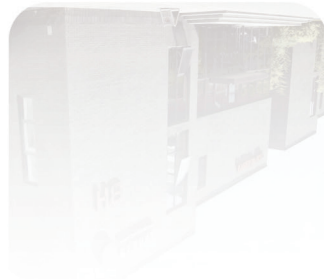




Century Sage Scientific Holdings Limited 世紀睿科控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1450



Global Offering

Sole Sponsor and Sole Global Coordinator



Joint Bookrunners and Joint Lead Managers



IMPORTANT

If you are in any doubt about the contents of this prospectus, you should obtain independent professional advice.



Century Sage Scientific Holdings Limited

世紀睿科控股有限公司

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Shares offered under the Global Offering : 250,000,000 Shares (subject to the Over-allotment Option)
Number of International Offer Shares : 225,000,000 Shares (subject to adjustment and the Over-allotment Option)
Number of Hong Kong Public Offer Shares : 25,000,000 Shares (subject to adjustment)
Offer Price : Not more than HK\$1.38 and expected to be not less than HK\$1.08 per Offer Share, plus a brokerage of 1.0%, an SFC transaction levy of 0.003% and a Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund)
Nominal value : HK\$0.01 per Share
Stock code : 1450

Sole Sponsor and Sole Global Coordinator



Joint Bookrunners and Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, with the documents specified in the section headed "Appendix V — Documents delivered to the Registrar of Companies and Available for Inspection" in this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Bookrunners and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 27 June 2014 or such later date as may be agreed by the Joint Bookrunners and our Company, but in any event not later than Thursday, 3 July 2014. The Offer Price will not be more than HK\$1.38 per Offer Share and is currently expected to be not less than HK\$1.08 per Offer Share unless otherwise announced. Investors applying for Hong Kong Public Offer Shares must pay, on application, the maximum Offer Price of HK\$1.38 for each Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$1.38. If, for any reason, the Offer Price is not agreed between the Joint Bookrunners and our Company on or before Thursday, 3 July 2014, the Global Offering will not become unconditional and will lapse immediately.

The Sole Global Coordinator (for itself and on behalf of the Underwriters), may, with consent of our Company, reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, a notice of the reduction of the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. Such notice will also be available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.css-group.net. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Public Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Hong Kong Public Offer Shares should note the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers to subscribe for, the Hong Kong Public Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Underwriters) if certain events shall occur prior to 8:00 a.m. (Hong Kong time) on the day on which dealings in the Shares first commence on the Stock Exchange. Further details of the terms of such provisions are set out in the section headed "Underwriting" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law of the United States and may not be offered, sold, pledged, transferred or delivered within the United States or to, or for the account or benefit of U.S. persons, except pursuant to an exemption from, or, in a transaction not subject to, the registration requirements under the U.S. Securities Act. The Offer Shares may be offered, sold or delivered in offshore transactions outside the United States in reliance on Regulation S.

24 June 2014

EXPECTED TIMETABLE⁽¹⁾

Latest time to complete electronic applications under the HK eIPO White Form service through the designated website www.hkeipo.hk ⁽²⁾	11:30 a.m. on Friday, 27 June 2014
Application lists open ⁽³⁾	11:45 a.m. on Friday, 27 June 2014
Latest time for lodging WHITE and YELLOW Application Forms and giving electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Friday, 27 June 2014
Latest time to complete payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, 27 June 2014
Application lists close	12:00 noon on Friday, 27 June 2014
Expected Price Determination Date ⁽⁵⁾	Friday, 27 June 2014
Announcement of the Offer Price, the indication of levels of interest in the International Offer, the level of applications in respect of the Hong Kong Public Offer and the basis of allotment of the Hong Kong Public Offer Shares under the Hong Kong Public Offer to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our Company's website at www.css-group.net and on the website of the Stock Exchange at www.hkexnews.hk on	Friday, 4 July 2014
Results of allocations in the Hong Kong Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Public Offer Shares", including our Company's website at www.css-group.net and the website of the Stock Exchange at www.hkexnews.hk from	Friday, 4 July 2014
Results of allocations in the Hong Kong Public Offer will be available at www.tricor.com.hk/ipo/result with a "search by ID" function	Friday, 4 July 2014
Despatch of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offer on or before ⁽⁶⁾	Friday, 4 July 2014
Despatch of HK eIPO White Form e-Auto Refund payment instructions/refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer on or before ⁽⁷⁾	Friday, 4 July 2014

EXPECTED TIMETABLE⁽¹⁾

Dealings in Shares on the main board of the Stock Exchange

expected to commence at 9:00 a.m. on Monday, 7 July 2014

Notes:

- (1) All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus. If there is any change in this expected timetable, an announcement will be published in the South China Morning Post in English and in the Hong Kong Economic Times in Chinese.
- (2) You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 27 June 2014, the application lists will not open or close on that day. Please refer to the section headed “How to Apply for Hong Kong Public Offer Shares — Effect of Bad Weather Conditions on the Opening of the Application Lists” in this prospectus. If the application lists do not open and close on Friday, 27 June 2014, the dates mentioned in this section headed “Expected Timetable” may be affected. We will make a press announcement in such event.
- (4) Applicants who apply for the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for Hong Kong Public Offer Shares — Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Friday, 27 June 2014 and, in any event, not later than Thursday, 3 July 2014. If, for any reason, the Offer Price is not agreed between the Joint Bookrunners and our Company by Thursday, 3 July 2014, the Global Offering (including the Hong Kong Public Offer) will not proceed and will lapse.
- (6) Applicants who apply on **WHITE** Application Form or through **HK eIPO White Form** for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by their Application Forms may collect their Share certificates (if applicable) and refund cheques (if applicable) in person from our Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 4 July 2014 or any other date notified by us in the newspapers as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who is eligible for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who is eligible for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his corporation stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar. Applicants who have applied on **YELLOW** Application Forms may not elect to collect their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected Share certificates and refund cheques will be despatched by ordinary post to the addressees specified in the relevant applications at the applicants’ own risk. Further information is set out in “How to Apply for Hong Kong Public Offer Shares”.
- (7) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the Offer Price is less than the initial price per Hong Kong Public Offer Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in “How to Apply for Hong Kong Public Offer Shares” in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

Share certificates will only become valid certificates of title provided that the Hong Kong Public Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

Particulars of the structure of the Global Offering, including the conditions thereto, are set out in the section headed “Structure of the Global Offering” in this prospectus. Details relating to how to apply for the Hong Kong Public Offer Shares are set out in the section headed “How to Apply for Hong Kong Public Offer Shares” in this prospectus.

CONTENTS

This prospectus is issued by Century Sage Scientific Holdings Limited solely in connection with the Hong Kong Public Offer and the Hong Kong Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than the Hong Kong Public Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information which is different from that contained in this prospectus. Any information or representation not made in this prospectus must not be relied upon by you as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, representatives or advisors or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all of the information which may be important to you. You should read the whole prospectus before you decide to invest in the Shares. There are risks associated with any investment. Some of the particular risks in investing in the Shares are summarised in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Shares.

OVERVIEW

We are the leading 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; and system maintenance services. In addition, we develop and sell broadcast and transmission equipment. Our application solutions, services and equipment are used by a wide range of customers requiring services relating to All-Media, including broadcasters, event producers, new media providers, enterprises and government agencies. Our traditional customer base consists of top-tier (based on revenue according to the CCID Report) All-Media producers and broadcasters in China, which include the nation’s leading national-level, provincial-level (including provincial-level municipalities) and prefectural-level television broadcasters. According to the CCID Report, such top-tier producers and broadcasters are in a better position to invest in technology, for example, they have migrated to digital and high-definition technologies more quickly than their lower-tiered competitors. According to the CCID Report, in 2012 we ranked number one, in terms of revenue, among providers of All-Media application solutions that facilitate content production, broadcast and transmission by the All-Media industry in China, with a market share of approximately 17%.*

Our application solutions, services and equipment have been installed and used in high-profile projects such as: the outfitting of broadcasting facilities in the headquarters of CCTV, Hunan Television, Anhui Television, Yunnan Television, Shenzhen Television and Guangzhou Television; the setup of the international broadcast centres (“**IBCs**”) for the 2009 and 2013 China National Games and the 26th Summer Universiade; and event broadcast services to support some of the most high profile live events in China, such as the 60th anniversary celebration of the founding of the PRC, the 2008 Beijing Olympics, the 16th Asian Games, the Tour of Beijing and the 2013 China National Games.

PRODUCTS AND SERVICES

We are a one-stop provider of hardware and software All-Media application solutions to facilitate content production, broadcast and transmission; event broadcast services; and system maintenance services, as well as a developer of broadcast and transmission equipment. We serve to solve our customers’ technical needs, and to provide tailor-made application solutions, including software and hardware applications, and services to address their specific requirements. The scope of our application solutions, services and products facilitates the major stages of a typical workflow for the production, broadcast and transmission of All-Media content, including our customers’ content source gathering, content production, signal distribution and traffic, playout and transform and content delivery. See “Business — Business Model” on page 114 in this prospectus.

Provision of production, broadcast and transmission application solutions (“application solutions”)

As a provider of application solutions, we design and develop All-Media application solutions for our customers to facilitate their production, broadcast and transmission of All-Media content. Due to the high level of complexity, reliability and unique features that our customers typically demand, we generally provide tailor-made application solutions to our customers in a turnkey package. Our application solutions are typically customised according to customer requirements and may cover system

* Information in relation to our Group’s market share and market ranking for 2013 is not available at the time of this prospectus. Our Group’s 2012 ranking may not be representative of our Group’s current ranking in the industry.

SUMMARY

engineering design, provision of software and hardware equipment used in the system, system integration, and after-sale services to our customers, which are mainly television stations, for the purpose of facilitating their broadcasting.

Our landmark projects in this segment include provision of application solutions services for (i) various systems in the new CCTV headquarters building in Beijing (“**CCTV HQ**”) in 2008 (such as master control system and playout system) (ii) the transmission system for CCTV’s overseas news bureaus at CCTV HQ and at overseas locations including Hong Kong, Dubai, Moscow, Sao Paulo and Nairobi, (iii) the electronic field production (“**EFP**”) system used in the high-definition (“**HD**”) live broadcast of the 2008 Beijing Olympic torch relay on Mt. Everest, (iv) a number of application solutions for the establishment of the IBC for the China National Games in 2009, and (v) in 2009, HD migration for seven of the initial group of nine PRC television broadcasters that participated in the national migration of standard-definition television to HD television. Our application solutions can be divided by their functions into two major categories: (a) production and broadcasting and (b) transmission.

Production and Broadcasting

These consist of hardware and software application solutions used by our customers for gathering, producing and processing content to prepare it for ultimate delivery to end-users. For example, we can provide systems and equipment used primarily at television stations or in-studio such as master control systems, studio systems and media asset management systems. We can also provide systems and equipment that are used by our customers for remote content gathering and broadcasts, such as outside broadcasting trucks, EFP systems and electronic news gathering systems.

Transmission

These consist of hardware and software application solutions used by our customers for electronic transmission of All-Media content. For example, we can provide systems and equipment relating to wireless transmission from remote cameras to an outside broadcasting truck (“**OB Truck**”) or an EFP system, microwave or satellite transmission from an OB Truck or EFP system to a television station, transmission of content from a television station to the end-user via satellite, cable TV, the internet and other transmission methods.

Event broadcast services

Our event broadcast services cover technical support in relation to the broadcasting and transmission of content by our customers in the course of live broadcasting events. These services are intended to solve the technical difficulties faced by the host broadcasters. According to the CCID Report, broadcasters increasingly outsource much of the design and technical support of the systems for production of live events to providers of event broadcast services such as our Group.

We typically offer our event broadcast services in a whole package of services ranging from design of the broadcasting systems and transmission systems for the event to on-site operation and technical support services to the customer’s content production team and leasing of equipment during the event. For outdoor events, our services may also cover organising and sourcing aerial broadcasting helicopters, planning aerial routes and conducting ground exploration and planning of the locations of ground-level transmission systems. Depending on our customers’ needs, we are able to lease to our customers the systems and relevant equipment (some of which we own and lease to customers across different projects over time) for such event broadcast services on a project-by-project basis for an individual event, or for a fixed tenure. We can also source and sell the necessary systems and equipment to our customers that wish to own the relevant equipment.

SUMMARY

System maintenance services

We provide standalone maintenance services to customers that seek maintenance services after the expiry of the warranty period of our application solutions project contracts. Our system maintenance services contracts normally include technical support, regular on-site system inspections, equipment repair, replacement and maintenance, and software upgrade. Striving to offer the best quality service to our customers, we are accessible by our customers for technical enquiries on a 24-hour basis and endeavour to provide prompt response. Our technical team also provides technical training programmes and training manuals in relation to the operation and maintenance of the systems to our customers.

Equipment development and sales

While our solutions and services primarily utilise equipment sourced from third-parties, we are also engaged in the business of the development and sales of broadcast and transmission equipment that can be used in our application solutions and event services or sold on a standalone basis. Our products currently on sale comprise principally of our NanoSat line of portable satellite flyaway terminals of suitcase-size that were first available for sale in December 2010. Our NanoSat products are portable satellite news gathering systems, which incorporate a satellite antenna, and that allow a variety of users, including broadcasters, militaries and government agencies, to have the capability to transmit live or recorded video from remote locations via satellite. These satellite flyaway terminals are portable and lightweight and can be transported and operated by a single user. Our standard NanoSat systems are packed in small size cases that are within the International Air Transport Association's size and weight requirements for transport on commercial airliners. Furthermore, our NanoSat systems are designed for rapid deployment in the field, with an auto set up function for quick acquisition of satellite signals. Examples of applications for our portable satellite flyaway terminals include general purpose news gathering and live event broadcasts, transmission of security and surveillance footage.

In 2012, we introduced our new series of compact multi-diversity microwave receiver systems, which are primarily used for receiving transmissions from moving sources such as cameras mounted on helicopters, cars and other vehicles. Our multi-diversity microwave receiver systems are typically used to support event broadcasts, where highly mobile vehicle-mounted cameras are needed to track fast moving action over long distances, such as during cycling and motor races and during marathons. The audio and video captured by these moving cameras are transmitted as signals that need to be captured by an antenna and fed into a receiver unit for further processing. Our systems consist of a multi-sector antenna unit and a receiver unit. The antenna unit is made up of multiple individual antenna elements that are closely-spaced and arranged to automatically receive signals from different directions, up to 360 degrees, which help to acquire difficult-to-receive signals in situations where there may not be a direct line of sight between the receiver and the source of the transmission. Signals that are picked up by the antenna unit are input into the receiver unit, which then combines the signals for output as audio and video. Unlike older analogue systems that used high gain directional antennas, which required frequent recalibration and were often large, bulky and expensive, our systems have compact dimensions and do not require antenna orientation or system calibration. During the Track Record Period, we have used such systems in connection with our provision of event broadcast services including the Tour of Beijing. We are currently marketing these systems for standalone sale to customers.



NanoSat



Multi-diversity microwave receiver system

For further details of our products and services, please refer to the section headed “Business — Our Products and Services” on page 110 in this prospectus.

SUMMARY

REVENUE BY SEGMENT

The table below sets out a by-segment breakdown of our Group's revenue during the Track Record Period:

	For the year ended 31 December					
	2011		2012		2013	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Application solutions						
Production and broadcast	268,185	57.2	349,401	61.5	365,396	58.1
Transmission	<u>157,794</u>	<u>33.6</u>	<u>170,728</u>	<u>30.1</u>	<u>176,089</u>	<u>28.0</u>
Subtotal	425,979	90.8	520,129	91.6	541,485	86.1
Event broadcast services	27,960	6.0	25,009	4.4	48,836	7.8
System maintenance services	6,159	1.3	9,180	1.6	10,326	1.6
Equipment development and sales	<u>8,804</u>	<u>1.9</u>	<u>13,747</u>	<u>2.4</u>	<u>28,111</u>	<u>4.5</u>
Total revenue	<u><u>468,902</u></u>	<u><u>100.0</u></u>	<u><u>568,065</u></u>	<u><u>100.0</u></u>	<u><u>628,758</u></u>	<u><u>100.0</u></u>

GROSS PROFIT AND GROSS PROFIT MARGIN BY SEGMENT

The table below sets out a by-segment breakdown of our Group's gross profit and gross profit margin during the Track Record Period:

	For the year ended 31 December					
	2011		2012		2013	
	Gross profit <i>RMB'000</i>	Gross profit margin %	Gross profit <i>RMB'000</i>	Gross profit margin %	Gross profit <i>RMB'000</i>	Gross profit margin %
Application solutions						
Production and broadcast	52,288	19.5	97,178	27.8	91,698	25.1
Transmission	<u>44,829</u>	<u>28.4</u>	<u>55,634</u>	<u>32.6</u>	<u>55,849</u>	<u>31.7</u>
Subtotal	97,117	22.8	152,812	29.4	147,547	27.2
Event broadcast services	15,104	54.0	11,297	45.2	22,735	46.6
System maintenance services	3,073	49.9	5,033	54.8	5,185	50.2
Equipment development and sales	<u>6,321</u>	<u>71.8</u>	<u>9,366</u>	<u>68.1</u>	<u>18,093</u>	<u>64.4</u>
Total gross profit	<u><u>121,615</u></u>	<u><u>25.9</u></u>	<u><u>178,508</u></u>	<u><u>31.4</u></u>	<u><u>193,560</u></u>	<u><u>30.8</u></u>

OUR COMPETITIVE STRENGTHS AND BUSINESS STRATEGIES

We have been able to compete successfully in our industry due to the following strengths:

- **Our reputation among top-tier customers in China with large audience coverage and demanding requirements:** Our customers include China's leading broadcasters who have turned to us to provide services for their high-profile and sophisticated projects such as the 2008 Beijing Olympics, the Asian Games and the Tour of Beijing. According to the CCID Report, these top-tier customers are better able to devote resources to invest in technology upgrades.
- **We provide one-stop application solutions that satisfy the requirements of top-tier customers:** According to the CCID Report, we are one of few companies in China that provides one-stop solutions that facilitate customers' content production and broadcasting and their content transmission in the All-Media industry. This enables us to better understand the changing industry dynamics and customer requirements at an early stage which in turn facilitates more effective development of application solutions and services.

SUMMARY

- **High quality services and products:** Our products and services fall within the high-end market segment. The scale and complex nature of the programmes and events that top-tier broadcasters handle means that they require the use of high-end products. The breadth and depth of our experience puts us in a position of being able to render our services whenever required.
- **Our strong technical expertise to support the design of customised application solutions and the research and development of new products and services:** We have our own application solutions development team, which customises and develops innovative application solutions to address specific customer requirements. We also have an experienced research and development team that focuses on the needs and preferences of our customers.
- **Our ability to retain and secure repeat customers:** Approximately 58% of our customers have engaged us for multiple projects since our founding in 2007, which we believe is testament to the quality of our application solutions and services.
- **Our experienced management team with PRC and international perspective:** Our management team has extensive experience in the PRC, Taiwan and Hong Kong All-Media industries. We are close to our local Chinese customers but also possess the international perspective that enables us to work comfortably with global players.

We intend to capitalise on new market opportunities and continue to be a leading provider of application solutions by pursuing the following strategies: (i) expand the geographic coverage of our sales, distribution and services network in the PRC; (ii) selectively expand overseas markets; (iii) expand our product and services offerings; (iv) expand our customer base; (v) further strengthen our business of provision of event broadcast services; (vi) continue to develop a recurring stream of income by strengthening and developing our system maintenance services segment; (vii) further enhance our research and development capabilities; (viii) expand our engineering and production capacity to support the growth of each of our various business segments; and (ix) further strengthen our business and technical know-how through acquisitions.

For further details of our strength and strategies, please refer to the sections headed “Business — Competitive Strengths” and “Business — Our Strategies” on page 102 and page 106 respectively in this prospectus.

SUB-CONTRACTORS

While we possess the expertise and experience in the technical know-how for the design, installation and integration of the systems in our application solution projects and have our own technical team responsible for this work, we engage sub-contractors in relation to (i) various non-technical installation works such as welding, wiring and decoration in application solutions projects, and (ii) various specialised works which require specific licences, expertise or technologies, such as provision of helicopters and pilots and other various equipment for event broadcast services and vehicle conversions for vehicle-based application solutions such as OB Trucks and SNG Vans. We engage such sub-contractors because we believe that our use of sub-contractors for these tasks is cost-effective and allow us to allocate and focus our resources on areas where we possess specialised expertise and experience.

During the Track Record Period, we entered into sub-contracting agreements with sub-contractors on a case-by-case basis for each project and had not entered into any long term sub-contracting agreement with any sub-contractor. We generally settle the sub-contracting fees by instalments based on the various milestones of the implementation process.

SUMMARY

For further details of our sub-contractors, please refer to the section headed “Business—Sub-Contractors” on page 128 of this prospectus.

CUSTOMERS

During the Track Record Period, our five largest customers were mainly television stations and host broadcasters of sports and other events. Our five largest customers during the Track Record Period were Independent Third Parties. We have developed business relationship with our five largest customers during the Track Record Period ranging from three to seven years as at 31 December 2013. For the three years ended 31 December 2011, 2012 and 2013, our five largest customers in aggregate accounted for approximately 44.0%, 50.3% and 54.9% respectively of our total revenue, and sales to our largest customer accounted for approximately 18.4%, 34.0% and 38.2% of our total revenue during the same period. The customers of our application solutions business and system maintenance services were mainly television stations in the PRC. In respect of our event broadcast services, our customers were mainly host broadcasters of sports or other events. In respect of our equipment development and sales business, our customers were mainly television stations.

For further details of our customers, please refer to the section headed “Business — Sales and Marketing” on page 130 in this prospectus.

SUPPLIERS

During the Track Record Period, our five largest suppliers include suppliers of components and equipment used in our application solutions. All of our five largest suppliers during the Track Record Period were Independent Third Parties. For the three years ended 31 December 2011, 2012 and 2013, aggregate purchases from our top five suppliers accounted for approximately 46.4%, 39.3% and 26.7% of our total purchases respectively, while the largest supplier accounted for approximately 21.6%, 19.7% and 8.8% of our total purchases, respectively. We were the number one distributor in the PRC market for each of our three largest suppliers in each of the years ended 31 December 2011, 2012 and 2013, in terms of our contribution to each such supplier’s annual sales in the PRC for the All-Media industry. We have developed business relationship with our five largest suppliers during the Track Record Period ranging from three to seven years as at 31 December 2013.

For further details of our suppliers, please refer to the section headed “Business — Suppliers” on page 134 in this prospectus.

INVENTORIES

Our inventories primarily consist of components, equipment and other common items for our application solutions, as well as spare parts for repair and maintenance purposes. As most of our application solutions are provided on a project basis, we tailor procurement plans for our customers according to the specifications provided and the project schedule. Inventories include work in progress items dispatched to customers’ premises which are either pending integration and installation work or are subject to customers’ final inspection and acceptance. As at 31 December 2011, 2012 and 2013, our inventory balances were approximately RMB336.2 million, RMB284.0 million and RMB387.0 million, respectively, of which RMB299.8 million, RMB233.5 million and RMB337.2 million, respectively, are attributable to work in progress. The balances of work in progress are consistent with the duration of our Group’s normal business process. The balances of work in progress were further attributable in part to relatively long period of project completion and final inspection and acceptance procedures by customers for certain projects. As our projects are tailor-made, the length of time required for completion of steps such as implementation, trial operation and final inspection and acceptance procedures will vary from project-to-project due to factors such as a particular project’s complexity and scale.

For further details of our inventories, please refer to the section headed “Financial Information — Analysis on Various Items of Our Consolidated Balance Sheet — Inventories” on page 190 of this prospectus.

SUMMARY

KEY FINANCIAL DATA

The following tables set forth selected financial data for the period indicated. You should refer to the Accountant's Report set forth in Appendix I to this prospectus for more information.

Selected information from consolidated income statements

The table below sets out selected items of our consolidated income statements for the periods indicated:

	Year ended 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	<u>468,902</u>	<u>568,065</u>	<u>628,758</u>
Cost of sales	<u>(347,287)</u>	<u>(389,557)</u>	<u>(435,198)</u>
Gross profit	121,615	178,508	193,560
Profit before income tax	45,555	79,466	94,146
Profit for the year	<u><u>36,741</u></u>	<u><u>63,754</u></u>	<u><u>77,755</u></u>

Selected information from consolidated balance sheets

The table below sets out selected items of our consolidated balance sheet at the dates indicated:

	As at 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	<u>40,737</u>	<u>67,732</u>	<u>68,050</u>
Current assets	<u>478,215</u>	<u>425,430</u>	<u>562,961</u>
Non-current liabilities	<u>7,771</u>	<u>11,557</u>	<u>4,624</u>
Current liabilities	<u>469,710</u>	<u>404,342</u>	<u>531,396</u>
Net current assets	<u><u>8,505</u></u>	<u><u>21,088</u></u>	<u><u>31,565</u></u>

Selected information from consolidated statements of cashflow

The table below sets out a condensed summary of our consolidated statements of cash flows for the periods indicated:

	Year ended 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	59,108	8,890	35,085
Net cash used in investing activities	(19,330)	(21,075)	(22,140)
Net cash (used in)/generated from financing activities	<u>(22,320)</u>	<u>6,729</u>	<u>5,660</u>
Net increase/(decrease) in cash and cash equivalents	17,458	(5,456)	18,605
Cash and cash equivalents at the beginning of the year	23,608	40,642	35,026
Exchange gains/(losses) on cash, cash equivalents and bank overdrafts	<u>(424)</u>	<u>(160)</u>	<u>247</u>
Cash and cash equivalents at the end of the year	<u><u>40,642</u></u>	<u><u>35,026</u></u>	<u><u>53,878</u></u>

SUMMARY

Selected financial ratios

The following table sets out certain key financial ratios of our Group during the Track Record Period:

	As at/For the year ended 31 December		
	2011	2012	2013
Current ratio ⁽¹⁾	1.0	1.1	1.1
Quick ratio ⁽²⁾	0.3	0.3	0.3
Gearing ratio ⁽³⁾	67.1%	68.0%	61.2%
Net debt to equity ratio ⁽⁴⁾	net cash	22.6%	4.5%
Return on equity ⁽⁵⁾	88.6%	82.5%	81.9%
Return on total assets ⁽⁶⁾	7.1%	12.9%	12.3%
Interest coverage ⁽⁷⁾	31.3	35.0	27.3

Notes:

1. Current ratio represents current assets divided by current liabilities.
2. Quick ratio is calculated as current assets minus inventories and divided by current liabilities.
3. Gearing ratio represents total borrowings divided by total equity multiplied by 100%
4. Net debt to equity ratio is calculated as net debt (borrowings net of cash and cash equivalents) divided by the total equity as at the respective year end and multiplied by 100%.
5. Return on equity equals profit for the year divided by total equity as at year end.
6. Return on total assets equals profit for the year divided by total assets as at year end.
7. Interest coverage equals profit before interest and tax divided by financial costs for the year.

RECENT DEVELOPMENT

The following table sets forth, the number and new contract value, net of estimated VAT, of new contracts that we entered into after the Track Record Period through 30 April 2014, by estimated date of completion:

	For the four months ended 30 April 2014			
	Number of contracts expected to be completed in the six months ending 30 June 2014	Number of contracts expected to be completed in the six months ending 31 December 2014	Number of contracts expected to be completed after 31 December 2014	Total number of new contracts
Application solutions	76	29	4	109
Event broadcast services	2	3	—	5
System maintenance services	13	15	1	29
Total	91	47	5	143

SUMMARY

For the four months ended 30 April 2014

	Contract value of contracts (net of VAT) expected to be completed in the six months ending 30 June 2014 (RMB'000)	Contract value of contracts (net of VAT) expected to be completed in the six months ending 31 December 2014 (RMB'000)	Contract value of contracts (net of VAT) expected to be completed after 31 December 2014 (RMB'000)	Total contract value of new contracts (net of VAT) (RMB'000)
Application solutions	44,293	20,931	22,136	87,360
Event broadcast services	107	2,017	—	2,124
System maintenance services	719	1,565	566	2,850
Total	45,119	24,513	22,702	92,334

In March 2014, we secured a RMB35.0 million content transmission application solutions project with a major broadcaster in China to handle the HD upgrade of their fleet of satellite news gathering (SNG) vehicles.

In February 2014, we expanded into the Southeast Asian market by completing a successful delivery of our NanoSat portable satellite flyaway terminal to a broadcaster in Indonesia.

LISTING EXPENSES

We incurred approximately RMB6.2 million of listing expenses during the Track Record Period, which was recorded as expenses. We expect to incur approximately an additional RMB25.2 million in listing expenses (excluding underwriting commission) after the Track Record Period, of which approximately RMB19.4 million will be recognised as expenses in the consolidated income statements for the year ending 31 December 2014 and the remaining will be capitalised after Listing.

OFFER STATISTICS (Note 1)

	Based on an Offer Price of HK\$1.08 per Share	Based on an Offer Price of HK\$1.38 per Share
Market capitalisation of the Shares (Note 2)	HK\$1,080.0 million	HK\$1,380.0 million
Unaudited pro forma adjusted net tangible asset per Share (Note 3)	HK\$0.34	HK\$0.42

Notes:

- (1) All statistics in this table do not take into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme.
- (2) The calculation of market capitalisation is based on 1,000,000,000 Shares expected to be in issue immediately upon completion of the Global Offering.
- (3) The unaudited pro forma adjusted consolidated net tangible asset per Share has been arrived at after adjustments referred to in the section headed "Financial Information — Unaudited pro forma financial information" in this prospectus and on the basis of 1,000,000,000 Shares in issue at the respective Offer Price of HK\$1.08 and HK\$1.38 per Offer Share immediately following completion of the Global Offering.

SUMMARY

DIVIDEND POLICY

We currently do not have a dividend policy. The declaration, payment and amount of dividends in the future will be subject to the discretion of our Board and will depend on our results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, certain restrictive covenants under certain of our Group's banking facilities (see "Financial Information — Indebtedness — Bank Borrowings"), future prospects and other factors that our Directors may consider relevant. Our Shareholders will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. For further details of our dividend policy and payment of dividends during the Track Record Period, please refer to the section headed "Financial Information — Dividend and Dividend Policy" on page 207 in this prospectus. Cash dividends on the Shares, if any, will be paid in Hong Kong dollars. Other distributions, if any, will be paid to our Shareholders in compliance with relevant laws and regulations.

FUTURE PLANS AND USE OF PROCEEDS

Assuming an Offer Price of HK\$1.23 per Share (being the mid-point of the indicative Offer Price range of HK\$1.08 to HK\$1.38 per Share), the net proceeds of the Global Offering attributable to us, after deduction of the underwriting fees, commissions and estimated expenses paid and payable by us in connection with the Global Offering, are estimated to be approximately HK\$252.3 million (assuming the Over-allotment Option is not exercised). We intend to use the net proceeds to us from the Global Offering in the manner as summarised below. The above allocation of the net proceeds will be adjusted on a pro rata basis in the event the Over-allotment Option is exercised. For further details of our future plans and use of proceeds, please refer to the section headed "Future Plans and Use of Proceeds" on page 209 in this prospectus.

- Approximately HK\$82.2 million, or 32.6% of the total estimated net proceeds, for enhancement of our event broadcast services capabilities.
- Approximately HK\$47.7 million, or 18.9% of the total estimated net proceeds, for enhancement of our application solutions capabilities.
- Approximately HK\$42.9 million, or 17.0% of the total estimated net proceeds, for acquisition of or investment in companies with proprietary know-how or inventions so as to create synergies with our current capabilities, including in the areas of IP video, cloud infrastructure and streaming technologies.
- Approximately HK\$25.2 million, or 10.0% of the total estimated net proceeds, for our working capital and general corporate purposes.
- Approximately HK\$19.2 million, or 7.6% of the total estimated net proceeds, for enhancement of our equipment development and sales capabilities.
- Approximately HK\$17.9 million, or 7.1% of the total estimated net proceeds, for enhancement of our system maintenance services capabilities.
- Approximately HK\$17.2 million, or 6.8% of the total estimated net proceeds, to finance project and bid related bonds to support increased business volume.

SUMMARY

RISK FACTORS

There are certain risks involved in our Group's businesses and details of such risks are set out in the section headed "Risk Factors" on page 33 in this prospectus. Some of the material risks include, but are not limited to:

- Our success is dependent upon hiring and retaining qualified personnel
- We rely on sales to our major customers
- Our future performance and reputation are dependent on our ability to continue to develop new and improved products and services
- Delay in payments from our customers may affect our working capital and cash flow
- The PRC All-Media industry is subject to rapid changes in technology

SHAREHOLDER INFORMATION

Immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued under the Over-allotment Option or pursuant to the exercise of any options which may be granted under the Share Option Scheme), each of Mr. Lo and Cerulean Coast Limited will effectively hold approximately 66.75% of the total issued share capital of our Company. For further details, please refer to the sections headed "Relationship with our Controlling Shareholders" and "Substantial Shareholders" on pages 148 and 168 respectively in this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed “Glossary of Technical Terms” in this prospectus.

