively. Such increase was mainly due to one-off other losses of an aggregate of RMB2.4 million from late payment penalty for a legal dispute in the Corresponding Period.

Selling expenses

Selling expenses decreased by approximately 45.2% from approximately RMB19.9 million for the Corresponding Period to approximately RMB10.9 million for the Reporting Period. The decrease of expenses was due to the decrease in marketing activities as a result of the restrictions on social activities and travelling during the ongoing epidemic of COVID-19.

Administrative expenses

Administrative expenses decreased by approximately 27.0% from approximately RMB109.0 million for the Corresponding Period to approximately RMB79.6 million for the Reporting Period. The decrease in administrative expenses was mainly due to decrease in impairment loss of the inventory from approximately RMB30.8 million for the Corresponding Period to approximately RMB11.5 million for the Reporting Period, as well as the advanced expense management of the Group since the outbreak of COVID-19.

Finance costs

Net finance costs decreased by approximately 14.1% from approximately RMB17.0 million for the Corresponding Period to approximately RMB14.6 million for the Reporting Period. The decrease was mainly attributable to the lower average interest rate on variable interest bearing borrowing during the Reporting Period.

Income tax credit

Income tax credit was approximately RMB2.9 million and RMB1.7 million for the Corresponding Period and the Reporting Period, respectively. The loss before income tax of the Group was approximately RMB91.5 million and RMB99.7 million for the Corresponding Period and the Reporting Period, respectively.

Loss for the Reporting Period

As a result of the foregoing factors, the loss attributable to owners of the Company was increased by approximately 15.7% from a loss of approximately RMB84.3 million for the Corresponding Period to a loss of approximately RMB97.5 million for the Reporting Period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net cash used in the Group's operating activities amounted to approximately RMB1.6 million for the Reporting Period and amounted to approximately RMB2.5 million for the Corresponding Period.

Net cash used in the Group's investing activities amounted to approximately RMB3.2 million for the Reporting Period and amounted to approximately RMB2.2 million for the Corresponding Period.

Net cash generated from the Group's financing activities amounted to approximately RMB5.0 million for the Reporting Period while the net cash used in the Group's financing activities amounted to approximately RMB47.8 million for the Corresponding Period.

As at 31 December 2020, the Group had current assets of approximately RMB389.9 million (as at 31 December 2019: approximately RMB338.6 million) and current liabilities of approximately RMB376.8 million (as at 31 December 2019: approximately RMB309.9 million). The current ratio (which is calculated by dividing current assets by current liabilities) decreased to approximately 1.03 as at 31 December 2020 from approximately 1.09 as at 31 December 2019.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar (“USD”) and Hong Kong Dollar (“HKD”). Foreign exchange risk arose from future commercial transactions, recognised assets and liabilities which are denominated in non-RMB.

The management of the Group has set up a policy to require the Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to control the exposure of the foreign currency during the business operation. The foreign currency exposure is mainly due to the purchase of the equipment from other countries and the management controls on the payment schedule to reduce the foreign exchange risk. Save for certain bank balances and accounts payables in USD and HKD, the impact of foreign exchange exposure on the Group was minimal and there was no significant adverse effect on normal operations. During the Reporting Period, the Group did not commit to any financial instruments to hedge its exposure to foreign exchange risk. However, the management of the Group monitors foreign exchange exposure of the Group and will consider hedging significant foreign currency exposure should the need arise.

INTEREST RATE RISK

Other than bank balances with variable interest rate, 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 since 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.

CHARGE OVER ASSETS OF THE GROUP

As at 31 December 2020, (i) bank borrowings of RMB48,000,000 (2019: RMB50,000,000) was secured by the buildings with carrying amount of RMB30,441,000 (2019: RMB32,921,000); (ii) bank borrowings of RMB20,228,000 (2019: RMB23,164,000) was secured by the key-man life insurance policies included in financial assets at FVPL with carrying amount of RMB52,279,000 (2019: RMB48,296,000); and (iii) other borrowings of RMB1,257,000 (2019: RMB5,239,000) was secured by inventories with carrying amount of RMB10,409,000 (2019: RMB22,950,000).