“2006 M&A Rules”	the Rules on the Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), jointly promulgated by MOFCOM, SASAC, SAT, SAIC, CSRC and SAFE on 8 August 2006 and was amended by MOFCOM in June 2009
“affiliate(s)”	any person(s) or entity(ies) that directly or indirectly controls, is controlled by, or is under direct or indirect common control with, another person(s) or entity(ies)
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) or GREEN application form(s), individually or collectively, as the context so requires, relating to the Hong Kong Public Offer
“Articles of Association” or “Articles”	the articles of association of our Company adopted on 13 June 2014, as amended from time to time
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Audit Committee”	the audit committee of our Company established by our Board
“Board” or “Board of Directors”	the board of Directors of our Company
“Business Day” or “business day”	any day (other than a Saturday or a Sunday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 749,900,000 Shares to be made upon capitalisation of part of the share premium account of our Company upon completion of the Global Offering referred to in “Appendix IV — Statutory and General Information — Further information about our Group — 3. Resolutions in writing of our Shareholders passed on 13 June 2014” to this prospectus
“Cayman Islands Companies Law” or “Companies Law”	the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

DEFINITIONS

“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, CCASS Custodian Participant or a CCASS Investor Participant
“CCBI”	CCB International Capital Limited, a licenced corporation under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities
“CCID”	CCID Consulting Company Limited (賽迪顧問股份有限公司), an Independent Third Party, a professional market research and consulting firm based in the PRC and listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8235)
“CCID Report”	a commissioned market research report dated 24 June 2014 prepared by CCID
“China” or “PRC”	the People’s Republic of China, but for the purposes of this prospectus (unless otherwise indicated), excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Company” or “our Company”	Century Sage Scientific Holdings Limited (世紀睿科控股有限公司), an exempted company incorporated in the Cayman Islands on 18 December 2012 under the Cayman Islands Companies Law with limited liability
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Companies (Miscellaneous) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, and in the case of our Company, means Mr. Lo, our executive Director, and Cerulean Coast Limited, an investment holding company incorporated in the BVI on 8 February 2013 and wholly owned by Mr. Lo as at the Latest Practicable Date
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report as set forth in Appendix 14 to the Listing Rules
“Cortesia”	Cortesia Limited, a company incorporated in the BVI on 31 March 2010, and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC securities markets

DEFINITIONS

“CSS (Beijing)”	北京世紀睿科系統技術有限公司 (Beijing Century Sage Scientific Systems and Technology Company Limited*), a company established in the PRC on 27 April 2007, and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“CSS Engineering”	北京世紀睿科工程技術有限公司 (Beijing Century Sage Scientific Engineering and Technology Company Limited*), a company established in the PRC on 15 April 2010, and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“CSS Group Ltd”	Century Sage Scientific Group Ltd (世紀睿科集團有限公司), a company incorporated in the BVI on 10 January 2007, and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“CSS International”	Century Sage Scientific International Limited, a company incorporated in the BVI on 10 January 2007, and a direct wholly-owned subsidiary of our Company as at the Latest Practicable Date
“CTL (Beijing)”	高駿(北京)科技有限公司 (Gaojun (Beijing) Technology Company Limited*), a company established in the PRC on 15 July 2011, and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“CTL (BVI)”	CGT Technologies Limited, formerly known as Cogent Tech Ltd, a company incorporated in the BVI on 26 May 2010, and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“CTL (HK)”	CGT Technologies (Asia) Limited (高駿科技(亞洲)有限公司), formerly known as Cogent Tech (Asia) Limited, a company incorporated in Hong Kong on 3 March 2011, and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“Deed of Indemnity”	the deed of indemnity dated 13 June 2014 and entered into between our Controlling Shareholders and our Company with particulars set forth in “Appendix IV — Statutory and General Information — Other information — 18. Estate duty, tax and other indemnities” to this prospectus
“Director(s)”	the director(s) of our Company or any of them
“EIT”	enterprise income tax payable under the EIT Law
“EIT Law”	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》)
“EIT Rules”	the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》)
“Euro” or “€” or “EUR”	the lawful currency of the member states of the European Union that adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992)

DEFINITIONS

“Evertop (Beijing)”	北京永達天恒國際數碼科技有限公司 (Beijing Yongda Tianheng International Digital and Technology Company Limited*), a company established in the PRC on 18 May 2011, and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“Evertop (HK)”	EverTop Technology (Int’l) Limited (永達國際數碼科技有限公司), a company incorporated in Hong Kong on 29 June 2010, and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“FIL”	Fineone International Limited (佳運國際有限公司), a company incorporated in the BVI on 6 March 2009, and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“First Shanghai”	First Shanghai Securities Limited, a licenced corporation under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities
“GBP” or “£” or “British pound sterling”	the lawful currency of the United Kingdom
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offer and the International Offer
“GREEN Application Form(s)”	the application form(s) to be completed by HK eIPO White Form Service Provider designated by our Company
“Group”, “our Group”, “our”, “we” or “us”	our Company and our subsidiaries at the relevant time, or where the context refers to any time prior to our Company becoming the holding company of the present subsidiaries, the present subsidiaries and the businesses carried on by our subsidiaries or, as the case may be, the predecessors, some or any of them
“Harris Broadcast”	Harris Corporation, predecessor of Imagine Communications Corporation, an Independent Third Party and one of our Company’s suppliers
“HK eIPO White Form”	the application for Hong Kong Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form (www.hkeipo.hk) ;
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website (www.hkeipo.hk);
“HK\$” or “HK dollars” or “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

DEFINITIONS

“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HNTE”	High and New Technology Enterprise (高新技術企業)
“Hong Kong” or “HK”	The Hong Kong Special Administrative Region of the PRC
“Hong Kong Legal Counsel”	Mr. George T.Y. Hui, barrister-at-law and our legal counsel as to certain aspects to Hong Kong law
“Hong Kong Public Offer”	the offer to the public in Hong Kong for subscription of the Hong Kong Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the Application Forms
“Hong Kong Public Offer Shares”	the 25,000,000 new Shares (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus) being offered by us for subscription at the Offer Price under the Hong Kong Public Offer
“Hong Kong Share Registrar”	Tricor Investor Services Limited, the Hong Kong share registrar of our Company
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offer named in the section headed “Underwriting” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 23 June 2014 relating to the Hong Kong Public Offer entered into by our Company, our executive Directors, our Controlling Shareholders, CCBI, First Shanghai and the Hong Kong Underwriters as further described in the section headed “Underwriting” in this prospectus
“Independent Non-Executive Director(s)” or “INED(s)”	the independent non-executive Director(s) of our Company
“Independent Third Party(ies)”	persons or companies who or which are independent of and not connected with (within the meaning of the Listing Rules) any of our Directors, chief executive of our Company, our Controlling Shareholders, our Substantial Shareholders and the directors and shareholders of any other member of our Group and any of their respective associates
“International Offer”	the offering of the International Offer Shares at the Offer Price as set out in the section headed “Structure of the Global Offering” in this prospectus
“International Offer Shares”	the 225,000,000 new Shares initially being offered for subscription under the International Offer (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus)
“International Underwriters”	the underwriters that are expected to enter into the International Underwriting Agreement

DEFINITIONS

“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or before the Price Determination Date by our Company, our executive Directors, our Controlling Shareholders, CCBI, First Shanghai and the International Underwriters in respect of the International Offer, as further described in the section headed “Underwriting” in this prospectus
“Issuing Mandate”	the general unconditional mandate given to our Directors by our Shareholders relating to the issue of new Shares, further details of which are contained in “Appendix IV — Statutory and General Information — Further information about our Group — 3. Resolutions in writing of our Shareholders passed on 13 June 2014” to this prospectus
“Joint Bookrunners” or “Joint Lead Managers”	CCBI and First Shanghai
“Latest Practicable Date”	16 June 2014, being the latest practicable date for the inclusion of certain information in this prospectus prior to its publication
“Listing”	listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about 7 July 2014, on which our Shares are listed and dealings in the Shares commence on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock exchange (excluding the options market) which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company, as amended from time to time
“Ministry of Finance”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“Mitsubishi Electric”	Mitsubishi Electric Air-conditioning & Visual Information Systems (Shanghai) Ltd., an Independent Third Party and one of our Company’s suppliers
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部), formerly the Ministry of Foreign Trade and Economic Cooperation (對外貿易經濟合作部)
“Mr. Geng”	Mr. Geng Liang (耿亮), one of our executive Directors
“Mr. Huang”	Mr. Huang He (黃河), one of our executive Directors

DEFINITIONS

“Mr. Leung”	Mr. Leung Wing Fai (梁榮輝), our chief operating officer, one of our executive Directors and one of our ultimate Shareholders
“Mr. Lo”	Mr. Lo Chi Sum (盧志森), our chairman, chief executive officer, one of our executive Directors and one of our Controlling Shareholders
“Mr. Sun”	Mr. Sun Qingjun (孫清君), one of our executive Directors
“Mr. Zhou J”	Mr. Zhou Jue (周珏), one of our executive Directors
“Mr. Zhou Q”	Mr. Zhou Qi (周騏), an Independent Third Party as at the Latest Practicable Date
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NISL”	NI Systems Limited, formerly known as System Smart Holdings Limited, a company incorporated in the BVI on 3 July 2012, and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“Nomination Committee”	the nomination committee of our Company established by our Board
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) of not more than HK\$1.38 and expected to be not less than HK\$1.08, at which the Offer Shares are to be offered for subscription pursuant to the Global Offering, to be agreed upon by the Joint Bookrunners and us on or before the Price Determination Date
“Offer Share(s)”	the Hong Kong Public Offer Shares and the International Offer Shares, collectively, and where relevant, together with any additional Shares issued pursuant to the exercise of the Over-allotment Option
“Original Shareholders”	Mr. Lo, Mr. Leung, Mr. Zhou Q, Mr. Huang, Mr. Sun and Mr. Zhou J
“Over-allotment Option”	the option granted by us to the International Underwriters exercisable by the Sole Global Coordinator on behalf of the International Underwriters subject to the terms and conditions of the International Underwriting Agreement pursuant to which we may be required to issue up to an additional aggregate of 37,500,000 Shares (representing 15% of the Shares initially being offered under the Global Offering) at the Offer Price to cover over-allocations in connection with the International Offer, details of which are described in the section headed “Structure of the Global Offering — The International Offer — Over-allotment Option” in this prospectus
“PBOC”	the People’s Bank of China (中國人民銀行)
“PRC GAAP”	the generally accepted accounting principles in the PRC

DEFINITIONS

“PRC Government” or “State”	the central government of the PRC including all government subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“PRC Legal Advisers”	Commerce & Finance Law Offices, the legal advisers to our Company as to PRC laws
“Price Determination Date”	the time expected to be on or around Friday, 27 June 2014 or such later time as may be agreed by the Joint Bookrunners and our Company, but in any event not later than Thursday, 3 July 2014, on which the Offer Price is to be determined
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of our Company established by our Board
“Reorganisation”	the reorganisation arrangements undergone by us in preparation for the Listing as described in the section headed “History and Development — Reorganisation” in this prospectus and in “Appendix IV — Statutory and General Information — Further information about our Group — 4. Group reorganisation” to this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, further details of which are contained in “Appendix IV — Statutory and General Information — Further information about our Group — 9. Repurchase by our Company of our own securities” to this prospectus
“RMB” and “Renminbi”	the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAFE Circular No. 75”	Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments through Overseas Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) issued in October 2005 by the SAFE
“SAIC”	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“SAPPRFT”	the State Administration of Press, Publication, Radio, Film and Television of the PRC (中華人民共和國國家新聞出版廣播電影電視總局), formed in 2013 upon the merger of the General Administration of Press and Publication of the PRC (中華人民共和國國家新聞出版總署) and SARFT
“SARFT”	the State Administration of Radio, Film and Television of the PRC (中華人民共和國國家廣播電影電視總局), a predecessor to SAPPRFT
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)

DEFINITIONS

“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share Award Plan”	the share award plan adopted by our Company on 24 March 2014, the principal terms of which are summarised under “17. — Share Award Plan” in Appendix IV to this prospectus
“Share Award Plan Trustee”	Teeroy Limited, or such trustee or trustees as shall be from time to time appointed by our Company for the administration of Shares and other trust fund for the implementation of the Share Award Plan
“Shareholder(s)”	holder(s) of the Shares
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 13 June 2014, the principal terms of which are summarised in “16. Share Option Scheme” in Appendix IV to this prospectus
“Share(s)”	ordinary share(s) in the share capital of our Company, with a nominal value of HK\$0.01 each
“Sole Global Coordinator” or “Sole Sponsor”	CCBI
“sq.m.”	square metre(s)
“Stabilising Manager”	CCBI
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement which is expected to be entered into between Cerulean Coast Limited and the Stabilising Manager on or before the Price Determination Date pursuant to which Cerulean Coast Limited will agree to lend up to 37,500,000 Shares to the Stabilising Manager on the terms set out therein, further details of which are set out in the section headed “Structure of the Global Offering — Stock borrowing agreement” in this prospectus
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers, as amended from time to time

DEFINITIONS

“Tendering and Bidding Law”	the law of the PRC on Tendering and Bidding (《中華人民共和國招標投標法》), which was promulgated by the Standing Committee of the National People’s Congress on 30 August 1999, and became effective on 1 January 2000
“Tongda”	天維通達(北京)數碼科技有限公司 (Tianwei Tongda (Beijing) Digital Technology Company Limited*), a company established in the PRC on 19 February 2013, and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“Track Record Period”	comprises the three financial years ended 31 December 2013
“TST (Beijing)”	時代華睿(北京)科技有限公司 (Times Sage (Beijing) Tech Company Limited*), a company established in the PRC on 28 October 2009, and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“TST (BVI)”	Times Sage Tech Ltd (時代華睿科技有限公司), a company incorporated in the BVI on 20 October 2009, and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“TST (HK)”	Times Sage Tech Limited (時代華睿科技有限公司), a company incorporated in Hong Kong on 3 November 2009, and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“TVL”	TV Logic Technology Limited (羅技視頻技術有限公司), a company incorporated in the BVI on 8 July 2009, and an indirect wholly-owned subsidiary of our Company as at the Latest Practicable Date
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United Kingdom” or “U.K.”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “U.S.”	the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“US\$” or “U.S. dollars”	the lawful currency of the United States
“VAT”	value-added tax
“ WHITE Application Form(s)”	the application form(s) for use by the public who require such Hong Kong Public Offer Shares to be issued in the applicants’ own names

DEFINITIONS

“**YELLOW** Application Form(s)” the application form(s) for use by the public who require such Hong Kong Public Offer Shares to be deposited directly in CCASS

“%” per cent

Any discrepancies in any table or chart between the total shown and the sum of amounts listed are due to rounding.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese which are marked with “*” and the Chinese translation of company names in English which are marked with “*” is for identification purpose only.

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain terms used in this prospectus in connection with our Group and our business. Some of these may not correspond to standard industry definitions.

“3G/4G”	3G is the abbreviation of the 3rd generation mobile communication technology. It refers to the cellular mobile communication technology supporting high-speed data transmission. 3G service is able to transmit audio and data information simultaneously at the speed of over several hundred kbps. 3G refers to the new generation of mobile communication system integrating wireless communication with the multi-media communication including the internet. There are four existing 3G standards: CDMA2000, WCDMA, TD-SCDMA and WiMAX. 4G is the abbreviation of the 4th generation mobile communication and its technology. It is the technological product integrating 3G and WLAN into one unity and capable of transmitting high quality video image comparable to the high definition television. The 4G system can download at a speed of 100Mbps, which is 2000 times faster than connecting to the network by dial numbers. Its upload speed can also reach up to 20Mbps. It is capable of satisfying the requirements of nearly all users for wireless services. Furthermore, 4G can be deployed at the area not covered by the DSL and cable television modem, and then extend to the entire area
“All-Media”	the delivery of various formats of media content such as text, images, audio and video through the integration of a variety of media platforms such as radio and television broadcast, internet, telecom, cable and satellite communications. All-Media encompasses the integration of various forms of media services including radio and television broadcast, IPTV, internet video (also known as over-the-top, or OTT, video), mobile video, electronic newspaper and magazines and traditional print media. This type of integration is also known as “Digital Convergence”
“All-Media application solutions”	turnkey solutions, including system engineering design, provision of equipment adopted in the system, system integration and after-sales services, that facilitate content production, broadcast and transmission
“All-Media content”	the various types of content that can be delivered through All-Media
“All-Media industry”	the participants in the value chain of the All-Media business from capture and production of content all the way to final delivery of content to audience members through various media platforms
“Android”	an operating system developed and maintained by Google Inc. used in touchscreen technology, including smartphones and tablets
“broadcast-grade”	a level of quality that is suitable for use in commercial broadcast applications

GLOSSARY OF TECHNICAL TERMS

- “CDMA” code division multiple access is a wireless communications technology that allows all subscribers to simultaneously use all bands (1.2288 MHz) and does not need to consider signal collision problems as for one user, signals of all other users are regarded as noise signals. WCDMA (Wideband CDMA) is an important basic technology of IMT-2000 as well as a 3G standard. Based on code division (frequency expansion) and multiple access technologies, CDMA system assigns each user with unique address code, while different address codes are quasi-orthogonal to each other, so they can overlap in time, space and frequency. Data to be transmitted is modulated by a pseudo-random code with bandwidth much greater than the signal bandwidth of the data, to expand the signal bandwidth of the original data; reverse operations are performed at the receiving end, i.e. cancelling bandwidth expansion, thereby boosting the system’s anti-interference capability
- “CMMB” China Mobile Multimedia Broadcasting is the first system independently developed by China for mobile phones, laptops and other mobile terminals. It specifies the usage of the S-band to realise aerial/terrestrial integrated coverage and national roaming and supports 25 sets of TV programmes and 30 sets of radio programmes. On October 24, 2006, SARFT officially promulgated standards for China’s mobile television and multimedia broadcasting industry (commonly known as mobile TV), and specified to adopt the CMMB standard independently developed by China as the industry standard. The CMMB standard is applicable to broadcasting services within the frequency range of 30–3000 MHz and can realise national roaming via the multimedia signal broadcast systems employing satellite and/or terrestrial radio for the transmission of TV, radio and data information
- “COFDM” coded orthogonal frequency division multiplexing is a technology of distributing high-speed data streams to sub-channels with lower transmission rates for transmission via serial-to-parallel conversion. It is considered as the most advanced and most promising modulation technology in the world
- “compression system” compression system is mainly used to the signal compression and encoding of the playout television channel, so as to enable transmission on various playout networks, which is extensively used on various types of playout platforms. It includes the television station playout compression platform, the backbone network signal compression platform, the DTH (direct broadcast satellite television), the DTT (digital terrestrial television) and the cable television broadcasting front-end, the IPTV front-end, the OTT and the network television station. It is a key sub-system of the system of transmitting back the news, code stream surveillance system and other distribution platforms for commercial signals

GLOSSARY OF TECHNICAL TERMS

“digital terrestrial television broadcasting system”	digital terrestrial television broadcasting system is similar to the analogue television applying the television technology of using the terrestrial wireless frequency to transmit signals. However, it differs from the analogue television technology that it makes use of the multi-channel television frequency multiplexing transmitter capable of transmitting several television station channels simultaneously in a single frequency range (for instance, as UHF or VHF channel). It can also be applied to the mobile reception modes to enable the audience to use the mobile (carried in the car or mounted on top of the car) or portable reception equipment to view the broadcast. The digital terrestrial television broadcast technology has various existing standards including DTMB (digital terrestrial multi-media broadcast — China’s format), CMMB (China Mobile multimedia broadcasting)
“DTH”	direct to home, that is, satellite direct broadcast refers to the technology of receiving the television signal transmitted by satellite terrestrial station by the synchronised satellite over the equator for subsequent re-transmission to the specified region on earth in order to be received by the terrestrial reception equipment for viewing via the television set
“DTMB”	digital terrestrial multi-media broadcast, is the format formulated by the PRC related to digital television and mobile digital broadcast. The format will provide service for 50% of the television audience in the PRC, particularly in the country side and rural districts. DTMB is currently adopted by the PRC, Hong Kong, Macau and Malaysia. In addition, various Asian and African nations also plan to use or change to use this digital frequency broadcast instead
“DTT”	digital terrestrial television refers to the new generation television technology of applying the digital encoding technology to the television programme gathering, recording, playout, transmission, and reception. It is mainly for the sub-urban and the village areas without network coverage, and the mobile terminal such as the vehicle-carried digital television user and mobile phone
“editing system”	editing system comprising the recording and playing equipment, the editing machine and the audio signal synthesising equipment, is used for in-depth processing of editing, trimming, dubbing and synthesising the programme signal. In terms of production methods, the editing system can be divided into the traditional linear editing system, the non-linear editing system and the new linear editing system. In terms of business means, it can be divided into news editing and non-news editing

GLOSSARY OF TECHNICAL TERMS

“EFP”	the function of electronic field production system (EFP) is similar to the OB Truck. It is mainly used in the outside television programme rebroadcasting of sports events, variety shows as well as current and political affairs. However, it has the more outstanding characteristics of convenient mobility than the OB Truck. It has the television rebroadcasting system installed in the “freight case” protected by shock absorbing device. It can be delivered to the scene rapidly by various means of transport including car, train and airplane for rebroadcasting purpose. It relies less on the transportation environment such as the road. The specially designed box structure of the “freight case” and the highly integrated wiring enable fast system connection and fast set-up of rebroadcasting environment upon arrival at the site. The system mainly comprises the multi-channel HD video camera, the medium digital switcher and the integrated router, the medium digital audio mixing console and mixing system, the freely configurable video wall system, the video recorder, the hard disc based video play-out server, the character generator and channel branding system, and the large Intercom System
“ENG”	electronic news gathering system (ENG) is used for the single television broadcast reporter to have the outside gathering filmed and edited, followed by signal transmission. Incorporating mainly the camcorder, the laptop editing system, and the portable micro-transmission equipment, it is mainly used for the programme production of news gathering, specific topic report and such like
“GHz”	a unit for AC or electromagnetic wave frequency, equaling to 1,000,000,000 Hz. GHz is the unit for UHF and microwave signal frequencies. The wavelength for electromagnetic signal with a frequency of 1 GHz is 300 mm, while that for electromagnetic signal with a frequency of 100 GHz is 3 mm, about 1/8 inch. Frequencies used in some radios can be over several hundred GHz
“GPRS”	general packet radio service is a mobile data service available for GSM subscribers. GPRS is an extension of GSM. Unlike previous continuous channel transmission methods, GPRS transmits signals by packet, so tariffs borne by a subscriber can be billed in accordance with the size of information transmitted instead of the use of the entire channel. The transmission rate of GPRS can be up to 56–114 Kbps
“GSM”	global system for mobile communications is a cellular radio communications system proposed by the European Telecommunications Standards Institute and later became a global standard. It consists of GSM, DCS1800 and PCS1900
“HD”	high-definition
“IBC”	international broadcast centre

GLOSSARY OF TECHNICAL TERMS

“intercom system”	intercom system is the internal communication system used in the playout organisation exclusively for information communication, to satisfy the conversation needs of all departments and personnel in the television programme production, playout and transmission flow, to achieve mutual contact and communication among various production units of the media organisation, the parties using the relevant technology and those using other functions to fulfil the on-going duplex conversation contact among various systems in the media centre, the various classes of personnel in the system, and between the media centre system and the external remote television production system. The intercom system meets both the needs for the daily communication and the urgent coordination of various departments or working personnel on various posts in case of emergency, to enable flexible control and management according to the work flow
“iOS”	a mobile operating system developed and maintained by Apple Inc. used exclusively in Apple touchscreen technology, including iPhones, iPods, and iPads
“IP”	internet protocol, the protocol used for communicating data across a network
“IP video”	video that is transmitted using IP networks
“IPTV”	internet protocol television is a system through which television services are delivered using broadband networks, instead of being delivered through traditional terrestrial, satellite signal, and cable television formats. IPTV is distributed by a service provider and can be free or fee-based and can deliver either live TV or stored video on demand
“Kbps”	kilo bits per second
“master control system”	as the core of the system of the media centre, the master control system is used for the signal, exchange and distribution in and out of the media centre and among the sub-systems in the system. It usually comprises the audio-visual integrated router, the signal detection, video recording surveillance system, the control and monitoring system, the signal switching system, the global clock and synchronous signal release system. It is the internal signal control centre of the media centre, quality testing centre, format switching centre and common signals release centre
“media asset management system”	media asset management system is the internal media resources storage and management system of the media centre, and mainly takes charge of the classifying, cataloguing, inquiring, retrieving, filing and storing functions in respect of the signal resources filed

GLOSSARY OF TECHNICAL TERMS

“Mobile news gathering system”	mobile news gathering system, by virtue of the advanced and reliable 3G/4G multi-link bonding transmission technology, provides the brand new direct broadcast approach on the scene, which is suitable for the direct broadcast of news and sports events with the higher requirement for timeliness, coupled with the advantages of mobile and flexible operation by one reporter. Incorporating mainly the front-end 3G/4G stand-alone transmission equipment, the camcorder and the rear-end reception equipment operated by one reporter, this system can supplement or replace the transmission means of traditional satellite and microwave direct broadcasting
“Multi-channel automatic playout system”	multi-channel automatic broadcast playout system is the terminal of the internal signal editing and production flow of the media centre. Comprising the hard disc based video play-out server, the playout switcher, the emergency switching equipment, the inverter, the delayed playout equipment, it is used for the planned and on-going automatic playout of the television signal of the examined production
“multi-service transmission system”	multi-service transmission system refers to the system comprising the backbone network distribution and transmission, and playout signal cross-region coverage transmission system, the microwave trunk line network, the cable television network, and several sub-networks for distributing and transmitting the signal of IPTV network. It is used for the return transmission of news and the distribution system for network production and signal transmission. It can also be used for the distributing other commercial signals
“new media”	an all-encompassing term that includes all electronic communication formats ever since the emergence of major static text image formats for online communications
“OB Truck”	OB Truck (outside broadcasting truck), is mainly used in the outside television programme rebroadcasting of medium and large-scale sports events, variety shows, as well as current and political affairs. It is often referred to as the mobile studio. It is a television outside broadcast system set up in a selected transportation vehicle with special modifications. The system mainly comprises the multi-channel high definition video camera, the medium and large digital switcher and the integrated router, the medium and large audio mixing console and mixing system, the freely configurable video wall system, the video recorder, the hard disc based video play-out server, the character generator and channel branding system as well as the large intercom system
“OTT”	over-the-top refers to video services transmitted to TVs via public internet. In China, platforms offering OTT TV service must be provided by integrated service providers with licences while the content must be offered by radio and television broadcast agencies with internet content service licences
“remote transmission”	the integrated despatch platform for transmitting text and audio-visual content back to the television station or the website through satellite, microwave or cable network, for the purpose of post editing, production and playout of the programme

GLOSSARY OF TECHNICAL TERMS

“Satellite Communications system”	satellite communications system refers to the various classes of van-carried system for television stations, the large satellite rebroadcasting van-carried system of the telecommunication and mobile communication bureau, the satellite signal transmission van-carried system of the public security bureaus in various districts, the earth station system, and the systems of other commercial units, including the TVRO satellite signal reception system, the terrestrial station large-scale satellite transmission and reception system, the telecommunication stationery satellite antenna reception system and other commercial signal reception platforms
“satellite news gathering system” or “SNG”	satellite news gathering (SNG) systems are systems using mobile communications equipment for the purpose of worldwide newscasting. Mobile SNG systems are usually systems equipped with advanced, two-way audio and video transmitters and receivers, using dish antennas that can be aimed at geostationary satellites, and can range in size from portable backpack-size units to full-size vans and trucks
“Satellite news gathering van” or “SNG Van”	satellite news gathering vans are mainly for the remote transmission of the rapid production report on breaking news and in line with the programme signals realised by the OB Truck. New models of satellite news gathering vans usually comprise the Satcom system and the OB system simultaneously. The system consists of: the multi-channel video camera, the digital switcher and video mixing system, the audio mixing console and mixing system, the signal encoding and compression system, the modulation and amplification system, the satellite antenna and the satellite automatic location system
“SD”	standard-definition
“SDH”	synchronous digital hierarchy, refers to the global standards announced by the remote communication standardisation organisation of International Telecommunication Unit, which is applicable to the global standards of optical fibre, microwave and satellite transmission
“signal monitoring system”	signal monitoring system refers to the audio-visual display system used exclusively in the playout organisation for examining the playout content. By means of the technological surveillance for the equipment, the signal, the software flow, the plant environment and information safety, it helps the working personnel to make fast response to the playout situation of various productions, and can also be expanded to become a full surveillance platform for the entire station. The surveillance system can monitor the operating conditions of all equipment, record the operating parameters of all equipment, and make prompt alarm, coupled with support for handling the screen picture in case of irregular equipment parameters. The methods of making alarm include the multi-media alarm of sound and light effects on the scene, the network user alarm, the verbal phone alarm, and the SMS alarm via the mobile phone

GLOSSARY OF TECHNICAL TERMS

“studio system”	studio system refers to the system of daily programme signal production system of the media centre. It comprises the multi-channel HD video camera, the medium and large digital switcher and the integrated router, the medium and large digital audio mixing console and mixing system, the video wall system, the video recorder, the hard disc based video play-out server, the character generator and the large-scale Intercom System. In terms of functions, it can be divided into news, interviews, variety shows and virtual types
“TVRO”	television receive only is a method of only trying to receive and demodulate TV signals but not sending them. The reception method can be via optical fibre, terrestrial microwave, satellite and others
“UHF”	ultra high frequency, that is, electromagnetic wave with a frequency of 300 MHz to 3 GHz, and wavelength ranging from 10 cm to 1 m. UHF is used for short-distance communication. Small and short antennas can be used for receiving/transmitting UHF signals, so UHF is fit for mobile communications
“VHF”	very high frequency, that is, electromagnetic wave with a frequency of 30–300 MHz. Radio waves with a frequency lower than VHF are called High Frequency (HF) and higher than VHF are called Ultra High Frequency (UHF). VHF is mostly used for radio and television broadcasting and communication in aviation and maritime fields. In addition, VHF is mainly for relatively short-distance transmission. Unlike HF, the ionospheric layer does not reflect VHF signals, while VHF signals are vulnerable to environmental factors (such as topography)
“WAP”	wireless application protocol is a global network communications protocol. WAP defines a common platform and converts information on the internet written in HTML language to information described by WML (Wireless Markup Language), so as to display such information on mobile phones. WAP can be widely used in GSM, CDMA, TDMA and other 3G standards
“wireless transmission system”	wireless transmission system refers to (a) the microwave transmission system, that is, the various classes of television station video camera microwave transmission systems, the video camera microwave transmission systems of the telecommunication and mobile communication bureau, the video camera microwave transmission systems of the public security bureaus in various districts, the video camera microwave transmission system for use in line with the satellite system and the rebroadcasting system; and (b) the microwave transmission backbone network system, that is, the transmission routing among transmitting stations and television stations, the SDH microwave backbone network transmission, and the backbone network transmission adapting system
“WLAN”	wireless local area networks is a convenient data transmission system that employs the RF (Radio Frequency) technology to replace LANs (Local Area Networks) formed by coaxial cables, so that WLAN can be accessed at any time using simple access architecture

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our Company’s management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects and the performance of our sales;
- future developments, trends and conditions in the industry, in China and in the specific markets in which we sell our products and services;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory and operating conditions in the industry, in China and in the specific markets in which we sell our products and services;
- inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices;
- various business opportunities that we may pursue;
- our ability to reduce costs;
- our capital expenditures and expansion plans;
- our ability to identify and successfully take advantage of new business development opportunities;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- the risk factors discussed in this prospectus in the section headed “Risk Factors” as well as other factors beyond our control; and
- certain statements in the section headed “Financial Information” in this prospectus with respect to trend in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

FORWARD-LOOKING STATEMENTS

Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

You should carefully consider all of the information set out in this prospectus before making an investment in the Offer Shares, including the risks and uncertainties described below. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and that a substantial portion of our operations are conducted in China and are governed by a legal and regulatory environment that in some respects differs from those that prevail in other countries. Our business, financial condition or results of operations could be affected materially and adversely by any of these risks.

RISKS RELATED TO OUR BUSINESS

Our success is dependent upon hiring and retaining qualified personnel and there may be a material adverse impact on us if we are unable to secure qualified personnel for our operations

Our future performance depends to a significant extent on the continued service of our key management and technical staff. Details of our current management team, including their relevant areas of expertise, are set forth in the section headed “Directors, Senior Management and Employees” in this prospectus. We do not maintain insurance for losses caused by business disruption due to the discontinuation of service of our key management and technical staff. If a significant number of members of senior management or technical staff cease to serve us in the future or fail to perform their duties as expected, or we are unable to recruit and retain a sufficient number of senior management or technical staff, our financial condition and results of operations may be materially and adversely affected.

Accordingly, our success depends upon our ability to continue to attract, retain and motivate such personnel. We may have to offer increased salaries, incentive packages and training opportunities to attract and retain sufficient skilled staff to sustain our operations and our growth, which may increase our costs and reduce our profit margins. We cannot assure you that we will continue to be able to attract and retain a sufficient number of skilled staff for our existing and planned business operations. In the event that we cannot attract and retain a sufficient number of skilled staff for our existing and planned business operations, or at all, our business operations and financial performance may be materially and adversely affected.

We rely on sales to our major customers

For each of the three years ended 31 December 2011, 2012 and 2013, sales to our five largest customers accounted for approximately 44.0%, 50.3% and 54.9% of our total revenue, respectively. Among these customers, our largest customer accounted for approximately 18.4%, 34.0% and 38.2% of our total revenue for each of the three years ended 31 December 2011, 2012 and 2013, respectively. Our five largest customers include television stations and host broadcasters of events. We expect that we would continue to rely on revenue derived from television stations and host broadcasters of events in the PRC. Our results of operations thus depend on the business development plan and performance of such customers, which may be affected by factors including without limitation, the overall economic condition and government policies in the PRC. Any business downturn faced by such customers may in turn adversely affect our results of operations and profitability.

We do not have long-term contractual arrangements with such customers except with respect to the provision of system maintenance services. There is no assurance that our major customers will continue their business dealings with us or that the income generated from dealings with them will increase or be maintained in the future. Any cessation of, or substantial reduction in the volume of business with any of our major customers could adversely affect the financial performance or profitability and our prospects.

RISK FACTORS

Our future performance and reputation are dependent on our ability to continue developing new and improved application solutions, event broadcast services, broadcast and transmission equipment and other products and services

Our future growth depends upon our ability to develop and provide new and improved application solutions, event broadcast services, broadcast and transmission equipment and other products and services in line with technological advancements, which meet the evolving requirements of our customers and our ability to bring them to market in a timely manner. The research and development of new and improved application solutions, services, and products is a complex process requiring, among other factors, the accurate anticipation of the technological and market trends. New application, or refinements and improvements of existing application solutions, services, products, may have technical failures, which could cause delays in their introduction. Such application solutions, services, and products may have higher costs than we originally expect and such costs may not be accepted by our customers. Any failure of our application solutions, services, and products could have a material adverse effect on our financial performance and our reputation. There is also no assurance that any research and development efforts undertaken or to be undertaken by us would result in the successful development of any new or improved application solutions, services, or products or that any of such new or improved application solutions, services or products will meet market requirements and achieve market acceptance. Any failure in our research and development efforts to materialise could have an adverse impact on the business and prospects of our Group.

We receive payments from our customers by instalments, and any delay in payments from our customers may affect our working capital and cash flow

The payment terms of a project are generally decided by the customers and, if applicable, set out in the tender notice. The contract price for the project contract is generally due and payable by instalments at various stages with reference to various milestone dates in the course of the project such as signing of project contract, completion of inspection of equipment delivered to our customers' sites, completion of final inspection, etc. For details, please refer to the section headed "Business — Sales and Marketing — Payment terms" in this prospectus. As a result, we are required to pre-pay certain costs and expenses relating to projects prior to receiving full payment from our customers to cover such costs and expenses.

Delays in receiving payments from or non-payment by our customers may adversely affect our cash flow position and our ability to meet our working capital requirements. In addition, defaults in making payments to us on projects for which we have already incurred significant costs and expenditures can materially and adversely affect our results of operations and reduce our financial resources that would otherwise be available for other projects. We cannot assure you that our customers will make payment in full to us on a timely basis or that we will be able to efficiently manage the level of bad debt arising from receipt of payments in stages.

We may not be able to adequately protect our intellectual property rights and technological know-how, which could weaken our competitive position and affect our operations

Our success is attributable to the technologies, know-how and other intellectual property rights that we have developed. Infringement of intellectual property rights by other enterprises or individuals occurs frequently in the PRC. Although we rely upon certain confidentiality policies, non-disclosure and other contractual arrangements and relevant laws and regulations to protect our intellectual property rights, there can be no assurance that the steps that we take in this regard are adequate and sufficient to prevent or deter infringement or other misappropriation of our intellectual property rights. We may not be able to detect unauthorised use or take appropriate and timely steps to enforce our intellectual property rights. Any significant infringement of our confidential information and the proprietary technologies and processes used in our business could weaken our competitive position and have an adverse effect on our operations.

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In addition, we may need to defend our intellectual property rights in legal proceedings. If we do not succeed in these proceedings, we could lose our proprietary rights over our intellectual property rights. Also, defending claims may be costly and time-consuming and would divert the efforts of our management and technical personnel.

We rely on a limited number of suppliers for certain components and equipment

We rely on a limited number of suppliers to supply us with certain components and equipment for our application solutions. For each of the three years ended 31 December 2011, 2012 and 2013, purchases from our five largest suppliers accounted for approximately 46.4%, 39.3% and 26.7% of our total purchases, respectively, while purchases from our largest supplier accounted for approximately 21.6%, 19.7% and 8.8% of our total purchases, respectively. We have entered into various distribution agreements with them, some of which are exclusive, but the agreements in general do not set out any minimum amount of goods that they have to sell to us upon our request, and the price of goods sold by our suppliers is not fixed and is to be determined each time we place a purchase order to them. Our dependence on a limited group of suppliers exposes us to a number of risks, including the following:

- (i) our suppliers may fail to meet their production deadlines, maintain our quality standards or comply with our product specifications;
- (ii) our suppliers may experience transportation delays and interruptions when transporting the products to us;
- (iii) should our procurement arrangement with any core suppliers be interrupted or terminated, we may not be able to locate alternative sources of supply on a timely basis or on satisfactory terms and it may take significant time to redesign our application solutions or other services to accommodate components from different suppliers;
- (iv) should our suppliers experience any unforeseen circumstances which may require us to seek alternative suppliers, we may experience increased costs, disruptions in supply and reduced sales; and
- (v) there is no assurance that our suppliers will prioritise our order requests.

Any of the above factors could have a material adverse impact on our results of operations and financial condition.

The nature of our income is generally project based and derived from project contracts with fixed price, and we may not be awarded project contracts in fierce competitive tendering

Most of our revenue is project based. Under the relevant laws and regulations of the PRC, centralised procurement by government departments, institutions and public organisations, including state-owned broadcasters, should generally be conducted through public or invited tendering processes. There is no guarantee that our bids will be successful and lead to awards of project contracts to us. Consequently, there is no guarantee that we will be able to continue to secure new customers or that our customers will continue to engage us to provide products or services to them in the future.

Also, we need to estimate the project duration and costs in order to determine the pricing of our bids. During the Track Record Period, most of our Group's revenue was derived from project contracts with fixed prices. Under these contracts, we execute our projects or perform our services at a fixed price and, as a result, we may be unable to recover any cost overruns absent an agreement with the customer to amend the relevant project contract to respond to the change of circumstances. We generally are unable to pass on any increase in equipment costs to our customers if our Group experiences an unexpected increase in equipment cost during the period from signing of a project contract to placing

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the relevant purchase orders to our suppliers for the relevant equipment. The actual costs may differ from our estimates due to unanticipated technical problems which may require us to incur additional costs we cannot recoup, failure to properly estimate the repair or maintenance requirements of our customers and other unforeseeable reasons. In addition, implementations of these projects are subject to various factors such as cost of supplies, transportation delays, disruption of supply and increase in labour cost. Some of these factors may be beyond the control of us and our customers. These unforeseen factors which we are exposed to may affect the smooth implementation of these projects within the fixed budget and time frame which would cause cost overruns and penalties. Such factors could, in turn, have an adverse effect on our financial position. If our cost estimates for a contract fail to account for any unforeseen futures, or if we do not execute the contract within our cost estimates, our gross profit may be reduced and our results of operation would be adversely affected.

Moreover, the scale of our projects may vary significantly. The significant variation in the scale of the projects that we can secure may affect our allocation of resources and business performance and there is no assurance that we can secure large scale projects or that such fluctuation in the scale of our projects will not continue in the future.

Our business may be affected by changes in prices of necessary equipment

We purchase equipment, parts and components for our business from third-party suppliers. In general, we place purchase orders to our suppliers to procure the necessary equipment for a project after we have entered into the project contract, and the price of our purchases is generally not fixed and may fluctuate based on our distribution agreements with our suppliers in general. The fluctuation in the prices of such equipment, parts and components is subject to various factors beyond our control, such as the pricing policies of our suppliers and changes in economic conditions and governmental policies.

For each of the three years ended 31 December 2011, 2012 and 2013, our equipment costs amounted to approximately RMB316.1 million, RMB346.5 million and RMB370.1 million, respectively, representing approximately 91.0%, 88.9% and 85.0% of our cost of sales during the same periods. There is no assurance that there will not be any significant fluctuation in equipment costs in the future or that we will be able to transfer any incremental costs to our customers if such event happens. As a result, any increase in the prices of the equipment, parts and components used by us may materially and adversely affect our profitability and results of operations.

We are subject to credit risk

Our trade receivable (net of provision for impairment) amounted to RMB30.8 million, RMB32.3 million and RMB42.1 million as at 31 December 2011, 2012 and 2013, respectively. No specific credit terms are stipulated in our project contracts with customers generally. Given the substantial amount of our trade receivable, should the credit worthiness of our customers deteriorate or should a significant number of our customers fail to settle their trade receivable in full for any reason, we may incur impairment losses and our results of operations and financial position could be materially and adversely affected.

Our gross profit margin and growth in profit may not be sustainable in the future

For each of the three years ended 31 December 2011, 2012 and 2013, our overall gross profit margin was approximately 25.9%, 31.4% and 30.8%, respectively, while our profit for the year amounted to approximately RMB36.7 million, RMB63.8 million and RMB77.8 million, for the same periods.

As our profitability is dependent upon, among other factors, market competition, economic conditions of the PRC and market demands for our products and services, our ability to obtain orders and the terms thereof, and the cost of purchase of the products and other requisite components and

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equipment used for our provision of application solutions, event broadcast services, and other related services, there is no guarantee that we can maintain the gross profit margin as achieved during the Track Record Period. In this case, our operation results and financial conditions may be adversely affected.

In addition, our contracts with our customers are generally on a project basis. Any failure on our part to accurately project the time, labour and purchase costs required for a project or to complete a contract within the specified budget or time may result in costs overruns of such project and thereby affects our profit achievable from such project, in which case, our profitability may be adversely affected.

We record our revenues and profits on the basis of our best estimates at the relevant times, which are subject to inherent uncertainties and subsequent adjustments

In respect of our services rendered under our application solutions projects, we measure and recognise our revenues and profits attributable to such services by using the percentage-of-completion method, pursuant to which revenues and profits are recognised rateably over the life of a contract, based generally on the progress at the proportion of costs incurred to date to the estimated total costs expected to be incurred for the entire project. For details, please refer to the section headed “Financial Information — Critical Accounting Policies, Estimate and Judgments — 3. Revenue recognition — (b) application solutions services” in this prospectus. Revisions to estimated total costs are made when the relevant amounts can be reasonably estimated. Although we use our best efforts to estimate the progress towards completion of our projects under construction, the uncertainties inherent in the estimating process mean that actual costs may vary from estimates, which could result in adjustments to our revenues or profits in subsequent fiscal periods.

Our insurance policies do not cover all operating risks

Except for the property insurance for the properties, motor vehicle we owned, goods in transit while the equipment are on the way of delivery to our customers’ base, and insurance covering the equipment and personnel involved in the broadcasting as well as third-party liability insurance during the period of the event for our event broadcast services, we do not have any liability, disruption or litigation insurance coverage for our operations. We do not carry product liability or business liability insurance for our application solutions and other services. In the event that our customers suffer loss as a result of our defects in our application solution or services, we may need to pay compensation to our customers ourselves that is uncovered by any insurance.

Our application solutions, services and products may contain undetected flaws or defects. Our business and reputation may be affected by product liability claims, litigation, complaints or adverse publicity in relation to our application solutions and products

Our application solutions, services and products may contain latent defects or flaws. Any flaws or defects discovered in our application solutions or products could result in loss of revenue or delay in revenue recognition, damage to our reputation and our relationship with customers, loss of customers and increased service and warranty cost, any of which could adversely affect our business, operating results and financial condition. If our application solutions, services or products fail to perform as expected, or prove to be defective and cause interruption to our customers’ operation, we may be subject to claims for compensation and may incur significant legal costs regardless of the outcome of any claim of alleged defect.

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Systems failures, delays and other problems could harm our reputation and business, cause us to lose customers and expose us to liability

We may experience failure or interruption to our systems or services or other problems in connection with our operations as a result of various matters, including damage or interruption caused by fire, flood, power loss or power shortages; damage to or failure of our computer software or hardware or its infrastructure and connections; data processing errors by our systems; the loss or corruption of data; computer viruses or software defects; and security breaches or hackings. If we cannot adequately ensure the ability of our systems and services to perform at a consistently high level or if we otherwise consistently fail to meet customers' expectations, we may experience damage to our reputation; we may incur liabilities to customers under the contracts which we have in place with them; our operating expenses or capital expenditure may increase as a result of remedial action which we are required to take; and/or our customers may reduce their use of our services or seek an alternative service provider. These or any other consequences would adversely affect our revenues and results of operations.

There is no assurance that we will be able to successfully implement our business plans

Details of our business plans are set out in the section headed "Business — Our Strategies" in this prospectus. The successful implementation of our business plans depends on a number of factors which may or may not be within our control, including but not limited to the growth of the All-Media industry in the PRC, the budget allocated to technology upgrade or replacement by our customers, our ability to timely and effectively capture the opportunities associated with such growth, changes in customer credit policy, availability of funds to finance our strategic plan, market condition, our ability to manage our business growth strategically and cost effectively, our ability to enhance our research and development capabilities, competition and government policy. There is no assurance that our business plans will be successfully implemented as scheduled or at all. Any failure or delay in the implementation of our business plans may have a material and adverse effect on our profitability and prospects.

We may not be able to enjoy preferential tax treatments after Listing

During the Track Record Period, certain subsidiaries of our Company enjoyed some preferential tax treatments. For example, CSS (Beijing) and TST (Beijing) have obtained certificates for HNTE qualification since November 2009 and December 2010, respectively, and according to the applicable PRC laws and regulations enjoyed a preferential EIT rate of 15% during the Track Record Period. The current certificate of CSS (Beijing) and TST (Beijing) will expire in October 2015 and December 2016, respectively. For details, please refer to the section headed "Financial Information — Significant Factors Affecting our Results of Operations — Taxation" in this prospectus. If they fail to renew the certificates when they expire, the effective income tax rate of our PRC subsidiaries could increase significantly, and such increase in the income tax rate could have an adverse effect on our business, results of operations and financial condition. In addition, there can be no assurance as to when, if ever, such preferential tax treatments would be changed or become less favourable to us. If there is any revocation of or unfavourable change to the above preferential tax treatments currently enjoyed by us as a result of any change in the governmental policy or law in the PRC or otherwise, the tax payable by our Group may be materially increased which will have an adverse impact on the profitability and financial position of our Group.

Prior dividend distributions are not an indication of our future dividend policy

Our Company was incorporated in the Cayman Islands and no dividend has been paid or declared by our Company since incorporation. During the three years ended 31 December 2011, 2012 and 2013, our Group declared dividends of RMB30.4 million, RMB15.6 million and RMB60.0 million, respectively. The foregoing dividend distributions were to the shareholders of our Group companies prior to the Global Offering only. Historical dividend distributions are not indicative of our future

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distribution policy and we give no assurance that dividends of similar amounts or at similar rates will be paid in the future. Any future dividend declaration and distribution by our Company will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our constitutional documents and the Companies Law, including (where required) the approval of shareholders. In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiaries in the PRC. For further details of the dividend policy of our Company, please see “Financial Information — Dividend and dividend policy”.

We rely on sub-contractors to provide labour, materials and certain services to us

During the Track Record Period, we engaged sub-contractors to provide labour, materials and services necessary for completion of certain parts of the services undertaken by our Group under the project agreements as well as for the assembling process of our broadcast and transmission equipment. For details, please refer to the section headed “Business — Sub-contractors” in this prospectus.

We monitor the work of our sub-contractors, but we may not be able to control the quality and safety standards of the work done by such sub-contractors to the same extent as when the work is performed by our own employees. Any failure by the sub-contractors to meet our quality and safety standards may result in our liabilities to third parties and have a material adverse effect on our business, reputation, financial condition and results of operations. Moreover, if our sub-contractors cannot meet delivery deadlines or deliver services of unsatisfactory quality, our business, reputation and operations may be adversely affected. There is no assurance that the services our sub-contractors provide to us will always be able to meet the requirements of our customers. If any services they deliver cannot meet our customers’ required standards, we may not be able to meet our commitments to our customers, which may have an adverse impact on our business reputation. Any failure to retain our current sub-contractors or obtain replacement of more favourable terms or at all may have an adverse effect on our business and results of operations.

We may not be able to obtain adequate financing for our business in the future

We depend on cash generated from our operations as well as access to external financing to operate and expand our business during the Track Record Period. Our future funding requirements will depend, to a large extent, on our working capital requirements and the nature of our capital expenditures, our business performance, market conditions and other factors which are beyond the control and anticipation of our management. We will also need substantial capital expenditures to maintain and continuously upgrade and expand our facilities and design and development functions to keep pace with the competitive landscape and changing requirements in our industry.

Our ability to obtain financing through bank borrowings or debt or equity financing will depend on our financial condition and results of operations, the performance of our industry and political and economic conditions in China. There is no assurance that adequate funds can be obtained on acceptable terms, or at all. If capital is unavailable, we may be forced to curtail our expansion plans, which could result in an inability to successfully implement our business strategy.

RISKS RELATED TO THE INDUSTRIES IN WHICH WE OPERATE

Dependence on the All-Media industry, including television broadcasting industry

Our financial performance is dependent upon the continued growth of the All-Media industry, including television broadcasting industry, and the continued growth of the provision of content production, broadcasting and transmission application solutions, event broadcast services, and other services. There can be no assurance that growth of the industry will continue at current rates or at all.

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The overall PRC economy affects our revenues as capital expenditures and the demand for new application solutions, event broadcast services, and other services by our customers are likely to decrease in a slowing economy.

The PRC All-Media industry, including television broadcasting industry, is subject to rapid changes in technology

The All-Media industry, including the television broadcasting industry, together with the content production, broadcasting and transmission application solutions, event broadcast services, and other related services provision industry in the PRC, are characterised by rapidly changing technologies, evolving industry standards and continuing improvements. Accordingly, our future success will largely depend upon our continuing ability to adapt to customers' needs and technological developments in a timely manner. Should we be unable to develop and introduce new application solutions, event broadcast services, and other related services in a timely manner in anticipation of or in response to changing technologies, market conditions and/or customers' requirements, or if our new application solutions, event broadcast services, and other related services do not achieve market acceptance, our business, financial position and prospects may be materially damaged. There can be no assurance that we will be successful in using new technologies and adapting our products to emerging industry needs and standards, or that we will not experience difficulties which could delay or prevent the successful development or marketing of these application solutions, event broadcast services, and other related services, or that any such new application solutions, event broadcast services, and other related services will adequately meet the requirements of the market and receive market acceptance.

We may face significant competition in markets in which we operate, which could materially lower our profitability

Our market position depends upon our ability to anticipate and proactively deal with changes in economic and market conditions and evolving industry trends, as well as the following factors: introduction of new or superior products and services or more advanced technologies, adoption of more flexible pricing strategies by our competitors and changes in customers' needs and preferences. We cannot assure you that our current or potential competitors will not produce similar products or products of a better quality and/or provide similar or higher quality services at the same or lower prices than the prices at which our products and services are provided. Our competitors may also react more quickly to new or emerging technologies or changes in customer preferences. In addition, we may face greater than expected downward pricing pressure as a result of possible price competition by competitors seeking to stimulate demand in order to maintain or increase market share. Such competition could materially and adversely affect our results of operations and business prospects. Any adverse changes in our competitive environment could cause a reduction in the sales quantity or the sales price of our products, which would lower our profitability.

Any non-compliance with relevant anti-bribery and anti-corruption laws by our employees or parties who have a business relationship with us may materially and adversely affect our business operation.

Our industry is subject to anti-bribery and anti-corruption laws and regulations. In the PRC, where we operate the majority of our business and where most of our revenue is generated from state-owned enterprises, we must strictly comply with the PRC criminal laws and other applicable regulations, which prohibit companies and their intermediaries from making improper payments or other benefits to government officials or other parties for the purpose of obtaining or retaining business, including improperly influencing the results of tenders. While we have internal controls and procedures in place to monitor internal and external compliance with anti-corruption laws, regulations and policies, we cannot assure you that such internal controls and procedures will always protect us from penalties that may be imposed by PRC government authorities due to violations committed by our employees or other parties with whom we have a business relationship. If our employees or other parties are found or alleged to be

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in violation of anti-corruption regulations, we may face or be involved in fines, lawsuits, loss of permits and licences and loss of key personnel, as well as damage to our reputation, which could have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATED TO THE PRC

We are reliant on the PRC market and we may be adversely affected in the event of an economic downturn in the PRC

Most of our revenue was derived directly from sales to customers in the PRC during the Track Record Period. We anticipate that sales to customers based in the PRC will continue to represent the majority of our revenue. Any adverse change in the economic conditions in the PRC may directly or indirectly affect the demand for our products and services.

Changes in the PRC's economic, political and social conditions and government policies may have an adverse effect on us

Substantially all of our assets and operations are located in the PRC and most of our revenue is derived from the PRC. Accordingly, our business operations and prospects are subject, to a significant degree, to the economic, political and legal developments in the PRC. The PRC economy differs from the economies of most developed countries in a number of respects, including structure, degree of government involvement, level of development, control of capital investment, growth rate, control of foreign exchange and allocation of resources.

The PRC Government plays a significant role in regulating various industries by imposing industrial policies and continually adjusting economic reform measures. As such, we cannot assure that we may be able to benefit from all, or any, of the measures that are under continuous adjustments. In addition, we cannot predict whether changes in the political, economic and social conditions in the PRC or changes in the laws, regulations and policies promulgated by the PRC Government will have any adverse effect on our current or future business, financial condition and results of operations.

Any significant change in, or promulgation of, laws and regulations may increase our costs, and our failure to comply with any of these developments could result in legal liabilities for us

Our operations are subject to the PRC laws and regulations, which include, but are not limited to laws and regulations governing the All-Media industry, including television broadcasting industry in which we operate, foreign investment, labour and insurance matters, tax, levy, tariff, foreign exchange and environmental protection. Any significant change in the scope or application of these laws or regulations or any promulgation of new laws and regulations may increase our costs and profit margins (as the case may be) and have an adverse effect on our financial condition and results of operations. Any failure to comply with such laws and regulations could result in fines, suspension of operations, loss of any licences, penalties or lawsuits. In addition, there can be no assurance that the PRC government will not impose additional or stricter laws or regulations in the future, which could give rise to significant compliance costs that we may be unable to pass on to our customers, and that our business and results of operations will be adversely and materially affected if we fail to comply with such requirements.

The legal system of the PRC may not be fully developed, and there may be inherent uncertainties which may affect the protection afforded to our business and our Shareholders

Most of our business and operations are governed by the legal system of the PRC. The PRC legal system is based on written statutes and their interpretations by the Standing Committee of the National People's Congress. Prior court decisions may be used for reference but have limited precedential value. Since the late 1970s, the PRC government has promulgated laws and regulations that had the effect of

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enhancing the protections afforded to corporate organisations and their governance, as well as various forms of foreign investments in the PRC. However, with regards to the current Chinese legal system, there are still some grey areas which are not regulated in relevant statutes or other laws/regulations/rules. Thus, the PRC administrative and court authorities usually have significant discretion in interpreting the statutes, and deciding cases according to relevant statutes. Therefore, it is difficult to evaluate the outcome of administrative and court proceedings and the actual level of legal protection we enjoy. Further, we cannot predict the effect of future legal developments in the PRC, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-exemption of local regulations by national laws. We cannot therefore assure that we will enjoy the same level of legal protection in the future, nor such new laws and regulations will not affect our operations, causing adverse effects on our financial condition and results.

Government control of currency conversion and fluctuations in the exchange rate between RMB and other currencies could negatively affect our financial condition, operations and our ability to pay dividends

Substantially all of our revenue is denominated and settled in RMB. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE provided that certain procedural requirements are satisfied. However, approval from SAFE or its local counterpart is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. Since a significant amount of our future cash flow from operations will be denominated in RMB, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside China or fund our business activities that are conducted in foreign currencies.

Chinese government authorities have also imposed restrictions on the type of enterprises that can borrow foreign debt and the amount of foreign debt these enterprises could borrow. There are also restrictions on the conversion of the registered capital of a foreign invested enterprise from foreign exchange into RMB. Thus, these could also affect the ability of our subsidiaries in China to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from us.

The exchange rate of the RMB against the U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC Government and changes in the PRC's and international political and economic conditions. Any future exchange rate volatility relating to RMB may give rise to uncertainties in the value of our net assets, earnings and dividends.

An appreciation of RMB may result in increased competition from foreign competitors; a devaluation of RMB may adversely affect the value of our net assets, earnings and dividends in foreign currency terms. Moreover, to the extent that we need to convert the net proceeds from the Global Offering and future financing into the RMB for our operations, appreciation of the RMB against the relevant foreign currencies would have an adverse effect on the RMB amount we would receive from the conversion. On the other hand, because the dividends on the Shares, if any, will be paid in Hong Kong dollars, any devaluation of the RMB against the Hong Kong dollar could adversely affect the amount of any cash dividends on the Shares in Hong Kong dollar terms.

It may be difficult to effect service of process or to enforce foreign judgments in the PRC

A substantial amount of our assets are located in the PRC. Therefore, investors may encounter difficulties in effecting service of process from outside the PRC upon us or most of our Directors and officers. Moreover, it is understood that the enforcement of foreign judgments in the PRC is still subject

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to uncertainties. A judgment of a court from a foreign jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if the judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requisite requirements. However, the PRC does not have treaties with Japan, the United Kingdom, the United States and most other countries providing for the reciprocal enforcement of judgments. Also, Hong Kong has no arrangement for reciprocal enforcement of judgments with the United States, causing uncertainties in relation to the enforcement of foreign judgments.

We may be required to pay income tax on capital gains from the transfer of equity interests in our PRC subsidiaries

In connection with the EIT Law which came into effect on 1 January 2008, jointly issued by the Ministry of Finance and SAT on 30 April 2009, the Circular on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business (Cai Shui [2009] No. 59) (關於企業重組業務企業所得稅處理若干問題的通知(財稅[2009]59號)), became effective retrospectively on 1 January 2008. In preparation for the Global Offering, our Group commenced the Reorganisation. For more details of the Reorganisation, please refer to the section headed “History and Development — Reorganisation” in this prospectus. On 10 December 2009, the SAT issued the Notice on Strengthening the Management on Enterprise Income Tax for Non-resident Enterprises Equity Transfer (Guo Shui Han [2009] No. 698) (關於加強非居民企業股權轉讓所得企業所得稅管理的通知(國稅函[2009]698號)), which became effective retrospectively on 1 January 2008. The notice clarified the definition of cost of original investment of equity and other relevant details on EIT management regarding the share transfer of a PRC resident enterprise by non-PRC resident enterprises directly or indirectly. According to this notice, the indirect transfer of equity interests in certain PRC subsidiaries through transfer of the relevant offshore holding companies may be subject to an income tax of 10% on capital gains which may be determined as the difference between the fair value of the equity interests transferred and the cost of original investment of equity. We have not made any provision for the payment of any income tax on any capital gain that may arise under the above circular and notice as it is currently unclear how the relevant PRC tax authorities will implement or enforce the above circular and notice and whether such income tax on capital gains treatment will be subject to further change. In the event that we are required to pay the income tax on capital gains by the relevant PRC tax authorities, our tax liability may increase and our net profits and cash flow may be affected.

We may be deemed to be a PRC tax resident under the EIT Law and be subject to PRC taxation on our worldwide income

Under the EIT Law, enterprises established outside the PRC whose “de facto management bodies” are located in the PRC are considered “resident enterprises” and will generally be subject to a uniform 25% EIT on their worldwide income. Under the EIT Rules, “de facto management bodies” are defined as bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. Substantially all of our management is currently based in the PRC and may remain in the PRC. Therefore, we may be treated as a PRC resident enterprise for EIT purposes and thus be subject to EIT on our worldwide income. However, a PRC resident enterprise is exempt from dividend income received from the qualified PRC resident enterprises. The tax consequences of such treatment are currently unclear, as they will depend on the implementation regulations and how local tax authorities apply or enforce the EIT Law and the EIT Rules. Our business, financial condition and operating results may be materially and adversely affected if we are subject to PRC taxation on our worldwide income.

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Our foreign corporate Shareholders may be subject to income tax upon any gains from transfer of their shares

Under the EIT Law and EIT Rules, our foreign corporate Shareholders may be subject to a 10% income tax upon any gains realised from the transfer of their Shares and dividend distributable to such foreign corporate Shareholder, if such income is regarded as income from “sources within the PRC”. According to the EIT Rules, whether income generated from transferring equity investments is to be regarded as sources within the PRC or from foreign territory shall depend upon the locations in which the enterprises accepting the equity investment are located. However, it is unclear whether income received by our Shareholders will be deemed to be income from sources within the PRC and whether there will be any exemption or reduction in taxation for our foreign corporate Shareholders due to the promulgation of the EIT Law. If our foreign corporate Shareholders are required to pay PRC income tax on the transfers of the Shares that they hold, the value of our foreign corporate Shareholders’ investments in the Shares may be materially and adversely affected.

We rely on dividends paid by our PRC subsidiaries for our cash needs, and limitations on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our business, prospects, financial condition and results of operations

We are a holding company incorporated in the Cayman Islands and conduct substantially all of our operations through our PRC subsidiaries. We will rely on dividends paid by our PRC subsidiaries for our future cash needs that cannot be provided by equity issuance or borrowings outside of the PRC, including the funds necessary to pay dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses. Regulations in the PRC currently permit payment of dividends by a PRC subsidiary only out of accumulated profits as determined in accordance with the PRC generally accepted accounting principles. According to applicable PRC laws and regulations, our PRC subsidiaries are required to set aside at least 10% of its after-tax profit based on the PRC generally accepted accounting principles each year for its statutory reserves until the amount of such reserves reach 50% of its registered capital. These reserves are not distributable as dividends. Contributions to such reserves are made from our PRC subsidiary’s net profit after taxation. In addition, if our PRC subsidiaries incur debt in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. As a result, our PRC subsidiaries are restricted in their ability to transfer their net profit to us in the form of dividends. If our PRC subsidiaries cannot pay dividends due to government policy and regulations or contractual restrictions, or because they cannot generate the requisite cash flow, we may not be able to pay dividends, service our debt or pay our expenses, which may have a material adverse effect on our business, prospects, financial condition and results of operations.

PRC regulations relating to loans and direct investment by offshore holding companies in PRC entities may delay or prevent us from using the net proceeds of the Global Offering to contribute additional capital or make loans to our PRC subsidiaries

We are an offshore holding company conducting our operations in the PRC through our PRC subsidiaries. In utilising the net proceeds we expect to receive from the Global Offering for the purposes described in the section headed “Future Plans and Use of Proceeds” in this prospectus, we may make loans or additional capital contributions to our PRC subsidiaries.

Any loans to any of our PRC operating subsidiaries that are treated as a foreign invested enterprise under PRC law, are subject to PRC regulations and foreign exchange loan registrations. For example, such loans cannot exceed statutory limits and must be registered with SAFE or its local counterpart. We may also determine to finance our PRC subsidiaries by means of capital contributions. These capital contributions may need be approved by the MOFCOM or its local counterpart.

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We cannot assure you that we will be able to complete necessary government registrations or obtain necessary government approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the net proceeds from the Global Offering to capitalise or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Inflation in the PRC could materially and adversely affect our profitability and growth

While the PRC economy has experienced rapid growth, such growth has been uneven among various sectors of the economy and in different geographical areas of the country. Rapid economic growth can lead to growth in the money supply and rising inflation. If prices for our products rise at a rate that is insufficient to compensate for the rise in our costs, our business may be materially and adversely affected. In order to control inflation in the past, the PRC Government has imposed controls on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such an austerity policy can lead to a slowing of economic growth. A slowdown in the PRC economy could also materially and adversely affect our business and prospects.

RISKS RELATED TO THE GLOBAL OFFERING

There has been no prior public market for the Shares, and an active trading market may not develop after the Global Offering

Prior to the Global Offering, there has been no public market for the Shares. The Offer Price for the Shares will be determined by agreement between the Joint Bookrunners and us on the Price Determination Date. The Offer Price may not be indicative of the price at which the Shares will trade following the active trading market for the Shares, or if it exists, that it can be sustained following the completion of the Global Offering, or that the price at which the Shares will trade will not decline below the Offer Price.

The trading volume and share price of the Shares may fluctuate

The price and trading volume of the Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flow, announcements of new technologies, strategic alliances or acquisitions, safety accidents suffered by us, loss of key personnel, changes in ratings by financial analysts and credit rating agencies, litigation or fluctuations in the scale or margins of projects or market prices of our products could cause large and sudden changes in the volume and price at which the Shares will trade. We cannot assure that such development will not occur. In addition, the Stock Exchange and other securities markets have, from time to time, experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of the Shares.

We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to the PRC and any provinces, cities or regions thereof contained in this prospectus, the reliability of which cannot be assumed or assured

Certain facts and statistics in this prospectus relating to the PRC, its economy and the industries in which we operate within the PRC are derived from official government publications generally believed to be reliable. While we have taken reasonable care to reproduce such information, we cannot guarantee the quality or reliability of such materials. These facts and statistics have not been prepared or independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers or the Underwriters or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics, or materials prepared based on such facts and statistics, which may not be consistent with other information compiled within or outside the PRC and may not be

RISK FACTORS

complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other difficulties, the statistics presented in this prospectus may be inaccurate or may not be comparable from period to period or to statistics produced for other economics and should not be unduly relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

In all cases, investors should give consideration as to how much weight or importance they should place upon all such facts and statistics.

Forward looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains statements that are forward-looking and uses words typically used for forward-looking statements such as “will”, “expect”, “estimate”, “anticipate”, “plan”, “believe”, “may”, “intend”, “ought to”, “continue”, “project”, “should”, “seek”, “potential” and other similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Purchasers of the Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although we made these forward-looking statements after due and careful consideration we believe that the assumptions upon which the forward-looking statements are based are fair and reasonable, any or all of those assumptions could prove to be incorrect and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but not limited to, those identified in this “Risk Factors” section, many of which are not within our control. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by us that our plans and objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise.

Future issuances or sales, or perceived issuances or sales, of substantial amounts of the Shares in the public market could materially and adversely affect the prevailing market price of the Shares and our Company’s ability to raise capital in the future

The market price of the Shares could decline as a result of future sales of substantial amounts of the Shares or other securities relating to the Shares in the public market, including sales by our Controlling Shareholders, or the issuance of new Shares by our Company, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of the Shares could also materially and adversely affect our ability to raise capital in the future at a time and at a price favourable to us, and the Shareholders would experience dilution in their holdings upon issuance or sale of additional securities in the future. While we are not aware of any intentions of our existing Controlling Shareholders to dispose of significant amounts of their Shares upon expiry of the relevant lock-up periods, the details of which are set out in the section headed “Underwriting” in this prospectus, we are not in a position to give any assurances that they will not dispose of any Shares they own now or may own in the future.