Other than the above charge over assets of the Group, the Group’s other borrowings of RMB47,660,000 (2019: Nil) are secured by 311,960,000 shares and 28,040,000 shares of the Company, which are owned by Cerulean Coast Limited, a shareholder of the Company which is beneficially owned by Mr. Lo Chi Sum and Future Miracle Limited, a shareholder of the Company which is beneficially owned by Mr. Leung Wing Fai, respectively.

GEARING POSITION

The gearing ratio, which represented total borrowings divided by total equity multiplied by 100%, was 78.6% and 166.8% as at 31 December 2019 and 2020, respectively. The total borrowings of the Group increased from approximately RMB143.3 million as at 31 December 2019 to approximately RMB176.4 million as at 31 December 2020. Such increase was mainly attributable to business combination.

CONTINGENCIES

As at 31 December 2020, the Directors were not aware of any other significant events that would have resulted in material contingent liabilities.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

DISTRIBUTABLE RESERVES

As at 31 December 2020, based on the financial information, the Company's reserves available for distribution to equity holders, comprising the share premium and accumulated loss, amounted to approximately RMB58.2 million (as at 31 December 2019: approximately RMB147.6 million).

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, revenue from the Group's five largest customers accounted for approximately 51.4% (2019: 51.7%) of the Group's total revenue and the revenue from the largest customer included therein accounted for approximately 32.0% (2019: 19.7%) of the Group's total revenue.

For the Reporting Period, supplies from the Group's five largest suppliers accounted for approximately 30.5% (2019: 37.1%) of the Group's total operating cost and supplies from the largest supplier included therein accounted for approximately 10.6% (2019: 11.3%) of the Group's total operating cost.

None of the Directors or any of their close associates or any shareholders of the Company (which, to the knowledge of the Directors, own more than 5% of the Company's issued shares) had any interests in the Group's five largest customers and/or five largest suppliers for the Reporting Period.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had a total of 275 employees (as at 31 December 2019: 223 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.

SHARE AWARD PLAN AND SHARE OPTION SCHEME

In order to recognise and reward the contribution of certain eligible participants to the growth and development of the Group, the Company adopted the Share Award Plan on 24 March 2014. The Share Award Plan does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules. Details of the Share Award Plan and movement in the awarded shares during the Reporting Period will be set out in the 2020 annual report of the Company.

In order to reward or make incentive to the employees, Directors and other selected participants for their contributions to the Group, the Company conditionally adopted the Share Option Scheme on 13 June 2014. Details of the Share Option Scheme and movement in the share options during the Reporting Period will be set out in the 2020 annual report of the Company.

FUTURE OUTLOOK

The Group has dedicated itself to video industry since its establishment and maintained the leading position in providing one-stop video application solutions in the market. The Group's future development strategy will mainly focus on the development of its core business segment and will place 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 streaming video technologies, the Group also intends to explore and seize business opportunities in new media marketing and E-commerce live broadcasting platforms, which the Group believes that will bring positive business returns in a short term.

Looking forward into 2021, the epidemic of COVID-19 in the mainland China is gradually under control while the infected numbers overseas have started to decrease. The Group will keep monitoring the development of the epidemic of COVID-19 and the overall market and adjust its marketing plans and development strategies in a timely manner with an aim to ensure the Group is working in the interest of the Company and its shareholders as a whole. The Group remains confident about the future development of its business segments and will deliver steady growth by enhancing internal management capabilities, optimising operational management model and continuously improving business development.

EVENTS AFTER THE REPORTING PERIOD

The Group does not have any material events after the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

CORPORATE GOVERNANCE

Throughout the Reporting 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**") as its own code of corporate governance.

The Directors consider that the Company has complied with all the applicable code provisions under the CG Code, save as the following:

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

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

SCOPE OF WORK OF AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this preliminary results announcement have been agreed by the Group's auditors, Mazars CPA Limited ("Mazars"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2020. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on this preliminary results announcement.

PUBLICATION

This final results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.css-group.net) respectively. The 2020 annual report of the Company will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 26 March 2021

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