Our Controlling Shareholders have the ability to exercise control over us, which allows them to influence our business in ways that may not be in the interests of other Shareholders

Immediately following the completion of the Global Offering and the Capitalisation Issue (but without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), our Controlling Shareholders will hold approximately 66.75% of our issued share capital. Accordingly, subject to the Articles of Association and applicable laws and regulations, our Controlling Shareholders will, through their voting rights and their influence over the board and the management, be able to influence our major policy decisions, including our overall strategic and investment decisions, dividend

RISK FACTORS

plans, issuances of securities and adjustments to our capital structure and other actions that may or may not require the approval of our Shareholders. As a result, our Controlling Shareholders will have the ability to exert significant influence over our actions and may have the ability to require us to effect corporate transactions irrespective of the desires of our other Shareholders.

The interests of our Controlling Shareholders may not always coincide with our or your best interests. If the interests of our Controlling Shareholders conflict with the interests of our other Shareholders, or if our Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of our other Shareholders, those other Shareholders, including you, may be disadvantaged as a result.

You may face difficulties in protecting your interests because we are incorporated under the laws of Cayman Islands, which law may provide different protection to minority shareholders than the laws of Hong Kong and other jurisdictions

Our corporate affairs are governed by our Memorandum of Association and Articles and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differs in some respects from those established under statutes and under judicial precedents in other jurisdictions. As a result, remedies available to the minority Shareholders of our Company may be different from those they would have enjoyed under the laws in other jurisdictions. See “Appendix III — Summary of the Constitution of our Company and the Cayman Islands Companies Law”.

The costs of options to be granted under the Share Option Scheme and the awards to be made under the Share Award Plan may negatively affect our results of operations and any exercise of the options granted will result in dilution to our Shareholders

We have adopted the Share Option Scheme pursuant to which we will in the future grant to, among others, our employees options to subscribe to Shares. Such options if granted and exercised in full will represent up to a maximum of 10% of our issued share capital immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised. We have also adopted the Share Award Plan pursuant to which we could in future make award(s) of Shares to, among others, our employees. The fair value of the options at the date of which they are granted and the fair value of the Shares at the date of which they are awarded, as the case may be, with reference to the valuer’s valuation will be charged as share-based compensation which may have a negative effect on our results of operations. Issuance of Shares for the purpose of satisfying any options granted under the Share Option Scheme will also increase the number of Shares in issue after such issuance, and thus will result in the dilution to the percentage of ownership of our Shareholders, the earnings per Share and the net asset value per Share. For details of the Share Option Scheme and the options to be granted thereunder, see “Appendix IV — Statutory and General Information — Other Information — 16. Share option scheme”. For details of the Share Award Plan, see “Appendix IV — Statutory and General Information — Other Information — 17. Share award plan”.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Miscellaneous) Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong (as amended) and the Listing Rules for the purposes of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offer. For applicants under the Hong Kong Public Offer, this prospectus and the Application Forms contain all the terms and conditions of the Hong Kong Public Offer.

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

See “Structure of the Global Offering” in this prospectus for details of the structure of the Global Offering, including its conditions, and see “How to Apply for Hong Kong Public Offer Shares” in this prospectus and in the relevant Application Forms for details of the procedures for applying for Hong Kong Public Offer Shares.

Neither the delivery of this prospectus nor any subscription made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it is correct as of any subsequent time.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offer, which is part of the Global Offering. For applicants under the Hong Kong Public Offer, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offer. See “Structure of the Global Offering” in this prospectus for details of the terms of the Global Offering.

The Listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters. The International Offer is managed by the Sole Global Coordinator. The International Underwriting Agreement is expected to be entered into on or about the Price Determination Date, subject to the agreement on the Offer Price between us and the Joint Bookrunners. If, for any reason, the Offer Price is not agreed upon amongst us and the Joint Bookrunners, the Global Offering will not proceed and will lapse. See “Underwriting” in this prospectus for details about the Underwriters and the underwriting arrangements.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

RESTRICTIONS ON OFFER OF SHARES

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. No person is authorised in connection with the Global Offering to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of their respective directors, agents, employees or advisors or any other person involved in the Global Offering.

Each person acquiring the Offer Shares will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exception therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including Shares which may fall to be issued upon the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme) on the Main Board.

Save as disclosed in this prospectus, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies (Miscellaneous) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

All Shares to be issued pursuant to the Global Offering and any Shares to be issued upon exercise of any option which may be granted under the Share Option Scheme will be registered on our Company's branch register of members to be maintained in Hong Kong by the Hong Kong Share Registrar. Our Company's principal register of members will be maintained in the Cayman Islands. Only Shares registered on our Company's branch register of members maintained in Hong Kong may be traded on the Stock Exchange.

No stamp duty is payable by applicants in the Global Offering.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Dealings in the Shares registered in the branch register of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to Shareholders listed on the Hong Kong branch register of our Company, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder, or if joint Shareholders, to the first-named therein in accordance with the Articles.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares (in issue and to be issued pursuant to the Global Offering) on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stock brokers or other professional advisors for details of the settlement arrangements that may affect their rights and interests. All necessary arrangements have been made for the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of holding and dealing in the Shares. None of our Group, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, or any of their respective directors, agents, employees or advisors or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of, dealing in, or exercising any rights in relation to, the Shares.

OVER-ALLOTMENT AND STABILISATION

See "Structure of the Global Offering" in this prospectus for details of the arrangement with respect to stabilisation and the Over-allotment Option.

COMMENCEMENT OF DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 7 July 2014, it is expected that dealings in the Shares on the Main Board of the Stock Exchange will commence at 9:00 a.m. on Monday, 7 July 2014. Shares will be traded in board lots of 2,000.

The stock code for the Shares is 1450.

Our Company will not issue any temporary documents of title.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROCEDURES FOR APPLICATION FOR SHARES

See “How to Apply for Hong Kong Public Offer Shares” in this prospectus and the relevant Applications Forms for the procedures for applying for the Offer Shares.

STRUCTURE OF THE GLOBAL OFFERING

See “Structure of the Global Offering” in this prospectus for details of the structure of the Global Offering, including its conditions.

ROUNDING

Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

WEBSITE

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

EXCHANGE RATE

In this prospectus, unless otherwise stated, certain amounts denominated in Hong Kong dollars have been translated into Renminbi at an exchange rate of HK\$1.00 = RMB0.79 for illustration purpose only. Such conversions shall not be construed as representations that amounts in Hong Kong dollars were or could have been or could be converted into Renminbi at such rates or any other exchange rates on such date or any other date.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Further information of our Directors is disclosed in the section headed “Directors, Senior Management and Employees” in this prospectus.

Executive Directors

Name	Residential Address	Nationality
Mr. Lo Chi Sum (盧志森)	Flat B, 2/F, Block 6 Peridot Court 9 Yu Chui Street Tuen Mun New Territories Hong Kong	Chinese
Mr. Leung Wing Fai (梁榮輝)	Flat 1913 Yau Lung House Choi Wan Estate Ngau Chi Wan Kowloon Hong Kong	Chinese
Mr. Zhou Jue (周珏)	1101, Building No.7 Guanghuili Chaoyang District Beijing the PRC	Chinese
Mr. Sun Qingjun (孫清君)	1107, Building No. 907 Zhongguancun Haidian District Beijing the PRC	Chinese
Mr. Huang He (黃河)	18C, Building No. 6 Chuangshiji Binhai Garden Nanshan District Shenzhen Guangdong Province the PRC	Chinese
Mr. Geng Liang (耿亮)	408, Building No. 4 Xibianmen Xili Xuanwu District Beijing the PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Independent non-executive Directors

Name	Residential Address	Nationality
Mr. Ma Guoli (馬國力)	Room 401, Unit 3 Building 1, Dinghui Dongli Haidian District Beijing the PRC	Chinese
Dr. Ng Chi Yeung, Simon (吳志揚)	Flat B, 14/F Park Mansions 27 Macdonnell Road Hong Kong	British
Mr. Hung Muk Ming (洪木明)	Flat B, 45/F Block 2, The Pinnacle 8 Wan Hang Road Tseung Kwan O New Territories Hong Kong	Chinese

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Global Coordinator and Sole Sponsor	CCB International Capital Limited 12/F., CCB Tower 3 Connaught Road Central Central Hong Kong
Joint Bookrunners and Joint Lead Managers	CCB International Capital Limited 12/F., CCB Tower 3 Connaught Road Central Central Hong Kong First Shanghai Securities Limited 19/F Wing On House 71 Des Voeux Road Central Hong Kong
Legal advisers to our Company	<i>as to Hong Kong law:</i> Chiu & Partners 40th Floor, Jardine House 1 Connaught Place Hong Kong Mr. George T.Y. Hui, Barrister-at-law New Chambers Room 1002 Dina House No. 11 Duddell Street Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

as to PRC law:

Commerce & Finance Law Offices
6th Floor, NCI Tower
A12 Jianguomenwai Avenue
Chaoyang District
Beijing 100022
the PRC

as to Cayman Islands law:

Conyers Dill & Pearman (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

**Legal advisers to the Sole Sponsor and
the Underwriters**

as to Hong Kong law:

Orrick, Herrington & Sutcliffe
43rd Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

as to PRC law:

Jingtian & Gongcheng
Suite 1202-1204, K.Wah Centre
1010 Huaihai Road (M)
Xuhui District
Shanghai 200031
the PRC

Auditor and Reporting Accountant

PricewaterhouseCoopers
Certified Public Accountants
22th Floor, Prince's Building
Central
Hong Kong

Receiving banks

Industrial and Commercial Bank of China (Asia) Limited
33rd Floor, ICBC Tower
3 Garden Road
Central
Hong Kong

Standard Chartered Bank (Hong Kong) Limited
15th Floor, Standard Chartered Tower
388 Kwun Tong Road
Hong Kong

Compliance Adviser

CCB International Capital Limited

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarters and principal place of business in the PRC	Building H8, Privy Council No. 10 Jiachuang Road Opto-Mechatronics Industrial Park Tongzhou District Beijing 101111 the PRC
Principal place of business in Hong Kong	Unit 901–902 9th Floor Tins Enterprises Centre 777 Lai Chi Kok Road Kowloon Hong Kong
Company's website	www.css-group.net <i>(information on or referred to on this website does not form part of this prospectus)</i>
Company secretary	Ngai Kit Fong (倪潔芳) FCIS, FCS(PE)
Authorised representatives	Leung Wing Fai (梁榮輝) Flat 1913 Yau Lung House Choi Wan Estate Ngau Chi Wan Kowloon Hong Kong Ngai Kit Fong (倪潔芳) Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Audit committee	Hung Muk Ming (洪木明) (<i>Chairman</i>) Ma Guoli (馬國力) Ng Chi Yeung, Simon (吳志揚)
Remuneration committee	Ng Chi Yeung, Simon (吳志揚) (<i>Chairman</i>) Ma Guoli (馬國力) Hung Muk Ming (洪木明) Lo Chi Sum (盧志森) Leung Wing Fai (梁榮輝)
Nomination committee	Lo Chi Sum (盧志森) (<i>Chairman</i>) Hung Muk Ming (洪木明) Ng Chi Yeung, Simon (吳志揚)

CORPORATE INFORMATION

Principal bankers

The Hongkong and Shanghai Banking Corporation Limited
Units 1201–06, Level 12, Tower 1
Kowloon Commerce Centre
51 Kwai Cheong Road
Kwai Chung, New Territories
Hong Kong

Industrial and Commercial Bank of China (Asia) Limited
33rd Floor, ICBC Tower
3 Garden Road
Central
Hong Kong

Nanyang Commercial Bank, Limited
2/F, 151 Des Voeux Road
Central
Hong Kong

Hong Kong branch share registrar and transfer office

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

Cayman Islands share registrar and transfer office

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

INDUSTRY OVERVIEW

This section contains certain information which is derived from official government publications and industry sources as well as a commissioned report from CCID, an Independent Third Party. The information extracted from the commissioned report from CCID reflects estimates of market conditions based on samples, and is prepared primarily as a market research tool. References to CCID should not be considered as the opinion of CCID as to the value of any security or the advisability of investing in our Group. Our Directors believe that the sources of information extracted from the commissioned report from CCID are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. Our Directors have confirmed that, after taking reasonable care, there is no adverse change in the market information since the date of the CCID Report, which may qualify, contradict or have an impact on the information as disclosed in this section. The information extracted from the commissioned report from CCID has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy. The information from official government publications may not be consistent with information available from other sources within or outside the PRC. Neither our Group, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, representatives or advisors, nor any other person involved in the Global Offering make any representation as to the accuracy, completeness or fairness of such information from official government publications.

REPORT COMMISSIONED FROM CCID

We commissioned CCID to conduct detailed market analysis of and provide a research report on the market of content production, broadcast and transmission-related application solutions, event broadcast services, system maintenance services, as well as equipment development and sales. CCID is a consulting firm based in the PRC and an Independent Third Party, which focuses on providing market research and consulting services for sectors including technology, energy, consumer and others. Certain information set forth in this section has been extracted from the industry report prepared by CCID. The industry report dated 24 June 2014 prepared by CCID (the “CCID Report”) is independent from our influence. CCID received a total commission of RMB400,000 for the research and preparation of the CCID Report. The payment of such amount was not conditional on our successful listing or on the research findings of the CCID Report. Except for this report, we did not commission any other customised research report in connection with the Listing or this prospectus.

RESEARCH METHODOLOGY

CCID’s independent research was undertaken through primary and secondary research obtained from various sources including but not limited to official statistics, reports and/or databases, independent research reports, annual reports of public companies, company website, interviews with market participants including customers, suppliers of content production and broadcasting application solutions and content transmission application solutions and related industry experts.

DATA VALIDATION, INTEGRITY ASSESSMENT AND PROJECTION

CCID used multiple secondary and primary sources to validate the data and information collected and would review each respondent’s information and views against those of others to ensure reliability and validity of the information and data. Specifically for ensuring forecasting accuracy, CCID adopted its standard practice of both quantitative as well as qualitative forecasting in terms of the market size, growth trends, etc, on the basis of a comprehensive and in-depth review of the market development history, and a cross check with established government/industry figures, trade interviews, and statistical analysis tools where possible. The data collected by CCID was last updated in May 2014 based upon data available up until then.

INDUSTRY OVERVIEW

BASES AND ASSUMPTIONS

The following principal bases and assumptions have been made in the preparation of the research report by CCID: (i) there will be no material changes in the existing macro-economy, government or industry policies; (ii) there will be no material changes in the legal, fiscal, market and the economic conditions in the PRC; and (iii) there will be no material changes in the industry in relation to its technologies, costs of raw materials, labour supply and its costs, and distribution channels and its costs.

GLOBAL ALL-MEDIA INDUSTRY

Overview

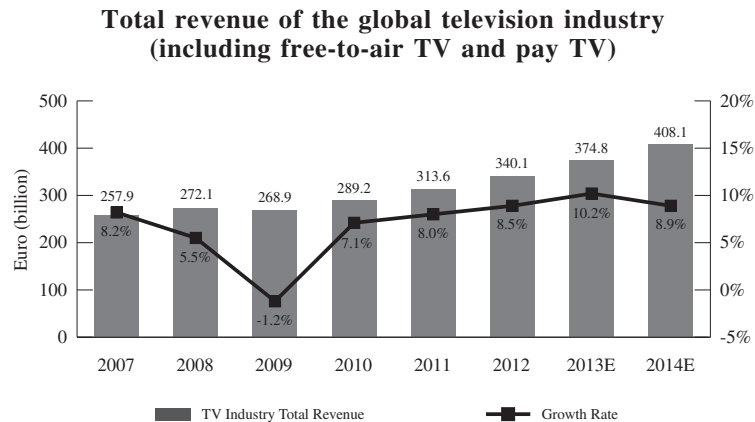
For the purposes of this prospectus, the term “All-Media” refers to the delivery of various formats of media content such as text, images, audio and video through the integration of a variety of media platforms such as radio and television broadcast, internet, telecom, cable and satellite communications. All-Media encompasses the integration of various forms of media services including radio and television broadcast, IPTV, internet video (also known as over-the-top, or OTT, video), mobile video, electronic newspaper and magazines and traditional print media. This type of integration is also known as “Digital Convergence”. The term “All-Media content” refers to the various types of content that can be delivered through All-Media and the term “All-Media industry” refers to the participants in the value chain of the All-Media business from capture and production of content all the way to final delivery of content to audience members through various media platforms.

According to the CCID Report, end-users of media are increasingly consuming media via a variety of platforms and devices, such as televisions, notebook computers, tablet computers and smart phones. Consequently, providers of All-Media content increasingly require content production, broadcast and transmission solutions with the versatility to deliver content to a variety of devices and screens of different technical specifications, anywhere and anytime. See “Business — Business Model” for a description of the typical workflow for the production and broadcast of All-Media content.

The CCID Report identifies the following major trends in the worldwide development of the All-Media industry: (1) The convergence of new media and traditional media will continue to accelerate, leading to changes in broadcast and internet business models, and the production and mass distribution of content will broaden beyond traditional broadcasters, to other players such as internet and IT companies, telecom operators and various cultural and entertainment institutions; and (2) the increasing roll-out of 4G technologies will further promote the growth of All-Media.

Broadcast Television Industry

According to the CCID Report, broadcast television remains the most popular form of media entertainment globally. According to the CCID Report, through 2016, global television industry revenues are expected to continue to grow with estimated per annum growth rates of approximately 2.9% with respect to revenues from pay TV subscription fees, approximately 21.2% with respect to advertising revenues and approximately 7.0% with respect to public subsidy and licencing revenues. The figure below illustrates the total revenue of the television industry globally:



Source: IDATE and CCID. The actual data for 2013 is not available at the time of this prospectus.

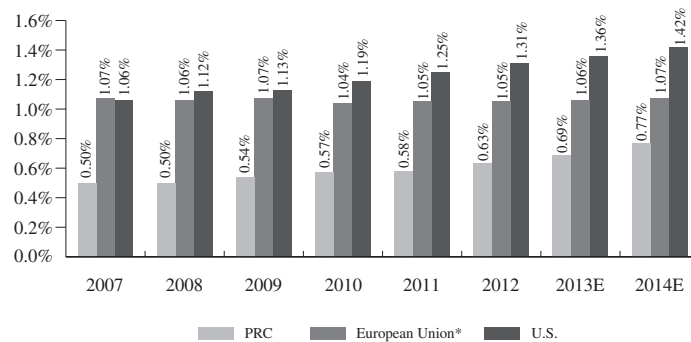
INDUSTRY OVERVIEW

PRC ALL-MEDIA INDUSTRY

Overview

According to the CCID Report, China's All-Media industry is in a stage of rapid development, with both traditional media and new media businesses investing significant amounts to broaden and upgrade their content offerings and distribution channels. Traditional media organisations such as radio and television station and newspapers are continually seeking to adopt new media technologies to improve their content production and distribution channels. Television stations are also rapidly migrating to HD broadcasting technology in line with government policies promoting HD migration. Online portals and video websites are also taking advantage of internet platforms to broaden their business models. Some of the leading domestic broadcasters at the national and provincial-level are already leading the way in China to broaden their content production and distribution channels to incorporate internet and mobile video offerings to supplement their traditional broadcast channels and form comprehensive All-Media platforms. While the All-Media industry is growing in China, according to the CCID Report, in 2012, total revenues from the All-Media industry in China represented only about 0.63% of China's GDP, compared to the United States and the European Union, where total revenues of their respective All-Media industries represented about 1.31% and 1.05% of their respective GDPs in the same year. According to the CCID Report, this indicates significant room for continued growth of the All-Media Industry in China. The figure below illustrates the total revenues from the All-Media industry as a percentage of GDP for the PRC, European Union and United States.

Total revenues from the All-Media industry as a percentage of GDP



* Excluding Croatia, which acceded to the European Union in 2013.

Source: IDATE and CCID. The actual data for 2013 is not available at the time of this prospectus.

Three-Networks Convergence

In 2010, China's State Council announced a decision to promote the acceleration of the convergence of the country's telecom, broadcast television and internet networks, which historically had separate non-competing businesses and run by several operators around China. This convergence concept, known as Three-Networks Convergence (三網融合), is intended to promote the growth of integrated platforms that can offer telecom, television and internet services all on a single network. Once Three-Networks Convergence is fully achieved, a consumer could obtain all of the communications services that the consumer needed by subscription from a single provider. Through Three-Networks Convergence, existing operators of telecom, broadcast television and internet networks would each be able to provide services that had once been clearly divided between the different types of networks, thus allowing these operators to compete against each other directly. For example, cable television operators and telecom operators historically provided non-overlapping services (television versus telephone) and thus did not compete with each other and effectively operated in separate markets in which each had monopolies. Consequently, as a result of Three-Networks Convergence, consumers will have greater choice among competing operators to subscribe for All-Media content. This trend will also stimulate greater investment in All-Media application solutions among competing operators to improve the quality of their offerings to attract consumers to their services.

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Furthermore, the competition generated by Three-Networks Convergence is expected to promote consolidation among smaller players. For example, as part of Three-Networks Convergence, China's central government has set goals encouraging a "one province, one network" integration in the cable television industry, which had historically been highly fragmented, as compared to the telecom industry. The goal of "one province, one network" integration is to cause smaller local networks to consolidate into larger provincial-level networks that have greater resources to become viable competitors against other operators in a post-convergence market. These provincial-level networks would have greater resources to accelerate investment in network upgrades (including digitalisation and migration to HD broadcasting), as well as new types of services for end users.

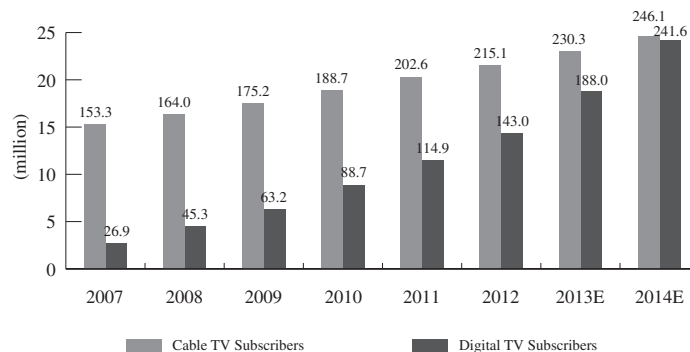
HD Migration

According to the CCID Report, HD migration is developing rapidly in the PRC. In 2009, SARFT approved the initial group of nine channels to broadcast in HD, and another seven channels began to broadcast in HD in September 2012. By the end of 2012, there were 25 HD channels in the PRC and according to the CCID Report, SARFT anticipates that there will be 100 HD channels in China by 2015. According to the CCID Report, compared with developed countries, the steps of China's HD development are still slow. By the end of 2012, there were 941 HD channels in Europe, including 299 HD channels in the United Kingdom and 108 HD channels in France. Japan announced in January 2013 that the country will begin to broadcast "4K television", also known as "UHDTV", which is a new super definition television standard with 3,840x2,160 resolution and will begin to test broadcast "8K television", also known as "Ultra-HDTV" with 7,680x4,320 resolution ratio, in 2016. This indicates a significant potential for continued growth in PRC's HD migration, and demand for new equipment and systems by broadcasters to support their HD migration activities.

Cable Television and the Next Generation Broadcasting Network

According to the CCID Report, Three-Networks Convergence and the consolidation and digitalisation of China's cable television industry have led to accelerated development in the cable television network. According to the CCID Report, the number of national cable television subscribers exceeded 200 million for the first time in 2011 with a year-on-year growth rate of approximately 7.4%. In the same year, the number of digital television subscribers exceeded 100 million for the first time with a year-on-year growth rate of approximately 29.5%. The number of the national cable television subscribers and digital television subscribers has achieved rapid growth. The figure below illustrates the growth of the number of subscribers of cable television and digital television in the PRC:

Subscribers of cable television and digital television in the PRC



Source: SARFT, State Statistics Bureau and CCID. The actual data for 2013 is not available at the time of this prospectus.

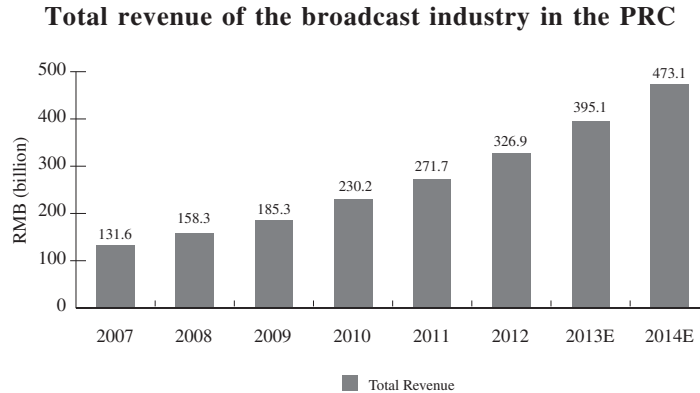
Further growth in the delivery of television and other video content is expected to continue to grow with China's promotion of the Next Generation Broadcasting Network (NGB). NGB is a government-funded initiative to bring HD, bidirectional and interactive video capabilities throughout China. Services to be offered by NGB include interactive television (video on demand, pay-per view), videophone, personal video recorder, streaming music and video, and broadcast television among existing services in today's telecom and internet markets. According to the CCID Report, NGB is currently being tested in several cities. Given the number of households in China, as NGB is built-out, significant investments in equipment and infrastructure will be needed. Furthermore, according to the

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CCID Report, in line with the Chinese government's promotion of consolidation in the All-Media industry, China is expected to form a national cable TV operator, which is expected to serve as the country's fourth broadband operator besides China Mobile, China Unicom and China Telecom.

PRC Broadcast Industry

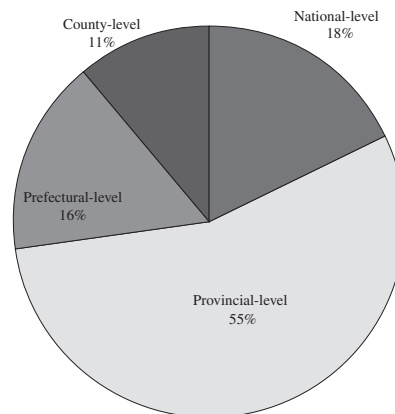
According to the CCID Report, favourable government policies, technological innovations and increased demand have led to growing revenues in the PRC broadcast industry. In 2012, gross revenues of the PRC broadcast industry were approximately RMB326.9 billion, which was a 20.3% increase from RMB271.7 billion in 2011. In each year since 2007, year-on-year growth of the PRC broadcasting market has exceeded 20%. The figure below illustrates the growing revenues in the PRC broadcast industry.



Source: SARFT, State Statistics Bureau and CCID. The data for 2013 is not available at the time of this prospectus.

Broadcasters in China can be divided between national-level (中央級), provincial-level (including provincial-level municipalities) (省級), prefectural-level (地市級) and county-level (縣級). According to the CCID Report, revenue is unevenly distributed among broadcasters in the PRC. National-level and provincial-level broadcasters are few in number, but tend to have larger revenue, whereas there are many local broadcasters at the prefectural-level and the county-level, yet these broadcasters tend to have lower revenue. The figure below illustrates the share of broadcast revenue among broadcaster types in 2012:

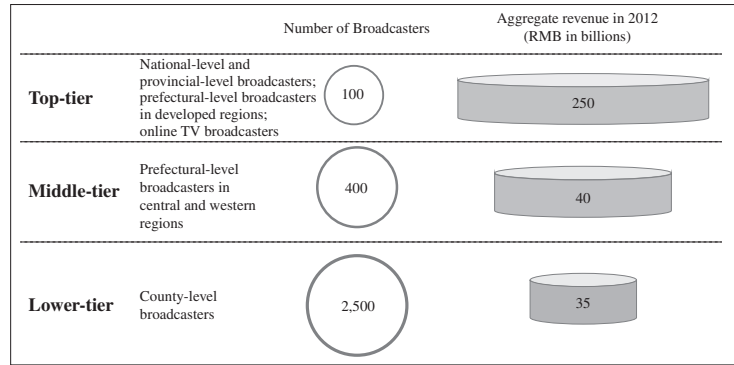
Share of revenue in the PRC broadcast industry (2012)



Source: SARFT and CCID. The data for 2013 is not available at the time of this prospectus.

Because of the uneven distribution of revenue, the different types of broadcasters can also be grouped as being top-tier, middle-tier and lower-tier in relation to their revenue. The top-tier broadcasters have higher revenue and tend to have larger audiences and better resources to apply to high-end equipment facilities and high-quality programming. On the other hand, the lower-tier broadcasters tend to have fewer revenue and customers. There is a trend that such local broadcasters will need to merge and consolidate to survive. The below figure illustrates the number of broadcasters and their aggregate revenue at different tiers of broadcasters in the PRC.

INDUSTRY OVERVIEW



Source: CCID. The data for 2013 is not available at the time of this prospectus.

CONTENT PRODUCTION, BROADCAST AND TRANSMISSION APPLICATION SOLUTIONS MARKET

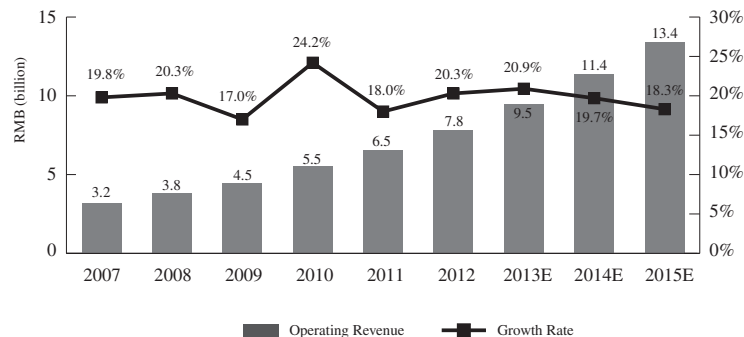
Overview

Content production, broadcasting and transmission application solutions (“application solutions”) refers to hardware and software solutions to facilitate the content production, broadcasting and transmission activities of customers in the All-Media industry, such as television and radio broadcasters and online content providers. These customers use such application systems to facilitate the different steps of their workflow. See “Business — Business Model”. The business of the provision of application solutions to these customers involves a number of steps by the application solutions provider, including design of the solution, sourcing the relevant equipment and components, delivery and installation. See “Business — Business Process”.

Market Analysis

According to the CCID Report, the market size for the provision of application solutions for the All-Media industry, in terms of operating revenue, has increased from approximately RMB3,159 million in 2007 to approximately RMB7,845 million in 2012. The figure below illustrates the market size for the provision of application solutions for the All-Media industry in China:

Operating revenue for the provision of application solutions for the All-Media industry in China



Source: CCID. The data for 2013 is not available at the time of this prospectus.

According to the CCID Report, the rapid advances of broadcast technologies and in technology for application solutions has increased the demand for professionals specialising in these technologies. Broadcasters in China usually have their own internal technical teams for their day to day operations. However due to their lack of time and resources to master the latest broadcast technologies, they have to rely on external professional providers such as our Group to provide advanced and cost efficient application solutions.

Barriers to Entry

According to the CCID Report, key barriers to entry into the application solutions market are the technical barrier, the project specific barrier and the reputation barrier.

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Technical Barrier

The application solutions and services for the All-Media industry require professionals with high technical skill. It requires in-depth understanding, expertise and the accumulation of long term practices concerning the characteristics and standards of different equipment in order to integrate the equipment produced by different manufacturers in the same production and broadcasting system and enable such equipment to fully utilise their functions. Furthermore, driven by Three-Networks Convergence, telecom operators and internet service providers are seeking to enter into the market, which requires the providers of application solutions for the All-Media industry to have a comprehensive understanding of the transmission technologies among different signal channels.

Project Specific Barrier

As application solutions need to be designed and implemented according to the specific requirements of a project, customers seeking suppliers for an application solutions project, generally seek suppliers who have completed projects in the past of similar nature, standards and specifications and who are able to customise and implement the application solutions efficiently. Suppliers who have experience in a broad range of projects are more likely to have personnel with relevant project specific experience that is applicable to any particular customer's needs. Consequently, experienced suppliers with a broad customer base and experienced personnel are likely to enjoy an advantage over new market entrants and existing suppliers of smaller scale.

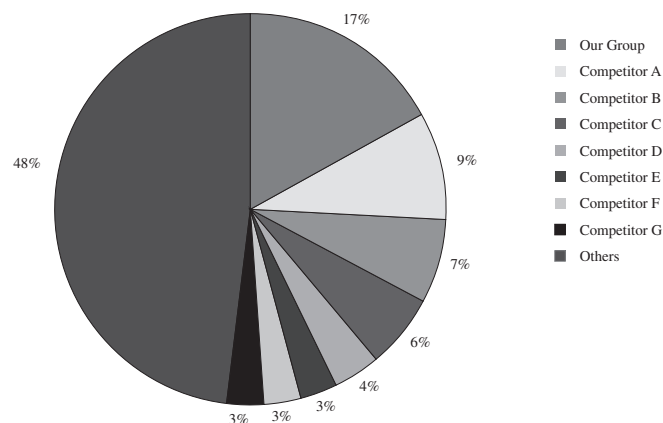
Reputation Barrier

Strong demands from broadcasters and other All-Media industry customers for high quality service, reliability and technical know-how, means that such customers value longstanding relationships with trusted suppliers that have strong reputations based on past performance, which take time to develop. Customers place great importance on suppliers' goodwill, the quality of their services and also their experiences in the industry, and therefore only those suppliers with these attributes can stand firm in the market. As the co-operation between the customers and suppliers matures, customers tend to stay with existing suppliers to avoid the risk of uncertainty in the business operation and the increase in costs when replacing the existing suppliers. Also, suppliers that have strong reputations and track records will have good references that help them to acquire new customers. Consequently, experienced suppliers with good reputations and track records are likely to enjoy an advantage over new market entrants.

Competitive Landscape

According to the CCID Report, there is a relatively large number of providers for All-Media application solutions for the All-Media industry in China. The larger ones mainly include our Group, which has 17% market share, and seven other competitors as illustrated in the figure below:

**Major participants and their shares in the market in China
(based on annual revenue in 2012)**



Source: CCID. The data for 2013 is not available at the time of this prospectus. Information in relation to our Group's market share and market ranking for 2013 is not available at the time of this prospectus. Our Group's 2012 ranking may not be representative of our Group's current ranking in the industry.

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According to the CCID Report, the participants in the PRC application solutions market that are categorised as “other” in the figure above, are mainly smaller providers whose solutions tend to consist of single pieces of equipment or fairly simple integrated systems, and generally lack the ability to supply more complex and comprehensive application solutions.

EVENT BROADCAST SERVICES

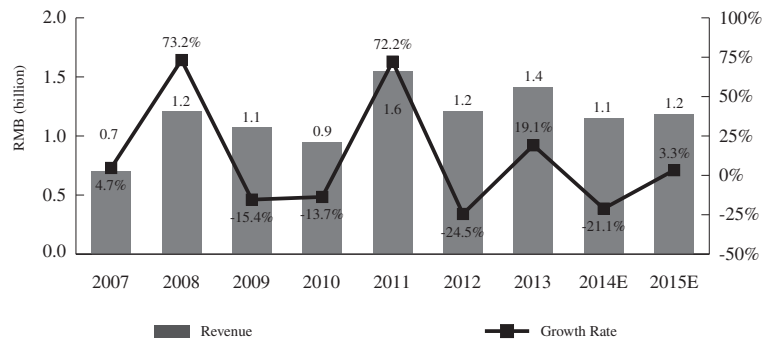
Overview

The business of event broadcast services cover technical support in relation to the broadcasting and transmission of content in the course of events, to resolve technical difficulties encountered by the host broadcasters of the events. Such services include the design of the broadcasting systems and the transmission systems for the event, and on-site operation and technical support services to the content production team and leasing of equipment during the event.

Market Analysis

According to the CCID Report, event broadcast services are developing rapidly in China. International large-scale sports events held in China, such as the Olympics, the Asian Games, the national marathon, the UCI World Tour races and other major events and reality talent competition shows, are on the rise in recent years. Such events are expected to increase in China. Furthermore, according to the CCID Report, the PRC government has generally promoted policies that prioritise sporting events as healthy form of entertainment for the Chinese public. These events require advanced professional broadcast technologies, in-depth know-how and the deployment of high quality live broadcast equipments. Therefore, it creates huge market opportunities for operators providing event broadcast services.

**Revenue of Event Broadcast Services
for athletic events and other large-scale events in China**



Source: CCID. Estimated revenue figures for 2014 and 2015 only include recurring major events that have been publicly announced.

Barriers to Entry

According to the CCID Report, the event broadcast services business shares the same key barriers to entry as for the application solutions business.

Competitive Landscape

According to the CCID Report, historically the event broadcast services for the domestic sports events and large-scale events were mainly provided by the television stations in China. However, as the broadcast of live events has become increasingly complex, high quality live event broadcasts increasingly require specialised professional expertise that television stations may not have readily available and may also require more specialised equipment that is more cost-efficient for them to lease from a service provider. Furthermore, to the extent a broadcaster’s live events are produced on a one-off basis and at irregular intervals throughout the year, it may be less cost-efficient for a broadcaster to develop the expertise and to acquire and maintain the necessary infrastructure in-house. While PRC

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television stations increasingly have a need to outsource their live events to event broadcast services providers, there are few such services providers in the PRC and even fewer who have the ability and know-how to handle the most complicated events.

SYSTEM MAINTENANCE SERVICES

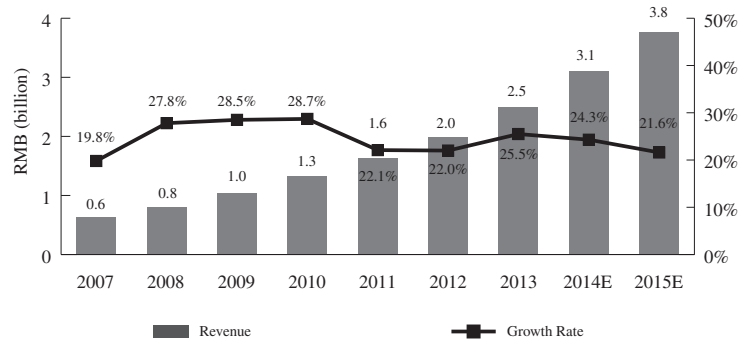
Overview

The business of system maintenance services covers technical support, regular on-site system inspections, equipment repair and replacement, system upgrade and maintenance.

Market Analysis

According to the CCID Report, the market for the system maintenance services in the All-Media industry is at the stage of rapid development in China. When the industry is developing rapidly, the outsourcing of the system maintenance services will also grow rapidly. The total revenue of the system maintenance services increased from approximately RMB632 million in 2007 to approximately RMB2,496 million in 2013 and is expected to increase to approximately RMB3,774 million in 2015.

Total revenue of system maintenance services



Source: CCID.

Barriers to Entry

According to the CCID Report, the system maintenance services business shares the same key barriers to entry as for the application solutions business. The system maintenance services business also has an additional “legacy barrier”. According to the CCID Report, the legacy barrier arises from the fact that customers of system maintenance services tend to prefer to have these services provided by the application solutions provider that originally provided the systems as the application solutions provider is already familiar with the technical details of the system. Consequently, such system maintenance services providers that are also experienced application solutions providers with an established customer base are likely to enjoy an advantage over other competitors and new market entrants.

Competitive Landscape

According to the CCID Report, most of the system solutions providers provide system maintenance services as after-sales services based on their understanding of the equipment and customers’ resources.

EQUIPMENT DEVELOPMENT AND SALES

Overview

Broadcast and transmission equipment for the All-Media industry includes various types of equipment used for gathering and transmitting All-Media content, such as transmission equipment using satellite, microwave and other network channels to transmit content gathered in the field. Among this category of products includes portable satellite flyaway terminals, which we currently market and produce.

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The portable satellite flyaway terminal is a portable earth station of ultra-small diameter for satellite communication carried by hand or on the back. The satellite communication network is formed to support the multi-media communication business including the voice, the data, the audio-visual and the WAN access. According to the CCID Report, the advantages of portable satellite flyaway terminals include their portability, ease of quick installation and ability to rapidly acquire a satellite signal for transmission. One of the major applications of portable satellite flyaway terminals is for the remote transmission of content gathered in the field for news and other types of All-Media broadcasts. Furthermore, inherent characteristics of the portable satellite flyaway terminals make it very suitable for use in oil fields, public traffic systems, civil aviation systems, border defence, and the armed forces for the purpose of “emergency communication”. It has extensive room for expansion in the market.

Market Analysis and Competitive Landscape

According to the CCID Report, in the PRC All-Media industry, our Group is the only domestic company with ability to research and develop and market broadcast-grade transmission equipment such as our NanoSat product. Other providers of similar products in the PRC are only distributors of products of overseas brands.

Barriers to Entry

According to the CCID Report, the key barriers to entry for the equipment development and sales business are the technical barrier, the intellectual property barrier and the distribution barrier.

Technical Barrier

Broadcast-grade broadcast and transmission equipment, such as portable satellite flyaway terminals, have high requirements for quality and stability. Generally, only companies with rich industry experience and technical know-how are capable of successful research and development of products in this area, which takes time to accumulate. Such companies are few in number and have advantages over new market entrants.

Intellectual Property Barrier

Possession of adequate intellectual property is vital for competitors. In particular, companies that possess registered intellectual property rights can use them to block competitors from using such intellectual property in their products during certain statutory periods, which disadvantages new market entrants who do not possess adequate intellectual property rights. Possession of intellectual property rights can also protect a company from illegitimate claims of breach of competitor’s rights.

Distribution Barrier

The market for broadcast-grade broadcast and transmission equipment in the PRC is concentrated among participants in the All-Media industry. However, the users are geographically dispersed across China. Consequently, developers of broadcast-grade broadcast and transmission equipment must rely either on their own self-developed sales channels or distribution by service providers. In either case, companies need strong track records to develop their own sales channels or to secure reliable distributors, thus providing an advantage to established players over new market entrants.

REGULATIONS

REGULATORY OVERVIEW

Laws and Regulations in the PRC

Regulations On Foreign Investment In Industries

Guidance Catalogue of Industries for Foreign Investment

Investment in the PRC conducted by foreign investors and foreign-owned enterprises shall comply with the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄(2011年修訂)》) (the “**Catalogue**”), which was amended and promulgated by the MOFCOM and the NDRC on 24 December 2011. The Catalogue became effective on 30 January 2012 and contains specific provisions guiding market access of foreign capital, stipulating in detail the areas of entry pertaining to the categories of encouraged industries, restricted industries and prohibited industries. Any industry not listed in the Catalogue is a permitted industry. According to the Catalogue, our service of providing the broadcasting solution to television stations and digital broadcasting companies falls within the category of permitted industry.

Wholly Foreign-owned Enterprises Law

The Law of the People’s Republic of China on Wholly Foreign-owned Enterprise (《中華人民共和國外資企業法》) (the “**Wholly Foreign-owned Enterprises Law**”), which was promulgated by the National People’s Congress on 12 April 1986 and amended on 31 October 2000, is the fundamental legal basis for Chinese government to administer wholly foreign-owned enterprises. According to the Wholly Foreign-owned Enterprises Law, to establish a wholly foreign-owned enterprise, an investor shall make an application to the department in charge of foreign trade under the State Council or the organs authorised by the State Council. In the event of a separation, merger or other major change, a wholly foreign-owned enterprise shall report to and seek approval from the authorities in charge of examination and approval, and register the change with the SAIC. The foreign investor in any wholly foreign-owned enterprise may remit abroad profits lawfully earned from the enterprise and other income and funds lawfully obtained following the liquidation of the enterprise.

Tender and Procurement

Tendering and Bidding Law

Under the law of the PRC on Tendering and Bidding (《中華人民共和國招標投標法》) (the “**Tendering and Bidding Law**”) which was promulgated by the Standing Committee of the National People’s Congress on 30 August 1999, and became effective on 1 January 2000, construction projects which fall within a certain scope, such as large infrastructure and public utility projects that concern public interests and security, shall be subject to bid invitation. Tenders are classified into two categories: public tender and invited tender. Public tender means that the tenderer, in the form of announcement for tender, invites unspecified legal persons or other organisations to bid. Invited tender means that the tenderer, in the form of written invitation, invites specified legal persons or other organisations to bid.

The Tendering and Bidding Law specifically requires that the following types of construction projects (including the surveying, design, construction and supervision of such projects as well as the purchase of key equipment and materials for such projects) use tendering and bidding processes:

- (1) large infrastructure and public utility projects that concern public interests and security;
- (2) projects invested completely or partly with state-owned funds or financed by the state; and

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- (3) projects using loans or aid funds from international organisations or governments of other countries.

The specific scope and threshold for bidding of the projects listed in the preceding paragraph shall be formulated by the development planning department under the State Council, together with the relevant departments under the State Council, and be submitted to the State Council for approval.

Where there are provisions in other laws or in the regulations of the State Council governing scope of other projects for which bid invitation is required, such provisions shall be followed.

In addition, the Regulations for the Implementation of the Law on Tendering and Bidding (《中華人民共和國招標投標法實施條例》) further provides that when state-owned funds hold a controlling interest or play a leading role in the above specified types of construction projects, public tender shall be adopted. However, invited tender may be conducted instead of public tender under any of the following circumstances:

- (1) where due to sophisticated technology of the project, special requirements or constraints from the natural environment, only a few potential bidders are available for selection; or
- (2) where the cost of public invitation forms an excessive proportion of the contract amount of the project.

As advised by our PRC Legal Advisers, our Company's projects must comply with the Tendering and Bidding Law when they fall within the scope of the above legal requirements or when tendering and bidding is chosen as the way of obtaining projects.

Government Procurement Law

The Government Procurement Law of the People's Republic of China (《中華人民共和國政府採購法》) (the "**Government Procurement Law**"), which was promulgated by the National People's Congress on 29 June 2002 and took effect on 1 January 2003, provides that public invitation shall be the principal method of government procurements. "Government procurement" refers to the purchasing activities conducted with fiscal funds by government department, institutions and public organisations at all levels, where the goods, construction and services concerned are in the centralised procurement catalogue compiled in accordance with law or where the fair value of the goods, construction or services exceeds the respective prescribed procurement thresholds.

The PRC Government Procurement Law primarily regulates the activities of the purchasers, their agencies and employees in the government procurement process. For the suppliers, misconduct such as submitting false information, colluding with other parties or bribing in the government procurement process, are prohibited.

Our Company has not violated such prohibitions when acting as a supplier in the government procurement process.

Trademark Law

Under the Trademark Law of the PRC (《中華人民共和國商標法》), which was last amended on 30 August 2013, any of the following acts shall be deemed to be an infringement of the exclusive right to use a registered trademark:

- (1) Using a trademark that is identical with a registered trademark on the same goods without the licencing of the registrant of the registered trademark;

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- (2) Using a trademark that is similar to a registered trademark on the same goods, or using a trademark that is identical with or similar to the registered trademark on similar goods without the licencing of the registrant of the registered trademark, which is likely to cause confusion;
- (3) Sale of any goods that have infringed the exclusive right to use any registered trademark;
- (4) Counterfeit or unauthorised production of the label of another's registered trademark, or sale of any such label that is counterfeited or produced without authorisation;
- (5) Change of any trademark of a registrant without the registrant's consent, and selling goods bearing such replaced trademark on the market;
- (6) Providing, intentionally, convenience for activities infringing upon others' exclusive right of trademark use, and facilitating others to commit infringement on the exclusive right of trademark use; or
- (7) Other acts that have caused any other damage to another's exclusive right to use a registered trademark.

In the event where any of the above mentioned acts infringe the right to the exclusive use of a registered trademark, the infringer would be imposed a fine and/or ordered to cease the infringement acts immediately, and/or to pay the infringed party compensation.

All the trademarks we have are protected by the Trademark Law.

Patent Law

According to the Patent Law of the PRC (《中華人民共和國專利法》) amended on 27 December 2008 and the Detailed Rule for the Implementation of Patent Law amended on 9 January 2010 (《中華人民共和國專利法實施細則》), patent is divided into three categories: invention patent; utility model patent and design patent. The purpose of setting up the category of invention patent is intended to protect new technical solution for a product, e.g. a process or an improvement thereof. The purpose of setting up the category of utility model patent is intended to protect new technical solution in relation to a product's shape, structure or a combination thereof, which is fit for practical use. The purpose of setting up the category of design patent is intended to protect new design of a product's shape, pattern or a combination thereof as well as its combination with the colour and the shape or pattern of a product, which creates an aesthetic feeling and is fit for industrial application. To pledge a patent right, the pledgor and the pledgee shall jointly handle the registration of pledge at the administrative department for patent under the State Council.

Invention Patent

The applicant for invention patent must prove that the subject matter product possesses novelty, creativity and practical applicability. The grant of invention patent is subject to disclosure and publication. Normally, the patent administrative authority publishes the application within 18 months after it is filed and if it meets the requirements of this Law in its preliminary review, which may be shortened upon request by the applicant. The patent administrative authority conducts a substantive review within three years from the date the application is filed. The term of protection is 20 years from the date of application.

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Once the invention patent right is granted, unless otherwise permitted by law, no individuals or entities are permitted to engage in the manufacture, use, offering for sale, sale or import of the patented product, or use the patented method or otherwise engage in the use, offering for sale, sale or import of the product directly derived from applying the patented method, without the licencing of the patent holder.

Utility Model Patent

The applicant for utility model patent must prove that the subject matter product possesses novelty, creativity and practical applicability. Utility patent is granted and registered upon application unless there are reasons for the patent administrative authority to reject the application after its preliminary review. The utility model patent is subject to the disclosure and publication upon application. The term of protection is 10 years from the date of application.

Once the utility patent right is granted, unless otherwise permitted by law, no individuals or entities are permitted to engage in the manufacture, use, offering for sale, sale or import of the patented product, or use the patented method or otherwise engage in use, offering for sale, sale or import of the product directly derived from applying the patented method, without the licencing of the patent holder.

Design Patent

The applicant for design patent protection must prove that the subject that for matter product is not identical to a prior design. The application procedure and term of protection is the same as that for utility patent.

Once a design patent is granted, no individuals or entities are permitted to engage in the manufacture, offering for sale, sale or import of the product protected by such design patent, without the licencing of the patent holder.

Accordingly, the use and pledge of our patents should comply with the Patent Law.

Copyright Law

Under the Copyright Law of the PRC was last amended on 26 February 2010, “Works” mentioned in this Law shall include works of literature, art, natural science, social science, engineering technology. Where the copyright is pledged, the pledger and the pledgee shall handle the registration of pledge at the copyright administrative department of the State Council.

Accordingly, the use and pledge of our copyrights should comply with the Copyright Law.

Dividend Distribution

The principal regulations governing distribution of dividends by wholly foreign-owned enterprises include:

- Company Law of the PRC of 1993, as amended;
- Wholly Foreign-Owned Enterprise Law of PRC of 1986, as amended; and
- Wholly Foreign-Owned Enterprise Law Implementation Rules of 1990, as amended.

Under the current regulatory regime in China, foreign-invested enterprises in China may distribute dividends only from their accumulated profits, if any, calculated in accordance with PRC accounting standards and regulations. After making up for any deficit in prior years pursuant to the PRC laws, a

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wholly foreign-owned enterprise in China is required to set aside at least 10% of its after-tax profit calculated in accordance with PRC accounting standards and regulations each year as its general reserves until the cumulative amount of such reserves reaches 50% of its registered capital. These reserves are not distributable as cash dividends. The board of directors of a wholly foreign-owned enterprise has the discretion to allocate a portion of its after-tax profits to its staff welfare and bonus funds, which is likewise not distributable to its shareholders except in the event of a liquidation of the wholly foreign-owned enterprise.

As foreign-invested enterprises, our wholly-own subsidiaries in the PRC should make dividend distributions pursuant to the laws above.

Foreign Exchange

Pursuant to the Foreign Exchange Administration Regulation of the PRC (《中華人民共和國外匯管理條例》) promulgated on 29 January 1996, as amended on 14 January 1997 and 5 August 2008, and various regulations issued by the SAFE and other relevant PRC government authorities, the Renminbi is freely convertible only with respect to current account items, such as trade-related receipts and payments, interest and dividends. Capital account items, such as direct equity investments, loans and repatriations of investments, require the prior approval of the SAFE or its local branches for the conversion between Renminbi and foreign currency. Payments for transactions that take place within the PRC must be made in Renminbi. Foreign exchange transactions under the capital account are still subject to restrictions and require approvals from, or registration with, the SAFE and other relevant PRC governmental authorities, or their respective competent local branches.

On 29 August 2008, the SAFE promulgated SAFE Circular No. 142 (《國家外匯管理局綜合司關於完善外商投資企業外匯資金支付結匯管理有關業務操作問題的通知》) (“**SAFE Circular No. 142**”), a notice regulating the conversion by a foreign-invested company from foreign currency into Renminbi through restricting the way converted Renminbi may be used. This notice requires that Renminbi converted from the foreign currency-denominated capital of a foreign-invested company only be used for purposes within the business scope approved by the competent governmental authority and may not be used for equity investments within the PRC unless otherwise specifically provided in its business scope. In addition, the SAFE strengthened its oversight of the flow and use of Renminbi funds converted from the foreign currency-denominated capital of a foreign-invested company. The use of such converted Renminbi may not be changed without SAFE’s approval and may not be used to repay Renminbi loans if the proceeds of such loans have not yet been used for purposes within the company’s approved business scope. Violations of SAFE Circular No. 142 may result in severe penalties, including substantial fines as set forth in the Foreign Exchange Administration Regulation. As a result, SAFE Circular No. 142 may significantly limit our ability to transfer the net proceeds from the Global Offering to our PRC subsidiaries, which may adversely affect the continuing growth of our business.

The use of Renminbi converted from the foreign currency-denominated capital of our wholly-owned subsidiaries in the PRC such as CSS (Beijing) should comply with the regulation and notice above.

In 15 February 2012, SAFE issued the Circular of the State Administration of Foreign Exchange on Domestic Individuals Participating in Overseas Listed Companies’ Employee Share Incentive Plans (匯發[2012]7號《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or Circular 7, which became effective upon circulation.

According to Circular 7, domestic individuals who are granted shares or share options by an overseas listed company under the share incentive plans are required, through the domestic company of such overseas listed company or other qualified domestic agents, to register with SAFE and complete certain other procedures related to the share incentive plans. Pursuant to Circular 7, “Domestic individuals” include both the PRC nationals and foreign nationals who have resided within China for

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one full year on a continuous basis except foreign diplomats in China and representatives of any international organisation in China; and “Domestic companies” comprise of overseas listed companies which are registered in China, branches (including representative offices) of overseas listed companies in China, and the Chinese parent, subsidiary or partnership enterprise which has a controlling or actual controlling relationship with the overseas listed company.

Foreign exchange income from the sale of shares or dividends distributed by the overseas listed company shall be remitted into the domestic special foreign exchange account that is opened by the domestic company or its domestic agency and then may be remitted to a foreign currency account of such PRC citizen or be exchanged into Renminbi.

For the purpose of completion of the above transaction procedures, a domestic agent and a foreign entrusted entity are required to be appointed. The domestic agent, which can be domestic companies participating in the employee share incentive plans or a third-party domestic entity that is able to provide asset custodian services, will be responsible for making the application, opening the bank accounts and managing the remittance and transfer of funds. The foreign entrusted entity shall be responsible for the exercise, purchase and sale of shares or interests as well as the transfer of funds.

Our employees or our PRC option holders, who fall into the scope of domestic individuals and have been or will be granted share options, will be subject to the provisions under Circular 7 upon the listing of the Shares on the Stock Exchange. If we or our PRC option holders fail to comply with such rules in the future, we or our PRC option holders may be subject to fines and other legal or administrative sanctions.

Regulation of Certain Onshore and Offshore Transactions

On 21 October 2005, the SAFE issued SAFE Circular No. 75, which became effective as of 1 November 2005. SAFE Circular No. 75 and the related implementation rules state that Chinese residents, whether natural or legal persons, must register with the relevant local SAFE branch prior to establishing or taking control of an offshore entity established for the purpose of overseas equity financing with onshore assets or equity interests held by them. The term “Chinese natural person residents” as used in the SAFE Circular No. 75 includes all Chinese citizens and all other natural persons, including foreigners, who habitually reside in China for economic benefits. Chinese residents are required to complete registration alteration formalities with the local SAFE branch upon (i) transfer of equity interests or assets of an onshore enterprise to the offshore entity, or (ii) subsequent overseas equity financing by such offshore entity. Chinese residents are also required to complete registration alteration or filing with the local SAFE branch within 30 days as of the occurrence of any material change in the shareholding or capital of the offshore entity, such as changes in share capital, share transfers and long-term equity or debt investments, and provision of security. Chinese residents who have already incorporated or gained control of offshore entities that have made onshore investment in China before SAFE Circular No. 75 was promulgated must register their shareholding in the offshore entities with the local SAFE branch on or before 31 March 2006.

Under SAFE Circular No. 75, Chinese residents are further required to repatriate back into China all of their dividends, profits or capital gains obtained from their shareholdings in the offshore entity within 180 days as of their receipt of such dividends, profits or capital gains. The registration and filing procedures under SAFE Circular No. 75 are prerequisites for other approval and registration procedures necessary for capital inflow from the offshore entity, such as inbound investments or shareholder loans, or capital outflow to the offshore entity, such as the payment of profits or dividends, liquidating distributions, equity sale proceeds, or the return of funds upon a capital reduction.

As at the Latest Practicable Date, as the ultimate beneficial owners of our Group are not PRC residents, the SAFE circular No. 75 is not applicable to our Group and its beneficial owners.

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In 8 August 2006, MOFCOM, together with the SASAC, the SAT, the SAIC, the CSRC and the SAFE issued the Rules on the Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “2006 M&A Rules”), which became effective on 8 September 2006 and was amended on 22 June 2009. An acquisition under the 2006 M&A Rules can be either an equity acquisition or an asset acquisition. An equity acquisition is an acquisition of equity interest in a PRC domestic company or the subscription of registered capital of a PRC domestic company by foreign investors for the purpose of converting such PRC domestic company into a foreign invested enterprise.

An asset acquisition is the acquisition of a PRC domestic company’s assets (i) by a foreign-invested enterprise for the purpose of controlling such assets and use them in business operations, or (ii) by foreign investors, through contract, in order to establish a foreign-invested enterprise for the purpose of conducting business operations. An special purpose vehicle (“SPV”) is defined under the 2006 M&A Rules as an offshore entity directly or indirectly controlled by PRC individuals or enterprises with the objective of an overseas listing, and the main assets of which are its rights and interests in an affiliated PRC domestic enterprise. Under the 2006 M&A Rules, an approval is required by central level MOFCOM for (1) the establishment of an SPV for overseas listings by PRC companies; and (2) the SPV’s acquisition of PRC affiliates, while an additional approval is further required by CSRC prior to public listing the SPV’s securities on an overseas stock exchange.

The 2006 M&A Rules does not apply in the acquisition of shares in CSS (Beijing), a sino-foreign joint venture, by CSS Group Ltd from China New Century Co Ltd.* (中國新紀元有限公司), which should comply with Provisions for the Alteration of Investors’ Equities in Foreign-Funded Enterprises (《外商投資企業投資者股權變更的若干規定》) promulgated by the Ministry of Foreign Trade and Economic Cooperation and the SAIC on 28 May 1997. The 2006 M&A Rules does not apply in the establishment of CTL (Beijing) and Evertop (Beijing) and the Global Offering.

Production Safety

According to the Production Safety Law (《中華人民共和國安全生產法》), which was promulgated on 29 June 2002 and amended on 27 August 2009, entities that are engaged in production and business operation activities within the PRC shall comply with all relevant laws, rules and regulations concerning production safety as well as establish and perfect the conditions and system of responsibility for production safety. It requires that such entities shall maintain conditions for safe production as provided in the Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards. Any entity that is not sufficiently equipped to ensure safe production shall not engage in production and business operation activities. It also requires entities to offer education and training programmes regarding production safety to their employees. The design, manufacture, installation, use, checking and maintenance of safety equipment are required to conform to applicable national or industrial standards. In addition, it requires entities to provide employees with labour protection equipments that meet the national or industrial standards and to supervise and educate them to wear or use such equipments according to the prescribed rules.

Labour Protection

According to the Labour Law of the PRC (《中華人民共和國勞動法》) effective as of 1 January 1995, enterprises and institutions shall establish and perfect its system of work place safety and sanitation, strictly abide by state rules and standards on work place safety and sanitation, educate employees of work place safety and sanitation. Work place safety and sanitation facilities shall comply with state-fixed standards. The enterprises and institutions shall provide employees with work place safety and sanitation conditions which are in compliance with state stipulations and relevant articles of labour protection.

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The Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) was promulgated on 29 June 2007 and became effective on 1 January 2008. This law governs the employment relationships between employers and employees, and the conclusion, performance and termination of, and the amendment to, employment contracts. To establish an employment relationship, a written employment contract must be signed within one month from the date on which the employee commences work. If an employer fails to enter into a written employment contract with an employee within one year from the date on which the employment relationship is established, it shall pay the employee twice his/her salary for each month and rectify the situation by subsequently entering into a written employment contract with the employee.

In addition, the PRC Labour Contract Law requires employers to provide remuneration packages which are not lower than the respective local minimum standards. The PRC Employment Promotion Law (《中華人民共和國就業促進法》), which took effect from 1 January 2008, stipulates that employees shall have equal opportunities to employment without discrimination in terms of ethnicity, race, gender, religious belief, communicable disease and rural residence, and may not be discriminated against in hiring or in their employment terms. Enterprises are also required to provide employees with vocational training. Administrative authorities at the county level or above are responsible for implementing policies to promote employment.

According to the Regulation on Work-Related Injury Insurance (《工傷保險條例》), which took effect from 1 January 2004 and was last amended on 20 December 2010, employers should pay occupational injury insurance fees for their employees.

Under the Interim Measures Concerning the Maternity Insurance of Enterprises Employees (《企業職工生育保險試行辦法》) effective from 1 January 1995, employers should pay maternity insurance fees for their employees.

Under the Interim Regulations Concerning the Levy of Social Insurance Fees (《社會保險費徵繳暫行條例》) promulgated on 22 January 1999 and the Interim Measures Concerning the Administration of the Registration of Social Insurance (《社會保險登記管理暫行辦法》) promulgated on 19 March 1999 and the PRC Social Insurance Law (《中華人民共和國社會保險法》), which came into effect on 1 July 2011, employers in the PRC are required to register social insurance with the local social insurance authorities, and make contributions to the basic pension insurance fund, basic medical insurance fund and unemployment insurance fund for their employees.

According to the Regulation Concerning the Administration of Housing Provident Fund (《住房公積金管理條例》) promulgated on 3 April 1999 and amended on 24 March 2002, employers in the PRC shall register with the housing provident fund management centre. Employers will then need to open housing provident fund accounts with entrusted banks for their employees and contribute to the fund at a rate of not less than 5% of the employee's average monthly salary in the preceding year.

Pursuant to the laws and regulations above, our wholly-owned subsidiaries in the PRC should establish employment relationships legally, register social insurance and housing provident fund for their employees and pay the required fund/fees in full and on time.

Taxation

Enterprise Income Tax

The EIT Law of the PRC (《中華人民共和國企業所得稅法》) and Implementation Rules for the EIT Law of the PRC (《中華人民共和國企業所得稅法實施條例》), both of which became effective on 1 January 2008, subject to preferential tax policies, impose a uniform enterprise income tax rate of 25% on both domestic and foreign invested enterprises. A resident enterprise is subject to enterprise income tax for the income derived from both inside and outside the territory of the PRC. If an organisation or

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establishment is deemed as a non-resident enterprise in the PRC, it is subject to enterprise income tax for the income derived from such organisation or establishment in the PRC and the income derived from outside the PRC but with actual connection with such organisation or establishment in the PRC. For a non-resident enterprise which has not set up an organisation or establishment in the PRC, or has set up an organisation or establishment but the income derived has no actual connection with such organisation or establishment, its income derived in the PRC will be subject to enterprise income tax. With respect to a HNTE that needs key support by the State, the tax levied on its income shall be reduced at a rate of 15%.

On 26 December 2007, the State Council promulgated the Notice of the State Council on Transitional Preferential Policy For Implementing Enterprise Income Tax (《國務院關於實施企業所得稅過渡優惠政策的通知》), whereby enterprises enjoying preferential tax rates under the relevant tax laws and administrative regulations and the enterprises income preferential tax policy as stipulated by competent documents with administrative regulation force are subject to the following measures for transition:

- (1) Since 1 January 2008, enterprises enjoying the existing tax preferential policy with lower tax rate will gradually transit to the statutory tax rate within five years from the implementation of the EIT Law. Among them, for enterprises enjoying enterprise income tax rate of 15%, the tax rate of 18%, 20%, 22%, 24% and 25% will take effect in 2008, 2009, 2010, 2011 and 2012, respectively; for enterprises enjoying enterprises income tax rate of 24%, the tax rate of 25% takes effect from 2008 onwards.
- (2) Since 1 January 2008, enterprises enjoying fixed-term preferential tax treatment under relevant enterprises income tax laws and regulations, such as the “2 years tax exemption and 3 years 50% tax reduction” and the “5 years tax exemption and 5 years 50% tax reduction” will continue to enjoy the preferential tax treatment until expiry of the relevant fixed term according to relevant tax law, administrative regulations and preferential measures stipulated in the relevant document after the promulgation of the EIT Law. For enterprises not yet enjoyed preferential tax treatment, as profits have not yet been realised, the relevant term for enjoying preferential tax treatment shall be calculated commencing from 2008.

The enterprises entitled to benefit from the transitional preferential policies referred to above shall be enterprises established prior to 16 March 2007 that are registered with an administrative authority such as the Administration of Industry and Commerce. For details, the projects eligible to benefit from transitional preferential policies and the scope of such policies are defined in the annex attached to the above-mentioned notice.

Withholding Tax on Dividend Income

Under the EIT Law and its implementation rules, PRC income tax at the rate of 10% is applicable to dividends payable to investor that are regarded as “non-resident enterprise” (“**non-resident enterprise**” shall refer to an enterprise, which is established in accordance with the laws of foreign countries (regions) and with its effective management located outside China, but has an establishment or a place in China; or an enterprise, though having no establishment or place in China, derives income that is sourced from China) to the extent such dividends are sourced within China. Similarly, any gain realised on the transfer of Shares by such investors is also subject to 10% PRC withholding income tax if such gain is regarded as income derived from sources within China.

However, for FIEs from countries or regions that have signed bilateral tax treaty with China, the withholding tax rate may be lower depending on the terms of the applicable tax treaty. According to the Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》), effective from 8 December 2006 and

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issued by the State Administration of Taxation (“SAT”), the withholding tax rate for dividends paid by a PRC enterprise to a Hong Kong enterprise is 5% if the Hong Kong enterprise owns at least 25% equity interests of the PRC enterprise; otherwise, the withholding tax rate for dividend is 10%.

Further, pursuant to the Circular of State Administration of Taxation on Printing and Issuing the Administrative Measures for Non-resident Individuals and Enterprises to Enjoy the Treatment Under Taxation Treaties (《關於印發〈非居民享受稅收協定待遇管理辦法(試行)〉的通知》) (國稅發 [2009]124號), which became effective on 1 October 2009, the preferential tax rate under the relevant tax treaties does not automatically apply. Approvals from or filing at the competent local tax authorities are required before an enterprise can enjoy the relevant preferential tax treatments relating to dividends under the relevant taxation treaties.

In addition, in accordance with the Notice of the State Administration of Taxation on How to Understand and Determine the “Beneficial Owners” in the Relevant Taxation Treaties (《關於如何理解和認定稅收協定中「受益所有人」的通知》) (國稅函[2009]601號) issued by the SAT on 27 October 2009, the PRC tax authorities must evaluate whether an applicant (income recipient) can be qualified as a “beneficial owner” under the relevant taxation treaties on a case-by-case basis, and in conducting such evaluation, the taxation authorities must examine the substance rather than the form of the relevant case.

The Notice of the State Administration of Taxation on Issues Relating to the Administration of the Dividend Provision in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (國稅函[2009]81號) promulgated on 22 February 2009 by the SAT, states that the corporate recipient of dividends distributed by the PRC enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends.

However, the EIT Law also stipulates that if (i) an enterprise distributing dividends is domiciled in China or (ii) capital gains are realised from the transfer of equity interests in enterprises in China, then such dividends or capital gains are treated as PRC-sourced income. If our Company is deemed as a PRC resident enterprise for tax purpose by PRC tax authorities, then (i) any dividends we pay to our non-resident overseas Shareholders and (ii) any capital gains realised by our non-resident Shareholders from transfer of our equity interests in a PRC enterprise may be regarded as PRC-sourced income and be subject to a PRC withholding tax rate of 10%.

Urban Maintenance and Construction Tax and Education Surcharge

According to the Circular of the State Council on Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (《國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》), which was promulgated on 18 October 2010 and effective from 1 December 2010, the Tentative Regulations of the PRC on Urban Maintenance and Construction Tax (《中華人民共和國城市維護建設稅暫行條例》) promulgated in 1985 and the Tentative Provisions on the Collection of Education Surcharge (《徵收教育費附加的暫行規定》) promulgated in 1986 by the State Council shall be applicable to foreign-invested enterprises, foreign enterprises and foreign individual.

Pursuant to the Tentative Regulations of the PRC on Urban Maintenance and Construction Tax, which was promulgated on 8 February 1985 and effective from 1 January 1985, and the Circular of the State Administration of Taxation on Issues Concerning the Collection of the Urban Maintenance and Construction Tax (《國家稅務局關於城市維護建設稅徵收問題的通知》), which was promulgated on 12 March 1994 and effective on and after 1 January 1994, any unit or individual subject to consumption tax, value-added tax and business tax shall also be required to pay urban maintenance and construction tax. Payment of urban maintenance and construction tax shall be based on the consumption tax, value-added tax and business tax which a taxpayer actually pays and shall be made simultaneously when the

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consumption tax, value-added tax and business tax are paid. Furthermore, the rate of urban maintenance and construction tax shall be 7%, 5% and 1% for a taxpayer in a city, in a county town or town and in a place other than a city, county town or town, respectively.

In accordance with the Tentative Provisions on the Collection of Education Surcharge (《徵收教育費附加的暫行規定》), which was last revised on 20 August 2005, all institutions and individuals who pay consumption tax, value-added tax and business tax shall also be required to pay education surcharge. The education surcharge is 3% of the amount of value-added tax, business tax and consumption tax actually paid by each institution or individual, and the education surcharge shall be paid simultaneously with value-added tax, business tax and consumption tax, excluding the institutions who pay rural educational undertaking surcharge pursuant to the Circular of the State Council on Raising Funds for Rural Schools (《國務院關於籌措農村學校辦學經費的通知》) (國發[1984]174號).

On 7 November 2010, the Ministry of Finance has issued a notice to unify the Local Education Surcharge Policy (《關於統一地方教育費附加政策有關問題的通知》) (財政[2010]98號). The notice clarifies that the Local Education Surcharge will be applied to foreign invested enterprises, foreign enterprises and individuals at a standard rate of 2% on the value-added tax, business tax and consumption tax liabilities.

Value-Added Tax and Business Tax

Pursuant to the Interim Regulations on Value-Added Tax of PRC (《中華人民共和國增值稅暫行條例》), which was last amended by the State Council on 5 November 2008 and effective from 1 January 2009 and its Detailed Implementation Rules on the Interim Regulations on Value-Added Tax of PRC (《中華人民共和國增值稅暫行條例實施細則》) issued by the Ministry of Finance and SAT on 15 December 2008 and became effective on 1 January 2009, all enterprises and individuals engaged in the sales or importation of goods, and provision of processing, repairing and replacement services, within the territory of the PRC shall pay value-added tax at the following rates:

- (1) For taxpayers selling or importing goods other than those specified in items (2) and (3) of below, the tax rate shall be 17%.
- (2) For taxpayers selling or importing the following goods, the tax rate shall be 13%:
 - (a) grains, edible vegetable oils;
 - (b) tap water, heating gas, cooling gas, hot water, coal gas, liquefied petroleum gas, natural gas, methane gas, coal/charcoal products for household use;
 - (c) books, newspapers, magazines;
 - (d) feeds, chemical fertilisers, agricultural chemicals, agricultural machinery and plastic film for farming; and
 - (e) other goods as specified by the State Council.
- (3) For taxpayers exporting goods, the tax rate shall be 0%, unless otherwise specified by the State Council.
- (4) The rate of value-added tax levied on small-scale taxpayers shall be 3%.

Pursuant to the Interim Regulations on Business Tax of PRC (《中華人民共和國營業稅暫行條例》) amended by the State Council on 10 November 2008 and effective from 1 January 2009 and its Detailed Implementation Rules on the Interim Regulations on Business Tax of PRC (《中華人民共和國營業稅暫

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行條例實施細則》) which were issued by the Ministry of Finance and SAT on 18 December 2008 and which became effective on 1 January 2009, the business tax rate on provision of taxable service, transfer of intangible asset, and sale of immovable properties ranges from 3% to 20%.

Pursuant to Measures of Imposing Value-added Tax instead of Business Tax of Transportation and Partial Modern Service Businesses for Implementing Pilot Programmes 《交通運輸業和部分現代服務業營業稅改徵增值稅試點實施辦法》 (the “**Measures**”), issued by the Ministry of Finance and the SAT on 16 November 2011 and became effective on the same day, enterprises which operate transportation and partial modern service shall, according to the Measures, pay value-added tax and do not need to pay business tax any more. All of our wholly-owned subsidiaries in the PRC fall within the category of the enterprises which operate modern service and do not have to pay business tax any more.

Tax Collection for Share Transfer by Non-PRC Resident Enterprises

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) or SAT Circular 698, issued by the SAT on 10 December 2009 with retroactive effect from 1 January 2008, except for the purchase and sale of equity through a public securities market, where a foreign investor transfers its indirect equity interest in a PRC resident enterprise by disposing of its equity interests in an overseas holding company (“**Indirect Transfer**”), and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its resident enterprise, the foreign investor shall report to the competent tax authority of the PRC resident enterprise this Indirect Transfer.

If the in-charge tax authority, upon examining the nature of the Indirect Transfer, deems that the Indirect Transfer has no reasonable commercial purpose other than to avoid income tax liabilities, after reporting to the higher level authorities and examined by the SAT, the in-charge tax authority may re-characterise the equity transfer based on its economic substance and disregard the existence of the overseas intermediary holding company under such tax-avoidance arrangement.

Our wholly-owned subsidiaries in the PRC should pay their taxes and surcharges in full and on time pursuant to the laws and regulations above.

Laws and Regulations in Hong Kong

Telecommunications Ordinance

The Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong) (the “**Telecommunications Ordinance**”) is a statute enacted to make provision for the licencing and control of telecommunications, telecommunications services and telecommunications apparatus and equipment.

According to the Telecommunications Ordinance, no person shall (unless with a licence granted by the Chief Executive in Council or by the Communications Authority) — (a) establish or maintain any means of telecommunications; (b) offer in the course of business a telecommunications service; (c) possess or use any apparatus for radiocommunications or any apparatus of any kind that generates and emits radio waves (notwithstanding that the apparatus is not intended for radiocommunications); (d) deal in the course of trade or business in apparatus or material for radiocommunications or in any component part of any such apparatus or in apparatus of any kind that generates and emits radio waves (whether or not the apparatus is intended, or capable of being used, for radiocommunications); or (e) demonstrate, with a view to sale in the course of trade or business, any apparatus or material for radiocommunications.

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The Telecommunications Ordinance also provides that no person shall import into or export from Hong Kong any radiocommunications transmitting apparatus unless he has a permit granted by the Telecommunications Authority or unless he is the holder of a licence authorising it to deal in the course of trade or business in such apparatus.

At all times during the Track Record Period, as confirmed by our Directors, we are responsible for finding and sourcing suitable equipment and assist in arranging import of relevant products through import agents on our customers' behalf to implement our application solutions provided to them in Hong Kong; thus we did not engage in any business, trade or other activity in Hong Kong, which would require a licence under the Telecommunications Ordinance. Whilst we provide application solutions, including those relating to apparatus for radiocommunications, to broadcasters and other customers in Hong Kong, we do not deal in such apparatus in Hong Kong and do not import into or export from Hong Kong such apparatus.

Trade Marks Ordinance

The Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong) (the “TMO”) is a statute enacted to make provision in respect of the registration of trade marks and for connected matters.

The TMO provides (amongst other things) that a person infringes a registered trade mark if the person uses in the course of trade or business a sign which is:

- (1) identical to the trade mark in relation to goods or services which are identical to those for which it is registered;
- (2) identical to the trade mark in relation to goods or services which are similar to those for which it is registered; and the use of the sign in relation to those goods or services is likely to cause confusion on the part of the public;
- (3) similar to the trade mark in relation to goods or services which are identical or similar to those for which it is registered; and the use of the sign in relation to those goods or services is likely to cause confusion on the part of the public; or
- (4) identical or similar mark in relation to goods or services which are not identical or similar to those for which the trade mark is registered; the trade mark is entitled to protection under the Paris Convention as a well-known trade mark; and the use of the sign, being without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark.

Under the TMO, the owner of a trade mark is entitled to bring infringement proceedings against a person infringing his or her trade mark for damages, injunctions, accounts and any other relief available in law.

As at the Latest Practicable Date, we registered certain trademarks in Hong Kong relating to our business. As confirmed by our Directors, we did not receive any claim for trade mark infringement during the Track Record Period. For further details of our material intellectual property rights in Hong Kong, please refer to “Appendix IV — Statutory and General Information — Further Information About the Business of Our Company — 12. Intellectual property rights of our Group” to this prospectus.

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Laws and Regulations in Macau

Law and regulations relating to the labour matters in Macau

All employees of our Group working in Macau shall either be Macau residents, non permanent or permanent, or, in the case of foreign workers, holders of working permits. According to the Administrative Regulation no. 17/2004, Article, 4 (“**Administrative Regulation**”), it is not considered illegal when an agreement has been made between a company based outside Macau and a Macau company and it is required to hire workers from outside Macau to provide management, technical, quality control or supervision. Accordingly, such workers are allowed to stay for 45 days within each period of 6 months in Macau.

As confirmed by our Directors, the period of stay of our workers was less than 7 days in Macau, not exceeding the prescribed period, and therefore, we have complied with the Administrative Regulation.

Laws and regulations relating to the activity of our Group in Macau

The legal regime in relation to Radiocommunication Services and Satellite TV Broadcasting System and Services labour matters in Macau is established mainly based on (1) 12th March — Decree Law no. 18/83/M/(Fundamental law of radiocommunications); and (2) 19th January — Decree Law no. 3/98/M (Basic principles that guide the licencing of satellite TV broadcasting services) further altered by Administrative Regulation 6/2004;

According to Article 29 of the Decree Law no. 18/83/M, it is prohibited to sell, rent, loan or donate a sender, receiver or transmitter device/radio receiver to whom did not submit an authorisation for the arrest of such a device, granted by the Government of Macau. Furthermore, Article 30 of the Decree Law no. 18/83/M provides that importers or sellers of emission equipment, receivers or transmitters/receivers radio may, upon written request, obtain from superintendents services a radio licence for possession of radio equipment without requiring government authorisation as established under 1 of Article 6.

At all times during the Track Record Period, as confirmed by our Directors, we are responsible for finding and sourcing suitable equipment and assist in arranging import of relevant products through import agents on our customers’ behalf to implement our application solutions provided to them; thus we did not engage in any business, trade or other activity in Macau, which would require a licence for such purpose as above referred. Whilst we provide application solutions, including those relating to apparatus for radio communications, to broadcasters and other customers in Macau, we do not deal in such apparatus in Macau and do not import into or export from Macau such apparatus.

We obtained two temporary authorisations granted on the terms of Article 15 no. 2 of Decree Law no. 48/86/M, 3 November 1986, as amended by Decree Law 33/95/M, 17 July 1995, from the Bureau of Telecommunications Regulation.

Accordingly, Article 15 provides that: “(i) the temporary authorisation for the establishment and use of a network or radio station is granted by order of the Director of Postal Services and Telecommunications; (ii) after the order mentioned in the previous paragraph, Postal Services and Telecommunications shall issue a temporary permit stating: the name of the holder, the identification of the radio service, the composition and main characteristics of the network or radio station and other conditions relevant and inform the holder that can initiate the installation of the equipment; (iii) if the temporary permit is lost or destroyed, the holder must apply to the Department of Posts and Telecommunications to issue duplicate.”

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Furthermore, such authorisation in accordance to Article 2 c) of the above referred law, allows the holder to establish and use a network or radio station, for a maximum period of 30 days, subject to compliance with legislation and other established conditions. Hence, our Group obtained on 13 November 2012 two temporary authorisations, T22/2012 and T25/2012 (i) for two fixed stations and (ii) one base station, one mobile station and two portable stations, respectively, valid until 12 December 2012 for a motor-racing event held in Macau in 2012. As we did not engage in a similar event after then, no further authorisation was required to be obtained. In the event we participate in similar projects in the future, we will apply for necessary authorisations to comply with the relevant laws.

HISTORY AND DEVELOPMENT

OUR BUSINESS HISTORY

Our Group was established in 2007 when Mr. Lo, our chairman, chief executive officer and executive Director, who had accumulated extensive industry knowledge and in-depth market understanding in the All-Media industry through his industry-related working experience, along with the other Original Shareholders, ventured into their own business pursuit and founded our Group by setting up CSS International, CSS Group Ltd, and CSS (Beijing) in early 2007 to engage in the business of provision of application solutions (mainly to facilitate content production and broadcasting by our customers) and event broadcast services. The Original Shareholders financed the establishment of our Group through injection of their own capital for setting up CSS International, CSS Group Ltd, and CSS (Beijing). For the source of funding regarding the setting up of CSS (Beijing), please refer to the subparagraph headed “Our Corporate History — CSS (Beijing)” in this section of the prospectus for further details.

Prior to the founding of our Group in 2007, Mr. Lo has been working in various companies principally involved in the All-Media industry since 1987, including companies which provided, among others, audio and visual system integration services, and video system integration services; and the various roles undertaken by him included general manager and director of the relevant company(ies). The extensive industry-related career experience enabled Mr. Lo to acquire in-depth industry knowledge and market understanding in the All-Media industry. In addition to the extensive experience of Mr. Lo, Mr. Leung possesses over 20 years of experience in the All-Media industry and who was Mr. Lo’s colleague from 2000 to 2006 while he undertook the position of marketing director and was later promoted to the position of vice president and was responsible for overall business management and development of such company, is currently overseeing the key functions of our business operations. Mr. Lo, Mr. Leung, together with the industry-related experience of the other executive Directors, have set a firm foundation for the success of our Group when it was established in 2007. For further details regarding the experience of Mr. Lo, Mr. Leung, and the other executive Directors, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus.

In 2008, our Group had already participated in various application solutions projects including the 2008 Beijing Olympics, and also the provision of application solutions for various systems for the new CCTV headquarter building. Our Group also provided application solutions for the direct-to-home satellite broadcast platform in 2008.

In 2009, to further expand our business, our Group established TST (Beijing), to provide application solutions (mainly to facilitate content transmission by our customers) and event broadcast services. During the year, our Group provided event broadcast services for various events including the 60th anniversary celebration of the founding of the PRC. Our Group had also participated in the provision of various types of application solutions or equipment to facilitate the simultaneous HD and SD broadcasting to seven out of the initial nine PRC television broadcasters that participated in the national migration of SD television to HD television, as well as to the IBC of the China National Games. Furthermore, CSS (Beijing) was awarded the HNTE qualification for the first time in 2009.

In 2010, our Group continued to expand and diversify our business by participating in the provision of the transmission system of various overseas bureaus of CCTV at the CCTV headquarters, as well as in Hong Kong and other overseas locations such as Dubai, Moscow, Sao Paulo and Nairobi. Our Group also established Evertop (HK) during the year to provide application solutions and event broadcast services mainly in Hong Kong and Macau. Evertop (HK) was established to mainly focus on sports event broadcast and equipment rental for specialised sporting events. Our Group provided event broadcast services for the opening and closing ceremonies of the 16th Asian Games. Furthermore, our Group had developed our first product, namely, our portable satellite flyaway terminal, in 2010. We established CTL (BVI) for research and development and sales of broadcast and transmission equipment

HISTORY AND DEVELOPMENT

in 2010. During the year, we also contracted with a technical consultant overseas to support our international sales plans and expand our market internationally. TST (Beijing) was also awarded the HNTE qualification for the first time in 2010.

In 2011, our Group provided event broadcast services for the first Tour of Beijing. Our Group also provided application solutions to the IBC of Summer Universiade. During the year, our Group was also granted by SARFT the first prize in engineering technology for the application solutions to the global coverage system of CCTV.

In 2012, we continued to provide event broadcast services for the Tour of Beijing. Also, our Group provided application solutions for the television channels play-out, master control system, and 3D television channels of CCTV in the same year. Our Company was also incorporated in 2012.

In 2013, our Group continued to provide event broadcast services for the Tour of Beijing and also for the China National Games again. In 2013, we were granted the first prize in engineering technology, for our work regarding the HD live aerial video broadcast and aerial microwave relay technology used for the event broadcast services of the first Tour of Beijing, by SAPPRFT.

The following are the key milestones of our business history:

- 2007 — Establishment of CSS International, CSS Group Ltd and CSS (Beijing)
- 2008 — Provision of application solutions for the 2008 Beijing Olympics including the master control platform and live aerial video broadcast systems of CCTV
 - Provision of application solutions services for various systems for the new CCTV headquarter building
 - Provision of application solutions for the direct-to-home satellite broadcast platform
- 2009 — Establishment of TST (Beijing)
 - Provision of event broadcast services in the 60th anniversary celebration of the founding of the PRC
 - Provision of application solutions for HD/SD broadcasting to seven out of the initial group of nine television broadcasters in the PRC, as well as to the IBC of the China National Games
- 2010 — Establishment of CTL (BVI) for research and development and sales of broadcast and transmission equipment
 - Provision of transmission system for central overseas bureaus of CCTV and in Dubai, Moscow, Hong Kong, Sao Paulo and Nairobi
 - TST (Beijing) was awarded the HNTE qualification
 - Establishment of Evertop (HK) to provide application solutions and event broadcast services mainly in Hong Kong and Macau
 - Provision of event broadcast services in the opening and closing ceremonies of the 16th Asian Games
 - Development and sales of portable satellite flyaway terminal

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- 2011 — Granted the first prize in engineering technology for the application solutions to the global coverage system of CCTV by SARFT
- Provision of event broadcast services for the first Tour of Beijing, which was one of the four world-wide contests of professional cycling racing
- Provision of application solutions to the IBC of Summer Universiade
- 2012 — Provision of event broadcast services for the second Tour of Beijing
- Provision of application solutions to the television channels play-out and master control system to CCTV
- Provision of application solutions to 3D TV channel to CCTV
- Incorporation of our Company
- 2013 — Provision of event broadcast services for the third Tour of Beijing
- Provision of application solutions to the IBC and broadcast service for the China National Games
- Granted the first prize in engineering technology for our work regarding HD live aerial video broadcast and aerial microwave relay technology used for the event broadcast services of the first Tour of Beijing by SAPPRT

OUR CORPORATE HISTORY

The principal subsidiaries of our Group are presented in this section of the prospectus. For further details regarding other subsidiaries of our Group, please refer to the section headed “Statutory and general information” in Appendix IV of this prospectus.

CSS International

On 10 January 2007, CSS International was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, one of which was issued at par to Mr. Leung on 30 January 2007. CSS International is an investment holding company.

As confirmed by our Directors, at the relevant time, it was the intention of the Original Shareholders that CSS International was to be co-owned by them in the percentage of 38%, 8%, 30%, 8%, 8%, and 8% respectively. Hence, although at the time of incorporation, CSS International had only one issued share held by Mr. Leung, it was the intention of the Original Shareholders that CSS International would be owned by the Original Shareholders in the percentage as set out above. The respective interest of the Original Shareholders in CSS International was held by Mr. Leung on trust for himself and the other Original Shareholders for administrative convenience purposes. As advised by our Hong Kong Legal Counsel, the trust arrangement was not in contravention with the laws of Hong Kong.

On 24 July 2008, based on the previous understanding among the Original Shareholders that CSS International was to be co-owned in the percentage as set out above by the Original Shareholders since its incorporation, 3,800 shares, 799 shares, 3,000 shares, 800 shares, 800 shares, and 800 shares of CSS International were issued at par to Mr. Lo, Mr. Leung, Mr. Zhou Q, Mr. Huang, Mr. Sun and Mr. Zhou J, respectively, in order to reflect their initial understanding.

In December 2012, with a view to consolidate his control of CSS International, Mr. Lo decided to purchase 1,000 shares of CSS International from Mr. Zhou Q at a consideration of approximately US\$2.69 million, which was based on arms’ length negotiation between the parties, taking into account

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of, among others, the net profit of CSS International at the relevant time. The consideration was settled on 13 December 2012 and such transfer was properly and legally completed and settled on 17 December 2012.

Pursuant to a share purchase agreement dated 27 December 2012, the Original Shareholders transferred the entire issued share capital in CSS International to our Company, in exchange for which our Company (a) issued and allotted 4,799, 800, 2,000, 800, 800, and 800 shares to Mr. Lo, Mr. Leung, Mr. Zhou Q, Mr. Huang, Mr. Sun, and Mr. Zhou J respectively, credited as fully paid; and (b) credited as fully paid at par the one nil-paid share which was then registered in the name of Mr. Lo. For further details, please refer to the paragraph headed “Reorganisation” in this section of the prospectus.

CSS Group Ltd

On 10 January 2007, CSS Group Ltd was incorporated in the BVI with an authorised share capital of US\$2,500,000 divided into 50,000 shares of US\$50.00 each, one of which was issued at par to CSS International on 30 January 2007. CSS Group Ltd was established to engage in the provision of application solutions (mainly to facilitate content production and broadcasting by our customers) and event broadcast services with CSS (Beijing), of which CSS Group Ltd was primarily responsible for dealing with overseas suppliers and CSS (Beijing) was primarily responsible for dealing with customers in the PRC. CSS Group Ltd has been a wholly-owned subsidiary of CSS International since incorporation up to the Latest Practicable Date.

CSS Group Ltd was then intended to be the operating company to be held by CSS International; hence it was also intended that such company would be owned by the Original Shareholders through CSS International in the proportion as set out above.

CSS (Beijing)

On 27 April 2007, CSS (Beijing) was established by China New Century Co Ltd.* (中國新紀元有限公司) (“**PRC Partner**”) and CSS Group Ltd in the PRC as a 80–20 sino-foreign joint venture company with registered capital of RMB20,000,000 (the “**Initial Capital**”), of which RMB16,000,000 (80%) was contributed by PRC Partner and RMB4,000,000 (20%) was contributed by CSS Group Ltd. CSS (Beijing) was set up to engage in the provision of application solutions (mainly to facilitate content production and broadcasting by our customers) and event broadcast services with CSS Group Ltd, of which CSS Group Ltd was primarily responsible for dealing with overseas suppliers and CSS (Beijing) was primarily responsible for dealing with customers in the PRC. CSS (Beijing) presently have branch offices in Shanghai and Guangzhou, which perform sales and marketing, technical support and after-sale services for customers in the surrounding regions.

The registered capital of CSS (Beijing) was contributed in full in cash by CSS Group Ltd and PRC Partner in accordance with their respective obligations as at 27 April 2007. The PRC Partner was then owned as to 29% by Yilian Technology Co Ltd* (易聯科技有限公司) (which was owned as to 80% by Mr. Zhou Q and 20% by an Independent Third Party) and 71% by Independent Third Parties. As confirmed by our Directors, pursuant to a trust arrangement (“**Trust Arrangement**”) between the Original Shareholders, Mr. Zhou Q, PRC Partner and CSS Group Ltd, the 80% registered capital to be contributed by PRC Partner was contributed on trust in favour of the Original Shareholders, and was financed by an interest-free loan arranged by Mr. Zhou Q for the Original Shareholders (the “**Loan**”). As advised by our PRC Legal Advisers, the Loan and the Trust Arrangement does not violate the relevant PRC laws and regulations, and the business engaged by CSS (Beijing) was not subject to any PRC regulatory restriction on the extent of foreign ownership permitted when it was established in 2007 and up to the Latest Practicable Date. CSS Group Ltd was the legal and beneficial owner of 20% of CSS (Beijing) at its time of establishment, and CSS Group Ltd was, in turn, ultimately owned by the Original Shareholders; and the Original Shareholders, together, were also the beneficial owner of 80% of CSS (Beijing) at its time of establishment. The entire interest of CSS (Beijing) was thus beneficially owned

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by the Original Shareholders in the same proportion as they were interested in CSS International, of which 20% was held through CSS Group Ltd and 80% was held through the Trust Arrangement. CSS (Beijing) was established with the Initial Capital and with PRC Partner as the registered majority shareholder to facilitate the obtaining of funding through the Loan arranged by Mr. Zhou Q for the Original Shareholders in the PRC, and also because the Original Shareholders believed that with CSS (Beijing) having a larger capital base and also having a PRC entity as its majority shareholder might enhance CSS (Beijing)'s competitive advantage when securing business in the PRC.

As confirmed by our Directors, it was the then intention at the relevant time that the interest held by PRC Partner on trust for the Original Shareholders would be transferred back to them as and when the Loan was repaid. It was also confirmed by our Directors that Mr. Zhou Q was one of the Original Shareholders and he was then holding 30% interest in CSS International (which was the ultimate holding company of CSS Group Ltd), and Mr. Zhou Q was also the indirect single largest shareholder of PRC Partner. By virtue of his substantial stake in CSS International and the PRC Partner, Mr. Zhou Q was thus willing to assist the other Original Shareholders to arrange for the Loan and also to request PRC Partner to hold such 80% interest in CSS (Beijing) on trust for the Original Shareholders as he believed his potential return from his stake in CSS International would be substantial and justify his assistance. As confirmed by our Directors, PRC Partner did not receive any consideration or gift in return for the Trust Arrangement.

As at 27 April 2007, the shareholding structure of CSS (Beijing) was set out below:

Name of shareholder	Registered capital	%
PRC Partner	RMB16,000,000	80 (<i>Note 1</i>)
CSS Group Ltd	<u>RMB4,000,000</u>	<u>20 (<i>Note 2</i>)</u>
Total:	<u><u>RMB20,000,000</u></u>	<u><u>100 (<i>Note 3</i>)</u></u>

Notes:

1. The 80% equity interest held by PRC Partner was held on trust in favour of the Original Shareholders.
2. The 20% equity interest held by CSS Group Ltd was also ultimately owned by the Original Shareholders through CSS International, which wholly owned CSS Group Ltd.
3. As such, the entire equity interest of CSS (Beijing) was ultimately owned by the Original Shareholders, namely, Mr. Lo, Mr. Leung, Mr. Zhou Q, Mr. Huang, Mr. Sun, and Mr. Zhou J in the percentage of 38%, 8%, 30%, 8%, 8%, and 8% respectively at the relevant time.

Pursuant to the Trust Arrangement, the Original Shareholders would repay the Loan through PRC Partner, and the corresponding interest of the Original Shareholders held by PRC Partner would be transferred back to them as and when the Loan was repaid through PRC Partner. As such, on 27 March 2008, PRC Partner and CSS Group Ltd entered into an equity transfer agreement pursuant to which PRC Partner agreed to transfer 30% equity interest in CSS (Beijing) to CSS Group Ltd at a consideration of RMB6,000,000 which was determined based on the Initial Capital. As advised by our PRC Legal Advisers, approval for such transfer was obtained on 21 April 2008 from the relevant PRC regulatory authorities and the transfer had complied with the relevant PRC laws and regulations. As advised by our PRC Legal Advisers, such transfer was properly and legally completed and settled. The consideration was settled as of 10 November 2010. The corresponding amount received by PRC Partner on behalf of the Original Shareholders for the acquisition of interest by CSS Group Ltd was utilised as repayment of part of the Loan and the corresponding 30% equity interest in CSS (Beijing) was transferred to CSS Group Ltd.

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As at 21 April 2008, the shareholding structure of CSS (Beijing) was set out below:

Name of shareholder	Registered capital	%
PRC Partner	RMB10,000,000	50 (Note 1)
CSS Group Ltd	<u>RMB10,000,000</u>	<u>50 (Note 2)</u>
Total:	<u><u>RMB20,000,000</u></u>	<u><u>100 (Note 3)</u></u>

Notes:

1. The 50% equity interest held by PRC Partner was held on trust in favour of the Original Shareholders.
2. The 50% equity interest held by CSS Group Ltd was also ultimately owned by the Original Shareholders through CSS International, which wholly owned CSS Group Ltd.
3. As such, the entire equity interest of CSS (Beijing) was owned by the Original Shareholders, namely, Mr. Lo, Mr. Leung, Mr. Zhou Q, Mr. Huang, Mr. Sun, and Mr. Zhou J in the percentage of 38%, 8%, 30%, 8%, 8%, and 8% respectively at the relevant time.

Pursuant to the Trust Arrangement, on 7 February 2012, PRC Partner and CSS Group Ltd entered into another equity transfer agreement pursuant to which PRC Partner agreed to transfer its entire remaining equity interest in CSS (Beijing) to CSS Group Ltd at a consideration of RMB10,000,000, which was again determined based on the Initial Capital. As advised by our PRC Legal Advisers, approval for such transfer was obtained on 26 April 2012 from the relevant PRC regulatory authorities and the transfer had complied with the relevant PRC laws and regulations. As advised by our PRC Legal Advisers, such transfer was properly and legally completed and settled. The consideration was settled on 25 February 2013. The corresponding amount received by PRC Partner on behalf of the Original Shareholders for the acquisition of interest by CSS Group Ltd was utilised as repayment of the remaining part of the Loan and the corresponding 50% equity interest in CSS (Beijing) was transferred to CSS Group Ltd. Following completion of this equity transfer agreement, the entire Loan was repaid and CSS Group Ltd became the owner of the entire interest of CSS (Beijing).

As at 26 April 2012, the shareholding structure of CSS (Beijing) was set out below:

Name of shareholder	Registered capital	%
CSS Group Ltd	<u>RMB20,000,000</u>	<u>100 (Note 1)</u>
Total:	<u><u>RMB20,000,000</u></u>	<u><u>100 (Note 2)</u></u>

Notes:

1. The 100% equity interest held by CSS Group Ltd was ultimately owned by the Original Shareholders through CSS International, which wholly owned CSS Group Ltd.
2. As such, the entire equity interest of CSS (Beijing) was owned by the Original Shareholders, namely, Mr. Lo, Mr. Leung, Mr. Zhou Q, Mr. Huang, Mr. Sun, and Mr. Zhou J in the percentage of 38%, 8%, 30%, 8%, 8%, and 8% respectively at the relevant time.

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TST (BVI)

On 20 October 2009, TST (BVI) was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, of which one share was issued at par to Pilot Century Holdings Limited, a company wholly-owned by Mr. Leung, upon incorporation; and such share was held on trust in favour of CSS International. As advised by our Hong Kong Legal Counsel, the trust arrangement was not in contravention of the laws of Hong Kong. TST (BVI) was established to expand our business scope to provide application solutions (mainly to facilitate content transmission by our customers) with TST (Beijing), with TST (BVI) primarily responsible for sourcing overseas suppliers and TST (Beijing) primarily responsible for dealing with customers in the PRC. As confirmed by our Directors, the trust arrangement at the time of incorporation of TST (BVI) was set up for commercial reasons as they did not want competitors to know about details of the business direction and expansion plan of our Group at the relevant time.

On 1 January 2012, the one share was transferred back at par from Pilot Century Holdings Limited to CSS International. TST (BVI) has been a wholly-owned subsidiary of CSS International since incorporation and up to the Latest Practicable Date.

TST (Beijing)

On 28 October 2009, TST (Beijing) was established by CSS (Beijing) and an Independent Third Party (“**Shanghai Partner**”), in the PRC as a 80–20 joint venture company with registered capital of RMB12,000,000, of which RMB9,600,000 (80%) was contributed by CSS (Beijing) and RMB2,400,000 (20%) by Shanghai Partner. TST (Beijing) was established to provide application solutions (mainly to facilitate content transmission by our customers) and event broadcast services with TST (BVI), with TST (BVI) primarily responsible for sourcing overseas suppliers and TST (Beijing) primarily responsible for dealing with customers in the PRC.

On 2 April 2012, CSS (Beijing) and Shanghai Partner entered into an equity transfer agreement pursuant to which Shanghai Partner agreed to transfer 20% equity interest in TST (Beijing) to CSS (Beijing) at a consideration of RMB2,400,000, which was determined based on the then paid-up capital of TST (Beijing) of RMB12,000,000, as TST (Beijing) was still a newly start-up company and it did not have sufficient cash flow for distributing profit to its investors, including Shanghai Partner, in the short term at the relevant time. As advised by our PRC Legal Advisers, the equity transfer had complied with the relevant PRC laws and regulations and was properly and legally completed on 15 May 2012. The consideration was settled on 25 May 2012.

On 28 February 2013, with a view to consolidate the different business segments of our Group, we regrouped our subsidiaries with similar business segment together. Therefore, CSS (Beijing) and Evertop (Beijing) entered into an equity transfer agreement pursuant to which CSS (Beijing) agreed to transfer 100% equity interest in TST (Beijing) to Evertop (Beijing) at a consideration of RMB12,000,000, which was determined based on the then paid-up capital of TST (Beijing) of RMB12,000,000. Approval for such transfer was obtained on 14 March 2013 from the relevant PRC regulatory authorities and such transfer had complied with the relevant PRC laws and regulations, as advised by our PRC Legal Advisers. Since then, TST (Beijing) has been a wholly-owned subsidiary of Evertop (Beijing) up to the Latest Practicable Date. At the time of the transfer, both CSS (Beijing) and Evertop (Beijing) were initially wholly-owned by CSS International, hence, such transfer was an internal transfer among our Group.

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Cortesia

On 31 March 2010, Cortesia was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, which one share was issued at par to Mr. Leung upon incorporation and such share was held on trust for CSS International. As advised by our Hong Kong Legal Counsel, the trust arrangement was not in contravention with the laws of Hong Kong. Cortesia is an investment holding company and which acted as the holding company of, among others, CTL (BVI), which carried on research and development and sales of broadcast and transmission equipment. As confirmed by our Directors, the trust arrangement for the holding of such share in Cortesia was set up for similar commercial reason as the holding of share in TST (BVI), that is, they did not want competitors to know about the business direction and expansion plan of our Group at the relevant time.

On 6 March 2014, the one share was transferred back at par from Mr. Leung to CSS International. Cortesia has been a wholly-owned subsidiary of CSS International since its incorporation and up to the Latest Practicable Date.

CTL (BVI)

On 26 May 2010, CTL (BVI) was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, which one share was issued at par to Cortesia upon incorporation. CTL (BVI) was incorporated for our business expansion to carry on research and development and sales of broadcast and transmission equipment. CTL (BVI) has been a wholly-owned subsidiary of Cortesia since its incorporation and up to the Latest Practicable Date.

Evertop (HK)

On 29 June 2010, Evertop (HK) was incorporated in Hong Kong with an authorised share capital of HK\$100,000 divided into 100,000 shares of HK\$1.00 each, which one share was allotted to Mr. Lai Ming Cheong, a then proposed director of Evertop (HK), as the initial subscriber; and as confirmed by our Directors, such share was held on trust in favour of CSS International. Evertop (HK) was incorporated to engage mainly in application solutions and event broadcast services in Hong Kong and Macau.

As at 29 June 2010, the shareholding structure of Evertop (HK) was set out below:

Name of shareholder	Shares	%
Lai Ming Cheong	<u>1</u>	<u>100 (Note 1)</u>
Total:	<u><u>1</u></u>	<u><u>100</u></u>

Note:

1. As confirmed by our Directors, the entire issued share capital of Evertop (HK) was held on trust by Mr. Lai Ming Cheong in favour of CSS International at the relevant time.

On 28 July 2010, the one share of Evertop (HK) was transferred at par from Mr. Lai Ming Cheong to Pilot Century Holdings Limited, a company wholly-owned by Mr. Leung, for administrative convenience purposes, as Pilot Century Holdings Limited was then also holding TST (BVI)'s equity interest on trust for CSS International, and such share continued to be held on trust by Pilot Century Holdings Limited in favour of CSS International.

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As at 28 July 2010, the shareholding structure of Evertop (HK) was set out below:

Name of shareholder	Shares	%
Pilot Century Holdings Limited	1	100 (Note 1)
Total:	1	100

Note:

1. The entire issued share capital of Evertop (HK) was held on trust by Pilot Century Holdings Limited in favour of CSS International at the relevant time.

At around the end of September 2012, further to the negotiation between CSS International and Mr. Lai Ming Cheong, Mr. Lai Ming Cheong originally intended to acquire 50% shareholding of Evertop (HK) at a consideration to be agreed between the parties. Hence, on 27 September 2012, one share of Evertop (HK) was allotted to Mr. Lai Ming Cheong, which, as confirmed by our Directors, held such share on trust for Pilot Century Holdings Limited (which in turn held such share on trust for CSS International) until the consideration is agreed and to be paid by Mr. Lai Ming Cheong. As at 27 September 2012, the shareholding structure of Evertop (HK) was set out below:

Name of shareholder	Shares	%
Pilot Century Holdings Limited	1	50 (Note 1)
Lai Ming Cheong	1	50 (Note 2)
Total:	2	100 (Note 3)

Notes:

1. The 50% shareholding of Evertop (HK) was held on trust by Pilot Century Holdings Limited in favour of CSS International at the relevant time.
2. The 50% shareholding of Evertop (HK) was, as confirmed by our Directors, held on trust by Mr. Lai Ming Cheong in favour of Pilot Century Holdings Limited (which in turn held such share on trust for CSS International) at the relevant time pending agreement of the consideration and settlement.
3. Hence, the entire issued shareholding was wholly owned by CSS International at the relevant time.

As Mr. Lai Ming Cheong and CSS International could not agree on the consideration and the transaction did not complete, on 19 November 2012, the one share of Evertop (HK) held by Mr. Lai Ming Cheong was transferred back to Pilot Century Holdings Limited, which continued to hold such share on trust in favour of CSS International. As confirmed by our Directors, the trust arrangement for the holding of share(s) in Evertop (HK) was set up for similar commercial reason as the holding of shares in TST (BVI) and Cortesia, as they did not want competitors to know about details of the business direction and expansion plan of our Group. As advised by our Hong Kong Legal Counsel, the trust arrangement was not in contravention with the laws of Hong Kong.

As at 19 November 2012, the shareholding structure of Evertop (HK) was set out below:

Name of shareholder	Shares	%
Pilot Century Holdings Limited	2	100 (Note 1)
Total:	2	100

HISTORY AND DEVELOPMENT

Note:

1. The entire issued share capital of Evertop (HK) was held by Pilot Century Holdings Limited on trust in favour of CSS International at the relevant time.

On 6 March 2014, the entire issued share capital of Evertop (HK) was transferred from Pilot Century Holdings Limited to CSS International.

As at 6 March 2014, the shareholding structure of Evertop (HK) was set out below:

Name of shareholder	Shares	%
CSS International	<u>2</u>	<u>100</u>
Total:	<u><u>2</u></u>	<u><u>100</u></u>

CTL (HK)

On 3 March 2011, CTL (HK) was incorporated in Hong Kong with an authorised share capital of HK\$100,000 divided into 100,000 shares of HK\$1.00 each, which one share was issued at par to Cortesia upon incorporation. CTL (HK) is an investment holding company. CTL (HK) has been a wholly-owned subsidiary of Cortesia since its incorporation and up to the Latest Practicable Date.

Evertop (Beijing)

On 18 May 2011, Evertop (Beijing) was established by Evertop (HK) in the PRC with an approved registered capital of RMB12,000,000. Evertop (Beijing) was incorporated to carry out event broadcast services in the PRC. Evertop (Beijing) has been a wholly-owned subsidiary of Evertop (HK) since its incorporation and up to the Latest Practicable Date.

NISL

On 3 July 2012, NISL was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, which one share was issued at par to Apex Info International Limited, a company wholly-owned by Mr. Leung, on 17 July 2012, and such share was held on trust in favour of CSS Group Ltd. As advised by our Hong Kong Legal Counsel, the trust arrangement was not in contravention with the laws of Hong Kong. NISL was incorporated to provide distribution of transmission products of one of our suppliers, in the PRC. As confirmed by our Directors, the trust arrangement was set up for commercial reason as they did not want our competitors to know about details of our business activities.

On 6 March 2014, the one share was transferred back at par from Apex Info International Limited to CSS Group Ltd. NISL has been a wholly-owned subsidiary of CSS Group Ltd since its incorporation and up to the Latest Practicable Date.

CTL (Beijing)

On 15 July 2011, CTL (Beijing) was established by CTL (HK) in the PRC with an approved registered capital of RMB11,000,000. CTL (Beijing) was established to carry on research and development and sales of broadcast and transmission equipment in the PRC. CTL (Beijing) has been a wholly-owned subsidiary of CTL (HK) since its incorporation and up to the Latest Practicable Date.

HISTORY AND DEVELOPMENT

On 15 August 2013, CTL (Beijing) entered into an agreement with the shareholders of a company in Shanghai (“**Shanghai Co**”), all being Independent Third Parties, to acquire 16.11% interest of Shanghai Co, and became a minority shareholder of Shanghai Co, in order to tap into the 3G/4G transmission broadcast technology offered by Shanghai Co.

Our Company

For the purpose of Listing, on 18 December 2012, our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company to act as the ultimate holding company of our Group. The authorised share capital of our Company, on incorporation, was HK\$380,000 divided into 3,800,000 shares of HK\$0.1 each. On 18 December 2012, our Company allotted and issued one nil-paid share to Codan Trust Company (Cayman) Limited, which was transferred to Mr. Lo on the same date. Our Company became the ultimate holding company of our Group as a result of the Reorganisation. Details of the Reorganisation are set out below in this section of the prospectus.

For charts illustrating the shareholding structure of our Group (i) immediately prior to the Reorganisation; (ii) after the Reorganisation and immediately prior to the Capitalisation Issue and the Global Offering; and (iii) following completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and that no Shares have been issued pursuant to the exercise of any option which may be granted under the Share Option Scheme), please refer to the following section of the prospectus.

REORGANISATION

In contemplation of the Listing, members of our Group have undergone certain restructuring steps. The Reorganisation involved the following principal steps:

1. Incorporation of our Company;
2. Transfer of the entire issued share capital of CSS International to our Company;
3. Transfer of shares of our Company held by Mr. Lo and Mr. Leung to Cerulean Coast Limited and Future Miracle Limited, wholly-owned by each of them respectively;
4. Adoption of the Share Award Plan; and
5. Subdivision of shares of our Company.

DETAILED PROCEDURES

For the purpose of Listing, the following Reorganisation steps have been implemented:

Incorporation of our Company

On 18 December 2012, our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company to act as the ultimate holding company of our Group. The authorised share capital of our Company, on incorporation, was HK\$380,000 divided into 3,800,000 shares of HK\$0.1 each. On 18 December 2012, our Company allotted and issued one nil-paid share to Codan Trust Company (Cayman) Limited, which was transferred to Mr. Lo on the same date. The said one nil-paid share was subsequently paid up in the manner described in the paragraph below.

HISTORY AND DEVELOPMENT

Transfer of the entire issued share capital of CSS International to our Company

Pursuant to a share purchase agreement dated 27 December 2012, the Original Shareholders transferred the entire issued share capital in CSS International to our Company, in exchange for which our Company (a) issued and allotted 4,799, 800, 2,000, 800, 800, and 800 shares to Mr. Lo, Mr. Leung, Mr. Zhou Q, Mr. Huang, Mr. Sun, and Mr. Zhou J respectively, credited as fully paid; and (b) credited as fully paid at par the one nil-paid share which was then registered in the name of Mr. Lo.

Transfer of shares of our Company from Mr. Zhou Q, Mr. Zhou J, Mr. Huang and Mr. Sun to Mr. Lo

On 9 May 2013, an aggregate of 4,400 shares in our Company were transferred from Mr. Zhou Q, Mr. Zhou J, Mr. Huang and Mr. Sun to Mr. Lo at an aggregate consideration of HK\$92.4 million. As confirmed by our Directors, at the relevant time, Mr. Lo had the intention to acquire further interests in our Company to consolidate his control over our Group, and Mr. Zhou Q, Mr. Huang, Mr. Sun and Mr. Zhou J were also interested to realise their respective investment return as the agreed consideration represented a substantial gain to them when compared to (i) their respective initial investment costs in our Group and (ii) the proportionate net tangible asset value of our Group as at 31 December 2012. Although Mr. Huang, Mr. Sun and Mr. Zhou J will remain as executive Directors of our Company after Listing, they also agreed to sell their respective shares to Mr. Lo at the relevant time as the agreed consideration provides a substantial investment return to each of them respectively. As such, Mr. Lo was able to purchase the respective shares to consolidate his control of our Group. The consideration was agreed among the parties based on arms' length negotiation and also with reference to the basis of consideration for transfer of the 1,000 shares of CSS International from Mr. Zhou Q to Mr. Lo on 17 December 2012. The consideration was settled as at 9 May 2013 and such transfer was properly and legally completed and settled. After such transfer, our Company was owned as to 92% by Mr. Lo and 8% by Mr. Leung. The said transfer is not considered as part of the Reorganisation for the purpose of Listing.

Transfer of shares of our Company held by Mr. Lo and Mr. Leung to Cerulean Coast Limited and Future Miracle Limited, wholly-owned by each of them respectively

On 6 March 2014, the shares of our Company held by Mr. Lo and Mr. Leung were transferred to Cerulean Coast Limited and Future Miracle Limited respectively, at a nominal consideration of HK\$1 respectively.

Adoption of the Share Award Plan

In order to recognise and reward the contribution of eligible participants to the growth and development of our Group, on 24 March 2014, our Company adopted the Share Award Plan. Teeroy Limited, a company incorporated in Hong Kong and an Independent Third Party, will act as the Share Award Plan Trustee to the Share Award Plan. Among the 9,200 shares in our Company then held by Mr. Lo through Cerulean Coast Limited, 300 shares had been gifted by him and transferred to the Share Award Plan Trustee at nil consideration to be held on trust for the Share Award Plan on 24 March 2014.

Subdivision of shares of our Company

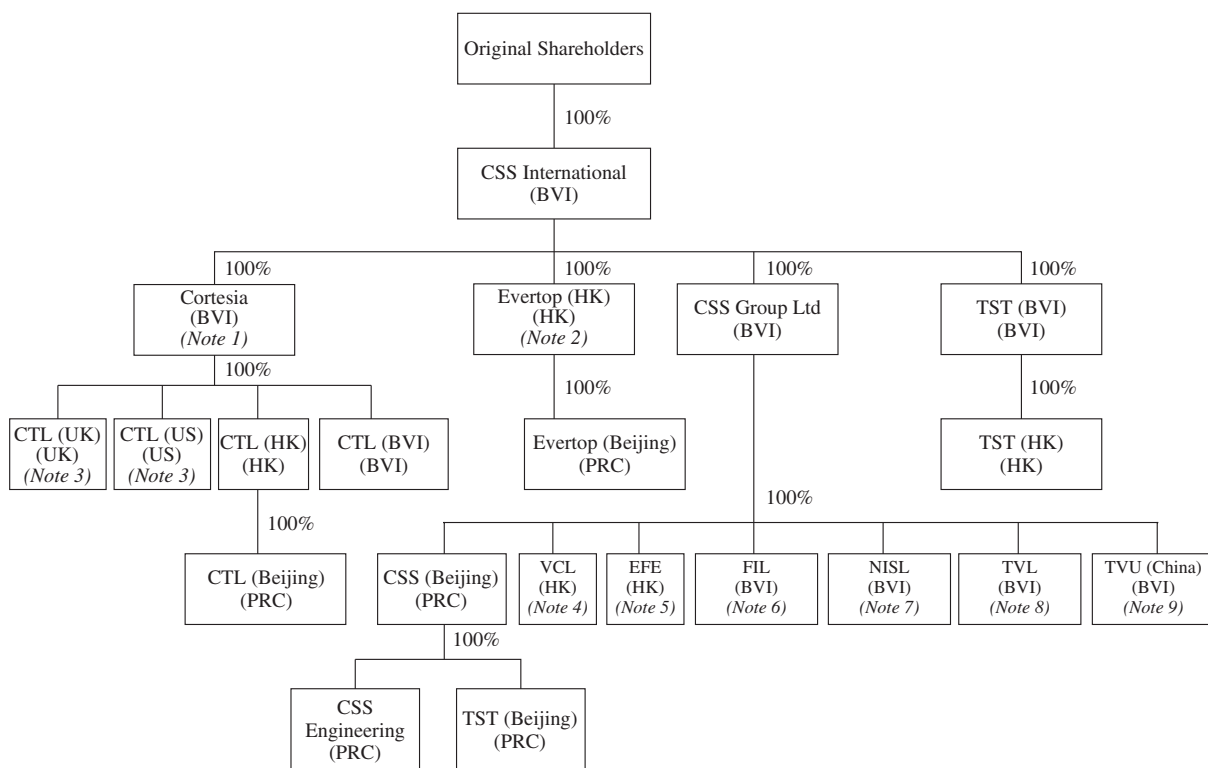
On 13 June 2014, each issued and unissued ordinary share of HK\$0.1 each of our Company was subdivided into 10 Shares of HK\$0.01 each and following the sub-division of share capital of our Company, the number of issued Shares was increased from 10,000 to 100,000.

HISTORY AND DEVELOPMENT

Each of the share transfers regarding the Reorganisation mentioned above was properly and legally completed and settled. The Reorganisation of our Group (being completion of transfer of the entire issued share capital of CSS International to our Company) was completed on 27 December 2012.

CORPORATE STRUCTURE PRIOR TO THE REORGANISATION

Set out below is the shareholding structure of our Group immediately prior to the Reorganisation:



Notes:

1. The entire issued share capital of Cortesia was held on trust by Mr. Leung in favour of CSS International.
2. The entire issued share capital of Evertop (HK) was held on trust by Pilot Century Holdings Limited, a company wholly-owned by Mr. Leung, in favour of CSS International.
3. The entire issued share capital of CTL (US) and CTL (UK) had been transferred to Yorkhill Limited, an Independent Third Party and a secretarial company, on 2 May 2013 and 30 May 2013, respectively, for winding up purposes. CTL (US) was dissolved on 16 May 2013 and CTL (UK) was dissolved on 26 November 2013, respectively. The dissolution of CTL (US) and CTL (UK) is not part of the Reorganisation for the purpose of Listing.
4. The entire issued share capital of VCL was held on trust by Tech Sky Limited, a company wholly-owned by Mr. Leung, in favour of CSS Group Ltd. As the joint venture arrangement entered into between CSS Group Ltd., a company and its holding company was subsequently terminated pursuant to a termination agreement dated 18 April 2012, VCL ceased to engage in any business since mid-2012. On 7 March 2013, the entire issued share capital of VCL was transferred from Tech Sky Limited to Yorkhill Limited, an Independent Third Party and a secretarial company, for winding up purposes. After the said transfer, VCL ceased to be a subsidiary of our Group. VCL was in the process of winding up as at the Latest Practicable Date. The dissolution of VCL is not part of the Reorganisation for the purpose of Listing.
5. The entire issued share capital of EFE was held on trust by Mr. Leung in favour of CSS Group Ltd. As the original intended functions of EFE was subsequently taken over by Evertop (HK) from early 2013 onwards, EFE's business operations were subsequently wound down and has been dormant since early 2013. On 7 March 2013, the entire

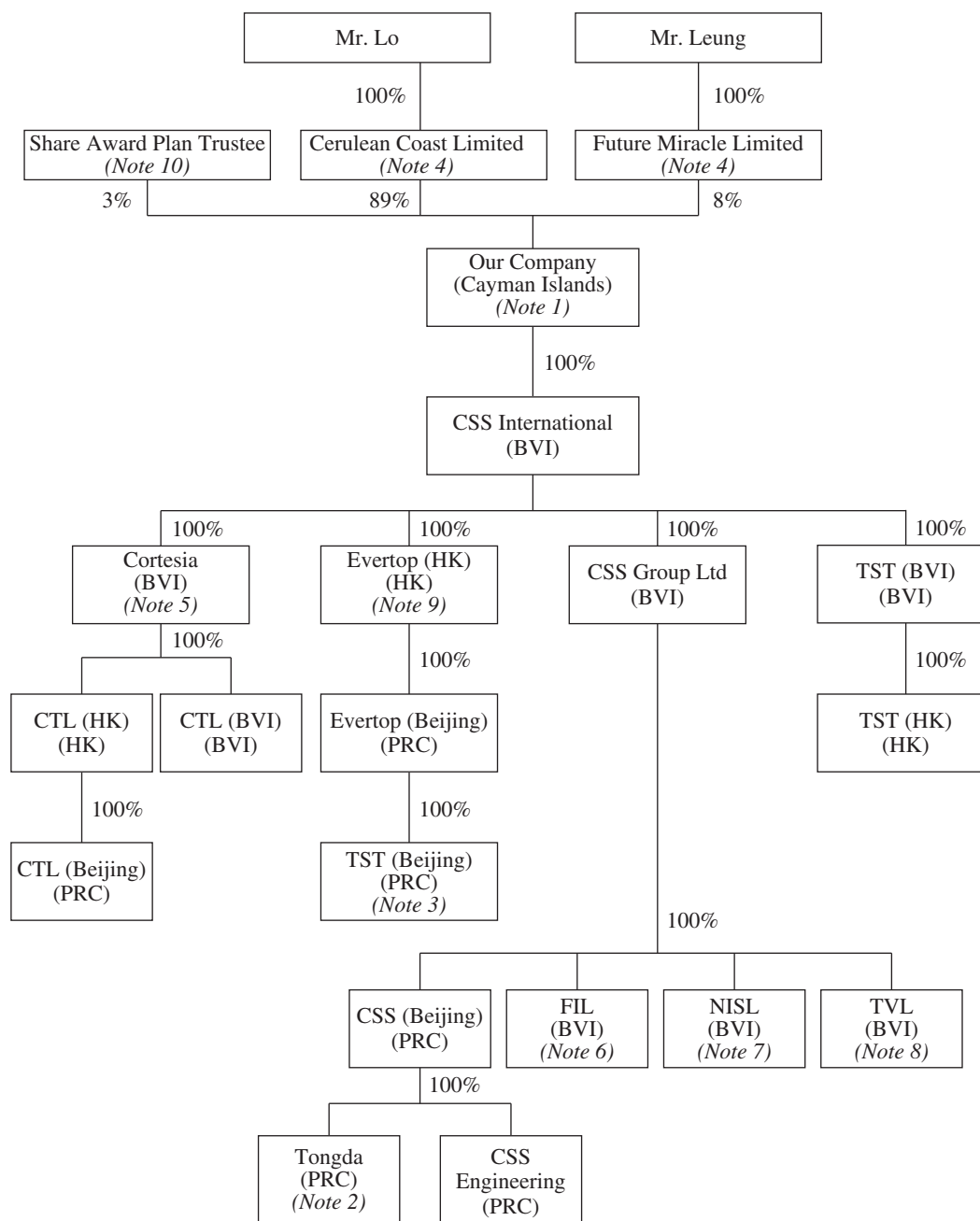
HISTORY AND DEVELOPMENT

issued share capital of EFE was transferred from Mr. Leung to Yorkhill Limited, an Independent Third Party and a secretarial company, for winding up purposes. After the said transfer, EFE ceased to be a subsidiary of our Group. EFE was in the process of winding up as at the Latest Practicable Date. The dissolution of EFE is not part of the Reorganisation for the purpose of Listing.

6. The entire issued share capital of FIL was held on trust by Mr. So Yun Wah in favour of CSS Group Ltd.
7. The entire issued share capital of NISL was held on trust by Apex Info International Limited, a company wholly-owned by Mr. Leung, in favour of CSS Group Ltd.
8. The entire issued share capital of TVL was held on trust by Apex Info International Limited, a company wholly-owned by Mr. Leung, in favour of CSS Group Ltd.
9. The entire issued share capital of TVU (China) was held on trust by Apex Info International Limited, a company wholly-owned by Mr. Leung, in favour of CSS Group Ltd. On 7 March 2013, the entire issued share capital of TVU (China) was transferred from Apex Info International Limited to Yorkhill Limited, an Independent Third Party and a secretarial company, for winding up purposes. TVU (China) was dissolved on 23 May 2013. The dissolution of TVU (China) is not part of the Reorganisation for the purpose of Listing.

HISTORY AND DEVELOPMENT

CORPORATE STRUCTURE AFTER THE REORGANISATION AND IMMEDIATELY PRIOR TO THE CAPITALISATION ISSUE AND THE GLOBAL OFFERING



Notes:

- On 18 December 2012, our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company to act as the ultimate holding company of our Group. The authorised share capital of our Company, on incorporation, was HK\$380,000 divided into 3,800,000 shares of HK\$0.1 each. On 18 December 2012, our Company allotted and issued one nil-paid share to Codan Trust Company (Cayman) Limited, which was transferred to Mr. Lo on the same date. Pursuant to a share purchase agreement dated 27 December 2012, the Original Shareholders transferred the entire issued share capital in CSS International to our Company, in exchange for which our Company (a) issued and allotted 4,799, 800, 2,000, 800, 800, and 800 shares to Mr. Lo, Mr. Leung, Mr. Zhou Q, Mr. Huang, Mr. Sun, and Mr. Zhou J respectively, credited as fully paid; and (b) credited as fully paid

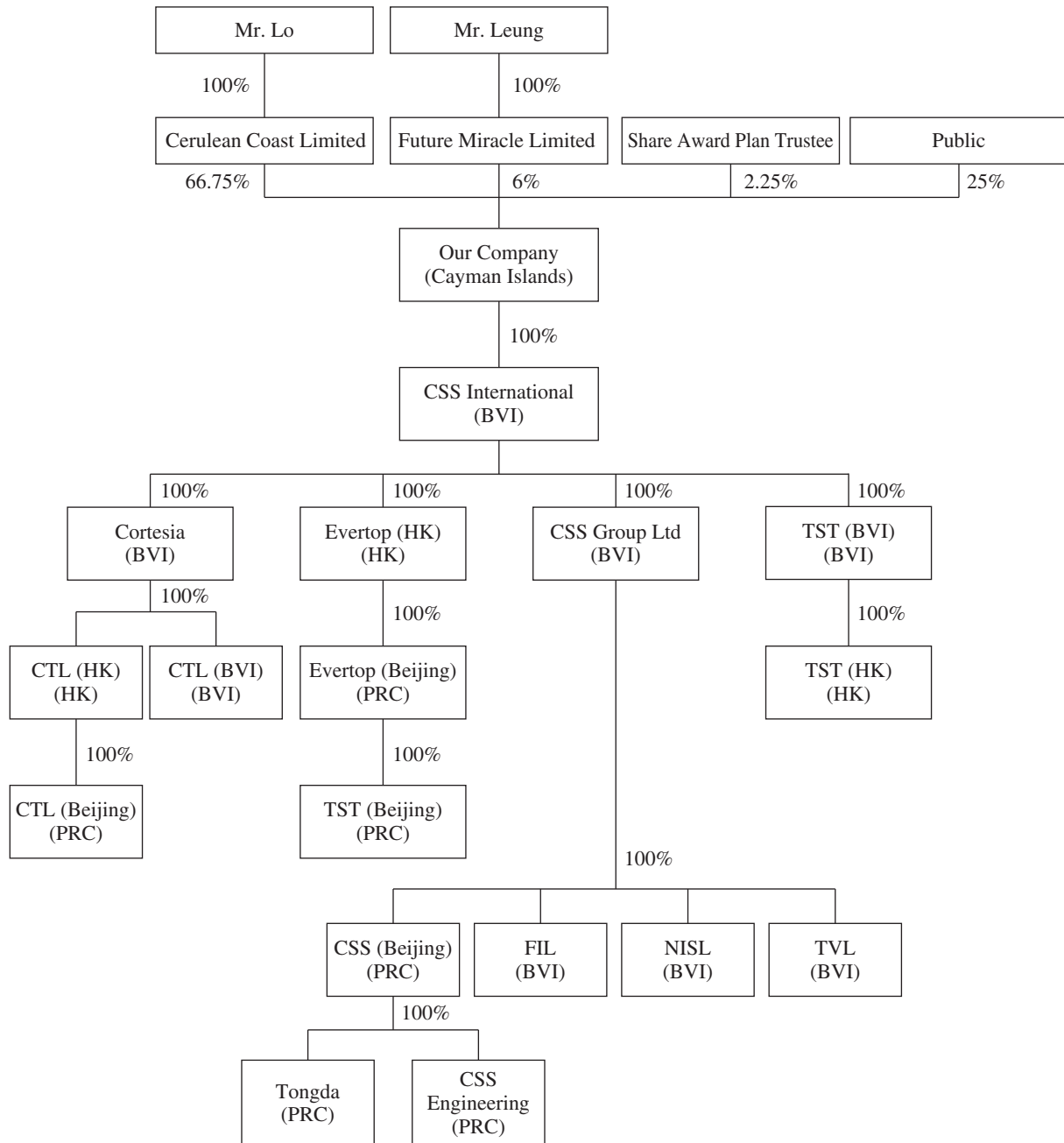
HISTORY AND DEVELOPMENT

at par the one nil-paid share which was then registered in the name of Mr. Lo. On 9 May 2013, an aggregate of 4,400 shares of our Company were transferred from Mr. Zhou Q, Mr. Zhou J, Mr. Huang and Mr. Sun to Mr. Lo at an aggregate consideration of HK\$92.4 million.

2. On 19 February 2013, Tongda was established by CSS (Beijing) in the PRC with registered capital of RMB6,000,000. The incorporation of Tongda is not part of the Reorganisation for the purpose of Listing.
3. On 28 February 2013, CSS (Beijing) and Evertop (Beijing) entered into an equity transfer agreement pursuant to which CSS (Beijing) agreed to transfer 100% equity interest in TST (Beijing) to Evertop (Beijing) at a consideration of RMB12,000,000 which was determined based on the then paid-up capital of TST (Beijing). This is not part of the Reorganisation for the purpose of Listing.
4. On 6 March 2014, the shares of our Company held by Mr. Lo and Mr. Leung were transferred to Cerulean Coast Limited and Future Miracle Limited respectively, at a nominal consideration of HK\$1 respectively.
5. On 6 March 2014, the entire issued share capital of Cortesia was transferred back from the trustee, Mr. Leung, to CSS International. This is not part of the Reorganisation for the purpose of Listing.
6. On 6 March 2014, the entire issued share capital of FIL was transferred back from the trustee, Mr. So Yun Wah, to CSS Group Ltd. This is not part of the Reorganisation for the purpose of Listing.
7. On 6 March 2014, the entire issued share capital of NISL was transferred back from the trustee, Apex Info International Limited, to CSS Group Ltd. This is not part of the Reorganisation for the purpose of Listing.
8. On 6 March 2014, the entire issued share capital of TVL was transferred back from the trustee, Apex Info International Limited, to CSS Group Ltd. This is not part of the Reorganisation for the purpose of Listing.
9. On 6 March 2014, the entire issued share capital of Evertop (HK) was transferred back from the trustee, Pilot Century Holdings Limited, to CSS International. This is not part of the Reorganisation for the purpose of Listing.
10. In order to recognise and reward the contribution of certain eligible participants to the growth and development of our Group, on 24 March 2014, our Company adopted the Share Award Plan. Teeroy Limited, a company incorporated in Hong Kong and an Independent Third Party, will act as the trustee to the Share Award Plan. Among the 9,200 shares of our Company then held by Mr. Lo through Cerulean Coast Limited, 300 shares had been gifted by him and transferred to the Share Award Plan Trustee at nil consideration to be held on trust for the Share Award Plan on 24 March 2014.

HISTORY AND DEVELOPMENT

CORPORATE STRUCTURE FOLLOWING COMPLETION OF THE CAPITALISATION ISSUE AND THE GLOBAL OFFERING (assuming the Over-allotment Option is not exercised)



HISTORY AND DEVELOPMENT

COMPLIANCE WITH PRC LAWS

The 2006 M&A Rules

Under the 2006 M&A Rules, a foreign investor is required to obtain certain government approvals when it (i) acquires assets of a PRC domestic company for the purpose of controlling such assets and use them in business operations, or (ii) acquires equity interest in a PRC domestic company or subscribes for registered capital of a PRC domestic company for the purpose of converting such PRC domestic company into a foreign invested enterprise. For further details of the 2006 M&A Rules, please refer to the section headed “Regulations — Laws and Regulations in the PRC — Regulation of Certain Onshore and Offshore Transactions”.

CSS (Beijing) was established as a sino-foreign joint venture, a type of foreign invested enterprise instead of a PRC domestic company, by CSS Group Ltd and PRC Partner, therefore, as advised by our PRC Legal Advisers, the 2006 M&A Rules does not apply to CSS Group Ltd’s acquisition of the equity in CSS (Beijing) from PRC Partner.

SAFE Circular No. 75

According to the SAFE Circular No. 75, PRC residents who establish or control offshore special purpose vehicles (“SPV”) shall apply to the local branch of foreign exchange administration to register their overseas investments. Additionally, where a PRC resident contributes his assets or shareholding in a PRC enterprise into an offshore SPV, or engages in the shareholding alteration of an offshore SPV, with regard to the net interests he holds in such offshore SPV, he shall properly register or update his registration with the local branch of foreign exchange administration. Our PRC Legal Advisers are of the opinion that since Mr. Lo and Mr. Leung are both permanent residents of Hong Kong, they are not PRC residents under the SAFE Circular No. 75 and accordingly, they are not required to go through registration procedures under SAFE Circular No. 75 with respect to their overseas investments.

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OVERVIEW

We are the leading 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, and system maintenance services. In addition, we develop and sell broadcast and transmission equipment. Our application solutions, services and equipment are used by a wide range of customers requiring services relating to All-Media, including broadcasters, event producers, new media providers, enterprises and government agencies.

Our traditional customer base consists of top-tier (based on revenue according to CCID Report) All-Media producers and broadcasters in China, which include the nation's leading national-level, provincial-level (including provincial-level municipalities) and prefectural-level television broadcasters. According to the CCID Report, such top-tier producers and broadcasters are in a better position to invest in technology. For example, they have migrated to digital and HD technologies more quickly than their lower-tiered competitors. According to the CCID Report, in 2012 we ranked number one, in terms of revenue, among providers of All-Media application solutions that facilitate content production, broadcast and transmission by the All-Media industry in China, with a market share of approximately 17%.*

Our application solutions, services and equipment have been installed and used in high-profile projects such as:

- The outfitting of broadcasting facilities in the headquarters of CCTV, Hunan Television, Anhui Television, Yunnan Television, Shenzhen Television and Guangzhou Television.
- The setup of the IBCs for the 2009 and 2013 China National Games and the 26th Summer Universiade.
- Event broadcast services to support some of the most high profile live events in China, such as the 60th anniversary celebration of the founding of the PRC, the 2008 Beijing Olympics, the 16th Asian Games, the Tour of Beijing and the 2013 China National Games.

We are also expanding our business by expanding both our service and product offerings and our customer base. In terms of service and product offerings, we are growing our system maintenance services and our equipment development and sales businesses, both of which tend to have higher gross profit margins than our other business segments. In terms of our customer base, we are increasingly expanding our customer base to include China's leading new media providers, as well as government agencies.

During the Track Record Period, our revenue increased at a two-year CAGR of 15.8%, from RMB468.9 million for the year ended 31 December 2011 to RMB628.8 million for the year ended 31 December 2013, while our net profit increased from RMB36.7 million for the year ended 31 December 2011 to RMB77.8 million for the year ended 31 December 2013, representing a two-year CAGR of 45.6%.

* Information in relation to our Group's market share and market ranking for 2013 is not available at the time of this prospectus. Our Group's 2012 ranking may not be representative of our Group's current ranking in the industry.

Our business can be categorised into the following four segments:

Provision of production, broadcast and transmission application solutions (“application solutions”)

Due to the high level of complexity, reliability and unique features that our customers typically demand, we generally provide tailor-made hardware and software application solutions to our customers in a turnkey package that includes system engineering design, provision of software and hardware equipment used in the system, system integration and after-sale services. We also offer standalone system design, consultancy and implementation services to our customers for projects where the customer is responsible for procuring the relevant software and hardware equipment. Our application solutions can be divided by their functions into two major categories: (i) production and broadcasting and (ii) transmission. See “— Our Products and Services — Business Segments — Provision of Application Solutions”.

Our customers for this segment are mainly television stations which purchase our application solutions for the purpose of facilitating their production, broadcasting and transmission of All-Media content. Our landmark projects include provision of (i) application solutions for various systems in the new CCTV headquarters building in Beijing (“CCTV HQ”) in 2008 (such as master control system and playout system), (ii) the transmission system for CCTV’s overseas news bureaus at CCTV HQ and at overseas locations including Hong Kong, Dubai, Moscow, Sao Paulo and Nairobi, (iii) the EFP system used in the HD live broadcast of the 2008 Beijing Olympic torch relay on Mt. Everest, (iv) a number of application solutions for the establishment of the IBC of the Eleventh National Games in 2009 and (v) HD migration in 2009 for seven of the initial group of nine PRC television broadcasters that participated in the national migration of SD television to HD television.

Event broadcast services

We provide event broadcast services to host broadcasters for their broadcast and transmission of live events. Live events for which we have provided event broadcast services include the 60th anniversary celebration of the founding of the PRC in 2009, the 2008 Beijing Olympics, the 16th Asian Games, the 2013 China National Games, the 59th Macau Grand Prix and the Tour of Beijing since its inception in 2011. Based on the needs of the host broadcasters and their content production teams, we offer tailor-made packages that can include a variety of services such as system engineering design, on-site operation and technical support services to the customer’s content production team and leasing of equipment for the event. For outdoor events, our services may also cover organising and sourcing aerial broadcasting helicopters, planning aerial routes and conducting ground exploration and planning of the locations of ground-level transmission systems. Depending on our customers’ needs, we are able to lease to our customers the systems and relevant equipment (some of which we own and lease to customers across different projects over time) for such event broadcast services on a project-by-project basis for an individual event, or for a fixed tenure. We can also source and sell the necessary systems and equipment to our customers that wish to own the relevant equipment.

System maintenance services

We provide standalone maintenance services to customers, which primarily consist of services that we provide for regular maintenance and repairs of systems and equipment that are typically contained in our application solutions. Such services are in addition to the complementary after-sales maintenance services that we provide during the warranty period of our application solutions project contracts. Our system maintenance services contracts normally include technical support, regular on-site system inspections, equipment repair, replacement and maintenance and software upgrade. Striving to offer the best quality service to our customers, we are accessible by

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our customers for technical enquiries on a 24-hour basis and endeavour to provide prompt response. Our technical team also provides technical training programmes and training manuals in relation to the operation and maintenance of the systems to our customers. Our landmark projects include: (i) maintenance service contracts for the master control systems and playout server for CCTV since 2008; and (ii) maintenance services contracts for the transmission system for CCTV's overseas news bureaus since 2011.

Equipment development and sales

While our solutions and services primarily utilise equipment sourced from third-parties, we are also engaged in the business of the development and sales of broadcast and transmission equipment that can be used in our application solutions and event broadcast services or sold on a standalone basis. Our initial products include our NanoSat line of portable suitcase-size satellite flyaway terminals, which can be used to transmit video, audio and data to satellite receivers, and which we first began to sell in December 2010. In 2012, we introduced our series of multi-diversity microwave receiver systems, which we have initially used in connection with our provision of event broadcast services and which we intend to sell directly to our customers. We intend to continue developing and introducing new products. See “— Our Products and Services — Business Segments — Equipment Development and Sales”.

The table below sets out a breakdown of our Group's revenue during the Track Record Period:

	For the year ended 31 December					
	2011	2012		2013		
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Application solutions <i>(note)</i>	425,979	90.8	520,129	91.6	541,485	86.1
— <i>Production and broadcast</i>	268,185	57.2	349,401	61.5	365,396	58.1
— <i>Transmission</i>	157,794	33.6	170,728	30.1	176,089	28.0
Event broadcast services	27,960	6.0	25,009	4.4	48,836	7.8
System maintenance services	6,159	1.3	9,180	1.6	10,326	1.6
Equipment development and sales	<u>8,804</u>	<u>1.9</u>	<u>13,747</u>	<u>2.4</u>	<u>28,111</u>	<u>4.5</u>
Total revenue	<u><u>468,902</u></u>	<u><u>100.0</u></u>	<u><u>568,065</u></u>	<u><u>100.0</u></u>	<u><u>628,758</u></u>	<u><u>100.0</u></u>

Note: Our Group is also engaged in the sale of equipment for application solutions on a standalone basis. Revenue attributable to sale of application solutions also includes revenue attributable to the sale of standalone equipment to be used in such type of application solutions.

COMPETITIVE STRENGTHS

We believe that the following strengths have contributed to our success and will continue to enable us to compete effectively and capitalise on future growth opportunities.

We have built a reputation among top-tier customers in China with large audience coverage and demanding requirements

Our commitment to offering reliable and innovative application solutions and services contributed to our reputation and leading market position for the All-Media industry in the PRC. According to the CCID Report, in 2012 we ranked number one, in terms of revenue, among providers of All-Media application solutions that facilitate content production, broadcast and transmission by the All-Media industry in China, with a market share of approximately 17%. Our customers include China's leading national, provincial (including provincial-level municipalities) and prefectural-level broadcasters, which

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according to the CCID Report, are among the top-tier of participants in China's All-Media market based on their higher revenues. According to the CCID Report, such top-tier producers and broadcasters are better able to devote resources to invest in technology upgrades and have moved more quickly to complete their migration to digital and HD technologies compared to lower-tiered participants in the All-Media market. Projects in which we have been involved for top-tier customers include major projects such as the design and implementation of master control rooms, studios, outside broadcast vehicles and IBCs. Broadcasters also turn to us to provide sophisticated and demanding event broadcast services for world-class events such as the 2008 Beijing Olympics, the Asian Games and the Tour of Beijing.

Our customers have chosen us to handle some of their most high-profile projects, which we believe are among the most advanced of their kind in the PRC. We believe that our opportunities to participate in such projects are a sign of customer satisfaction and confidence in our performance. Set out below are examples of such projects:

1. Provision of application solutions for the EFP system used in CCTV's HD live broadcast of the Beijing 2008 Olympic torch relay on Mt. Everest, which according to the CCID Report, was the first EFP system of its kind used in China on Mt. Everest;
2. Provision of application solutions for master control system, video broadcast system, HD encoding system and provision of various equipment for CCTV's 3D TV channel, which according to the CCID Report, was the first and only 3D TV channel in the PRC as at the Latest Practicable Date;
3. Provision of event broadcast services including HD aerial filming and transmission for the live broadcast of the first Tour of Beijing in 2011;
4. Provision of the helicopter microwave system for the HD aerial filming and transmission for the live broadcast of the opening ceremony of the 2008 Beijing Olympic Games;
5. Provision of application solutions for the direct-to-home (DTH) satellite broadcast platform to transmit television programming to rural villages in connection with China's "Cun Cun Tong" (村村通) (to every village) programme. According to the CCID Report, such platform is the first DTH satellite broadcast platform in the PRC;
6. Provision of application solutions for the master control system and the broadcast signal compression system at the new headquarters of CCTV. According to the CCID Report, such systems were the largest in scale of their kind in the PRC as at the Latest Practicable Date.

In recognition of our market position and quality of our products and services, we have received a number of awards and honours. Details of our Group's awards and certificates are set out in the section headed "— Awards and Accreditations" below.

We provide one-stop application solutions of a technical quality, reliability and performance that satisfies the requirements of top-tier customers

We benefit from our capacity to provide integrated solutions to facilitate the content production and broadcasting as well as content transmission chain in the All-Media industry, enabling us to better understand the changing industry dynamics and customer requirements at an early stage, which in turn facilitates more effective development of application solutions and services. According to the CCID Report, we are among the few companies in China that provide one-stop solutions for broadcasters to facilitate their activities across the content transmission chain from their capture of content on the field, to their content production, to their control room processing and all the way through to their broadcast and transmission of content to viewers on televisions and other devices. Unlike competitors in China that focus only on selective parts of the market and may only provide certain services such as content

production or control room design, we offer solutions to our customers with regard to the multiple stages of their All-Media workflow. To meet the needs of top-tier customers in the Chinese market, we design and implement one-stop, integrated application solutions that provide quality, reliability and performance. Our business segments facilitate the various stages of a typical All-Media work production and transmission workflow, and are complementary, which enable us to provide comprehensive one-stop solutions to our customers.

High quality services and products

Our products and services fall within the high-end market segment. According to the CCID Report, the high-end market is defined by player that provide application solutions, services and products to top-tier broadcasters who have the largest audiences and have ample financial resources to demand top quality media application solutions, services and equipment. From the customers' point of view, the high-end market products are perceived to be of better quality and performance, and meet reliability requirements according to the highest standard. Top-tier broadcasters tend to handle larger and more complex programmes and events. They have stringent quality, performance and reliability requirements for their broadcast and transmission systems, which require the use of high-end products. The breadth (vertical integration from production to broadcast to transmission, and therefore understanding how each stage might affect the next) and depth (the level of sophistication needed for our projects, such as the 2008 Beijing Olympics) of our experience, as well as our established relationships and familiarity with the products offered by suppliers around the world of sophisticated and advanced equipment and technologies, puts us in a unique position of being able to offer high-end design and application solutions using the most reliable equipment whenever required. We have access to certain unique technology on an exclusive basis in the PRC, for example:

- Flying-Cam: Unmanned helicopter camera systems for aerial filming supplied by Flying-Cam S.A., which has won awards from the Academy of Motion Picture Arts & Sciences in 1995 and 2014 for this technology.
- Net Insight: Efficient and scalable network solutions for the rapid transport of large volumes of video and audio data on the Nimbra platform developed by Net Insight AB. These solutions are primarily used by media, online and broadcast networks.

We are committed to providing high quality and timely services and products for our customers and have placed strong emphasis on quality and efficient customer services. We believe that our quality is evidenced by repeat business from our customers, success rate in securing maintenance contracts from existing customers. Furthermore, we have been accredited with ISO 9001:2008 quality management system certification in respect of both CSS (Beijing) and TST (Beijing), which demonstrate that we have established and maintained a stringent quality control system.

Strong technical expertise to support our design of customised application solutions and the research and development of new products and services

Since the establishment of CSS (Beijing) in April 2007, we have participated in various projects for the provision of application solutions used by CCTV and television stations in every province of the PRC, including Beijing, Shenzhen, Hubei and Shandong. We have our own application solutions development team, which customises and develops innovative application solutions to address specific customer requirements. During these years, we have accumulated critical, technical competencies in the business and possess core technical expertise and experience in the industry.

Furthermore, we have an experienced research and development team that is focused on the needs and preferences of our customers, who are primarily based in the PRC. Our engineering team works closely with our sales and marketing staff in order to better understand customer needs and guide our development of high-end application solutions and products that meet those needs. As at the Latest

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Practicable Date, we had 27 staff members engaged in research and development, and all of them have received tertiary education. We have received a number of awards and official recognition from a number of PRC authorities and professional bodies as set out in the section headed “— Award and Accreditations” below. We have also developed and owned various intellectual property rights including copyrights of software, patents for our application solutions and rights relating to our portable satellite flyaway terminals. For further details, please refer to the section headed “— Intellectual Property Rights” below.

We are a distributor for a broad range of suppliers due to our reputation and our leading position in the high-end market segment in the PRC. Suppliers often provide us with training on their current products and technology, as well as previews of new technology, which enhances our ability to serve (and sometimes anticipate) the needs of our customers. We were the number one distributor for each of our three largest suppliers in each of the years ended 31 December 2011, 2012 and 2013, in terms of our contribution to each such supplier’s annual sales in the PRC for the All-Media industry. Also, during the Track Record Period, we received awards from some of our five largest suppliers, such as Harris Broadcast, Net Insight AB and Mitsubishi Electric to recognise our sales achievements as distributors for such suppliers. Customers also engage us to conduct feasibility studies regarding implementations of new technologies, which help us to anticipate and understand future customer demands.

For example, in 2013, we entered into contracts with CCTV to provide a mobile news gathering platform to enable the station’s professional journalists to gather and stream live video content from iOS and Android smart phones directly to media servers at the television station for production and broadcast. For this project, we created a tailor-made solution using our experience and technical know-how to customise technology from our suppliers. We anticipate that in the future, more stations will seek to establish such mobile news gathering platforms, as well as expanded versions that include the ability to include news gathered by members of the general public, in line with the growing trend and popularity of user generated content. As more of our customers begin to adopt such technologies, we believe our proven track record in the high-end market segment in the PRC and our close relationship with suppliers is a competitive advantage and put us in superior position to supply such technology to our customers.

We have been awarded with a number of significant project contracts for the provision of application solutions or services as discussed above. For further details of our projects, please refer to the section headed “— Our Major Projects” below. We believe the above demonstrate our competitive edge in terms of quality and technological advancement and that, with our strong research, design and development capabilities, we will be able to further expand and enhance our application solutions and other offerings to our customers.

Our ability to retain and secure repeat customers is testament to our quality service, and our emphasis on providing high quality after-sales service provides us with valuable insight into customer requirements and enhances our competitive edge

We believe that our ability to retain and secure repeat customers is testament to the quality of our application solutions and services. As our application solutions are typically tailor-made by us to satisfy the requirements of each customer, we believe we have a competitive edge over our competitors when tendering for upgrades of the original application solution due to our better understanding of the original application solution. Approximately 58% of our customers have engaged us for multiple projects since our founding in 2007, which we believe is an indicator of customer satisfaction in the quality of our application solutions, services and products.

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We are managed by an experienced team of Hong Kong and PRC professionals with PRC and international perspective

We are headquartered in Beijing, but are also a Group working primarily with overseas brands and with a senior management team with extensive industry experience outside of the PRC. Our management team has extensive experience in the PRC, Taiwan and Hong Kong All-Media industries and works with our local execution team. Being situated in China, we are close to our customers and use our local knowledge and expertise to develop strong trust and working relationships with our Chinese customers, particularly prominent television stations, which are all state-owned enterprises. Yet the international perspective of our senior management is critical to our success, since overseas suppliers are still the primary source of most of the best equipment that we offer to our customers in the All-Media industry. Our senior management has extensive exposure to international industry and is able to work closely and comfortably with global players and keep up with global industry trends. Furthermore, as overseas suppliers generally do not have our front line and local market experience, they rely on our ability to reach and serve customers in China. Since our Chinese customers have expanding needs to broadcast and transmit overseas, and having served them well in China, we are in an excellent position to serve them on a global scale.

OUR STRATEGIES

We strive to capitalise on the new market opportunities created by the continuing growth in the All-Media industry in the PRC. Leveraging on our strengths, our goal is to continue being a leading provider of application solutions and related services in the All-Media industry in China, with a global perspective that allows us to serve our PRC customers whenever and wherever they need us, all around the world. To achieve our goal, the following are the principal strategies and future plans we intend to carry out:

Expand the geographic coverage of our sales, distribution and services network in the PRC

In order to strengthen our market position, we intend to enlarge our sales team and increase the number of experienced sales personnel and field engineers in order to expand our sales, distribution and services network.

Concurrent with increases in average income of PRC citizens and the increasing sophistication and demands of PRC audiences with respect to quality entertainment and increased ease of accessing All-Media by various devices including mobile phones and tablets, we expect demand and revenues for our current top-tier broadcast customers will continue to increase in the foreseeable future. At the same time, we expect that due to market consolidation and increasing demand from customers for upgraded media quality (for example, upgrade from SD to HD picture quality), lower and middle-tier broadcasters will increasingly merge to enlarge their scale, or be forced to upgrade lest they lose market share. We believe this will lead to increase in demand for high-end products/services to attract larger audiences. According to CCID Report, as a result of the trend of upgrade of technologies in broadcasting and television industry, the market for application solutions is developing rapidly in the PRC, and there is persistent demand by television stations from the national and provincial-level (including provincial-level municipalities) to television stations at the prefectural-level for technological improvement and upgrade. In addition to our Beijing headquarters, we presently have branch offices in Shanghai and Guangzhou, which perform sales and marketing, technical support and after-sale services for customers in the surrounding regions. We expect to open more branch offices to enable us to develop and maintain a closer relationship with customers in different regions of the PRC. Furthermore, we expect to hire additional sales and marketing staff and pre-sales engineers to support our expansion.

Selectively expand overseas markets

We have assisted a number of our customers with application solutions projects deployed overseas such as the overseas news bureaus for CCTV and a playout system for a broadcaster in Hong Kong. Our Group also has offices in Hong Kong, which perform sales and marketing, technical support and after-sale services for customers in Hong Kong and Macau. We have also provided event broadcast services in territories outside of the PRC, such as Macau and Brazil. Building on our experience working on such projects outside of the PRC, we will seek to selectively leverage our experience and expertise to expand our customer base overseas initially with broadcasters and media in Vietnam, Taiwan and Thailand. We expect to facilitate this expansion by expanding our sales and marketing staff overseas, and identify local partners to help us with implementing our solutions and services in overseas markets. As part of our overseas expansion, we also expect to increasingly market our own products, such as our portable satellite flyaway terminals, outside of the PRC.

Expand our product and services offerings

We intend to anticipate market trends to service increased demand within our existing market, as well as to service new market players as our market expands. Within our existing market, we expect to increase our offerings within our current product categories as customer requirements evolve. We also expect to expand into new product categories as the All-Media market expands into new areas that require new technologies, equipment and customised solutions.

We expect the PRC's Three-Networks Convergence (三網融合) policy to create new areas of business that we can pursue. Three-Networks Convergence, namely the convergence of China's telecom, broadcast television and internet networks, was listed as one of the major areas of development in the information technology industry according to the Twelfth Five-Year Plan of the PRC. See "Industry Overview — PRC All-Media Industry — Three-Networks Convergence". According to the CCID Report, it is expected that video content on internet and mobile devices can be distributed through large screen smart television after the implementation of Three-Networks Convergence, and the demand for HD broadcasting platform by new media institutions will increase rapidly. In addition, along with the growing resources available for audio and video content, schools, militaries, banks, hospitals and other traditional industries will increasingly demand greater reliability, technicality and integration of broadcasting and transmission equipments. According to the CCID Report, the increasing trend of adaptation of digitalisation and the use of the internet will gradually integrate a variety of businesses, services and contents of radio stations, television stations and the new media.

In addition, according to the CCID Report, non-television media businesses, such as print news publications, radio stations and internet content providers, are now making a shift towards incorporating more video content in their offerings. As part of this trend, some of these media entities are upgrading their infrastructure, such as building their own All-Media production and transmission facilities and setting up multi-screen video service platforms to deliver video content to a variety of user devices. We expect this to be a major trend and we already have participated in such projects, including designing and setting up live broadcast facilities for a major PRC internet company, providing multi-screen video service platform solutions to Oriental Cable Network (OCN) and Jilin IPTV and providing a content source gathering solution for CNTV's national network video database.

For example, in 2014, we began working with China Telecom to facilitate satellite transmission for our customers on China Telecom's Broadband Global Area Network (BGAN), which is a satellite broadband internet network. As many of our application solutions and event broadcast services have a built-in need for satellite transmission, our cooperation with China Telecom fulfils the needs of our customers and is complementary to our existing application solutions and services offerings, further bolstering our ability to provide one-stop solutions. Furthermore, our cooperation with China Telecom provides a new revenue stream for us that require little additional investment in sales and marketing resources.

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Our Directors concur with the views of CCID in the above stated aspects and believe that we will benefit from the above policies and developments given our established track record and customer relationship with prominent television stations in the PRC, as well as our experience working with leading internet content providers and with government agencies, which are now increasingly in the market for broadcast-grade equipment and facilities.

Expand our customer base

Our traditional customer base consists of the top-tier (based on revenue according to CCID Report) All-Media producers and broadcasters in China, which include the nation's leading national-level, provincial-level (including provincial-level municipalities) and prefectural-level broadcasters. As discussed above, in addition to traditional television broadcasters, All-Media application solutions can be used by a variety of businesses. New media businesses, for example, may produce broadcast-grade media content capable of being streamed using technologies such as OTT (over-the-top) online video streaming to multiple types of devices, such as television sets, personal computers, tablets and mobile phones, via multi-screen video service platforms. Such technologies may also be used by traditional broadcasters seeking to expand the distribution channels for their content. Larger companies and institutions with multiple locations may need to produce All-Media content for internal video communications, education and entertainment. Other businesses and government agencies may need capabilities to produce and receive All-Media content as part of security and surveillance measures.

Furthermore, according to the CCID Report, the convergence of new media and traditional media is accelerating, leading to changes in broadcast and internet business models, such that the production and mass distribution of audio/video content will broaden beyond traditional broadcasters, to other players such as internet and IT companies, telecom operators and various cultural and entertainment institutions. In line with this trend, we have expanded our customer base to include major telecom operators, cable television operators, new media content providers, police, customs and other government agencies. Leveraging on our experience with traditional broadcasters, we can provide these customers with our in-depth experience and know-how to enhance the quality of their video content and service with our application solutions. In order to continue to expand our customer base, as the potential users of All-Media application solutions increase, we intend to hire more sales and marketing staff to help us pursue new sources of business.

Further strengthening our business of provision of event broadcast services

Although application solution services will continue to be our main revenue driver, we intend to devote resources to grow our event broadcast services business. In working towards enhancing our event broadcast services business, we intend to invest in equipment related to aerial filming, such as airborne wireless cameras and transmission and reception equipment to extend the value chain, and improve the gross margins of our services. We will also extend our services to providing related professional staff to operate such equipment and systems. We further believe that we are better able to maintain service quality by designing the event broadcast plan, providing the relevant self-owned equipment and operating the equipment at the event. Furthermore, we believe that providing event broadcast services helps us stay on top of the latest technologies and help us to keep and maintain a leading position and competitive edge vis-à-vis our competitors.

With a view to capturing the business opportunity through expansion, we expect to enhance our work capacity as well as service quality by recruiting more experienced staff and acquiring more advanced equipment for the provision of the event broadcast services. In terms of recruitment, we intend to expand our event broadcast services team by recruiting technical/operating directors, field engineers and other event broadcast services professionals. In terms of equipment acquisition, we intend to acquire a range of specialised equipment suitable to enable us to handle a range of application scenarios, including stadium-based sports, road racing, cycling, swimming and diving, marathons, concerts and reality television. Examples of such equipment include motorised cranes, production servers, satellite

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flyaway terminals, pan and tilt camera systems, vertical and horizontal tracking cameras, super high speed cameras and underwater cameras. We believe our continuing effort in further strengthening our event broadcast services capabilities will produce a synergy effect with our provision of application solutions business, and hence further strengthen our competitiveness.

According to the CCID Report, the event broadcast services market in the PRC is underserved, with a limited number of market players providing high quality event broadcast services. The PRC market of event broadcast services is at a stage of rapid development following the rapid increase of high-profile national and international events conducted in China due to growth of the PRC economy. In addition, the PRC government generally encourages the growth of the sports industry as a healthy form of cultural entertainment. Furthermore, as China further integrates with the global community, domestic audiences in the PRC will likely increase their demand for live broadcasts of global sporting competitions and other live events. Consequently, Chinese broadcasters will increasingly need to be able to broadcast these events live in China.

We believe our strategies towards strengthening our business of provision of event broadcast services will allow us to take advantage of the expanding business opportunities in the event broadcast industry.

Creating a recurring stream of income by strengthening and developing our system maintenance services segment

In addition to provision of application solutions on a project basis, we strive to develop our business of provision of system maintenance services as a stream of incremental, recurring and high margin income for our Group. During the Track Record Period, some of our customers engaged us to provide such services in relation to application solutions purchased from us either after the warranty period or upon completion of the application solutions project. According to the CCID Report, the market for the system maintenance services in the media industry is at the stage of rapid development in the PRC. According to the CCID Report, it is expected that the estimated market size for system maintenance services for the All-Media industry in the PRC would grow from approximately RMB2,496 million in 2013 to RMB3,774 million in 2015. We target to utilise our established customer base as a leading provider of application solutions in China and create a recurring stream of income by strengthening and developing our system maintenance services. See “— Our Products and Services — Business Segments — System Maintenance Services”. We also intend to open new regional offices across China and staff them with maintenance personnel to be closer to our customers across the nation and provide them with quicker and more comprehensive service. We expect to increase our hiring of maintenance personnel to staff both our new and existing facilities. For the years ended 31 December 2011, 2012 and 2013, our gross margin percentage from our provision of system maintenance services was approximately 49.9%, 54.8% and 50.2%, respectively.

Further enhancement of our research and development capabilities

Our Directors consider it is crucial to further strengthen our expertise and technical know-how as well as our research and development capabilities, particularly in light of the opportunities arising from Three-Networks Convergence, HD migration and NGB. See “Industry Overview — PRC All-Media Industry”. To support future expansion and the development of new products and applications, we intend to invest additional resources to further strengthen our research, design and development team by recruiting more professionals to conduct research, purchase more equipment to provide necessary research and testing environments and provide more training to improve the research, design and development capabilities of our technical staff.

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Expand our engineering and production capacity to support the growth of each of our business segments

To support the growth in sales of our application solutions, event broadcast services and systems maintenance services businesses both in our current markets and in new geographic areas, we expect to recruit additional engineers in a number of areas, including field engineers, event engineers and maintenance engineers.

With respect to our equipment development and sales business, building on the success of our portable satellite flyaway terminal product, we expect to continue to expand the range of our own equipment offering in order to support a larger portion of the content transmission value chain and increase our margins. As we ramp up production of new products, we will expand our engineering and production capacity to ensure the quality of the products. We expect to hire more staff as the types and quantities of products increase.

Further strengthening our business and technical know-how through acquisitions

Part of our growth strategies is to further strengthen our business and technical know-how through acquisition of or investment in companies with proprietary know-how or inventions so as to create synergies with our distribution and sale capabilities. Gaining Technical know-how or products with wide application potential in the All-Media industry will be our primary focus. We aim to enrich our proprietary technologies and products and enhance our in-house research and development capacities. Our Directors confirmed that we have not identified any specific target for acquisition or investment as at the Latest Practicable Date.

OUR PRODUCTS AND SERVICES

We are the leading 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; and system maintenance services, as well as a developer of broadcast and transmission equipment. We strive to solve our customers' technical needs, and to provide tailor-made application solutions, including software and hardware applications, and services to address their specific requirements.

Business Segments

Provision of Application Solutions

We are principally engaged in the provision of hardware and software application solutions to facilitate content production, broadcasting and transmission for the All-Media industry. In general, we offer the application solutions in a turnkey package which covers system engineering design, provision of software and hardware equipment used in the system, system integration, and after-sale services to our customers, which are mainly television stations, for the purpose of facilitating their broadcasting. In some cases, we also provide the equipment for these application solutions on a standalone basis to our customers. In some other cases, the customer is responsible for providing the software and hardware equipment adopted in the system.

Our application solutions can be divided by their functions into two major categories: (i) production and broadcasting and (ii) transmission.

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Production and broadcasting application solutions: These consist of hardware and software application solutions by our customers for their gathering, producing and processing of content to prepare it for ultimate delivery to end-users. Examples of production and broadcasting application solutions that we provide include:

- Outside broadcasting truck (OB Truck)
- Electronic field production system (EFP)
- Electronic news gathering system (ENG)
- Master control system
- Studio system
- Editing system
- Multi-channel automatic playout system
- Media asset management system
- Intercom system
- Signal monitoring system

Transmission application solutions: These consist of application solutions used for electronic transmission of content in different phases of a typical workflow for the production, broadcast and transmission of All-Media content. See “— Business Model”. For example, equipment for wireless transmission from remote cameras to an OB Truck or EFP system, microwave or satellite transmission from an OB Truck or EFP system to a television station, transmission of content from a television station to the end-user via satellite, cable TV, the internet and other transmission methods. Examples of hardware and software transmission application solutions that we provide include:

- Satellite news gathering (SNG) system
- Mobile news gathering system
- Satellite communications system
- Microwave transmission system
- Multi-services transmission system
- Digital compression system
- Digital terrestrial television broadcasting system
- Over-the-top (OTT) internet streaming

Event Broadcast Services and Equipment Leasing

Following the increasing popularity of live broadcasting, we offer our event broadcast services, covering technical support in relation to our customers’ broadcasting and transmission of content in the course of the events, to solve the technical difficulties faced by the host broadcasters of the events.

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According to the CCID Report, broadcasters increasingly outsource much of the design and technical support of the systems for production of live events to providers of event broadcast services such as our Group. As the broadcast of live events becomes increasingly complex, high quality live event broadcasts increasingly require specialised professional expertise that the broadcaster may not have readily available and may also require more specialised equipment that is more cost-efficient for them to lease from a service provider. Furthermore, to the extent a broadcaster's live events are produced on a one-off basis or at irregular intervals, it may be less cost-efficient for a broadcaster to develop the expertise and to acquire and maintain the necessary infrastructure in-house.

Based on the needs of the host broadcasters and their content production teams, we offer our event broadcast services in a whole package of services ranging from design of the broadcasting systems and transmission systems for the event to on-site operation and technical support services to the customer's content production team and leasing of equipment during the event. In addition, for outdoor events, our services may also cover organising and sourcing of aerial broadcasting helicopters, planning of aerial route, conducting ground exploration and planning of the locations of transmission systems at the ground level. Moreover, in addition to providing the event broadcast services in a whole package, we also offer leasing services of our systems and relevant equipment to our customers on a project-by-project basis for the broadcasting of an individual event, or for a fixed period, based on our customers' needs.

System Maintenance Services

Our system maintenance services primarily consist of services that we provide for regular maintenance and repairs of systems and equipment that are typically contained in our application solutions. The scope of our system maintenance services can also include providing certain replacement parts during the term of the relevant service contract. Also, in response to customer demand, we are also increasingly providing onsite support services to facilitate smooth operations of certain systems.

If we provided a system to a customer, our Directors believe it would be more efficient from the customer's perspective for us to undertake the ongoing maintenance work as we are familiar with the technical details of the tailor-made systems. According to the CCID Report, in 2012 we ranked number one, in terms of revenue, among providers of All-Media application solutions to facilitate content production, broadcast and transmission for the All-Media industry in China, with a market share of approximately 17%. Consequently, leveraging on our leading position as a provider of application solutions, our Directors believe that we have an advantage in competing with our competitors for the respective maintenance contract. We also believe we have an advantage in the provision of system maintenance services because we are familiar with their specifications and we can efficiently source the relevant system and equipment for upgrades in our customers' system whenever necessary. According to the CCID Report, the system maintenance services market is developing in the PRC and we will continue to strive to develop in this business segment.

Equipment Development and Sales

With a view to broadening our revenue stream, we also leverage on our technical expertise, industry knowledge, our ability to appreciate customer needs and our ability to embrace and apply new technologies, to engage in the business of the development and sale of broadcast and transmission equipment. Our Directors believe that based on our established business network and customer base, engaging in the development and sale of proprietary broadcast and transmission equipment will create synergies with our other business segments and enhance the sales of our business.

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We have our own design team dedicated to the development of new equipment products and have also engaged an external consultant to provide advice and consultancy services. We outsource the assembly process of our equipment products to a third-party manufacturer, whom we engage on a project-by-project basis, and provide them with data processing modules/boards of specific applications for their processing and assembling into the final products back to us for sale.

Our products currently on sale comprise principally of our NanoSat line of portable suitcase-size satellite flyaway terminals, which were first available for sale in December 2010. The portable satellite flyaway terminal incorporates a satellite antenna, and can be used across a wide range of applications due to its compact size, which facilitates ease of transport and allows it to be handled and operated by a single user. Our portable satellite flyaway terminals are suitable for a variety of users including broadcasters, militaries and government agencies. Examples of applications for our portable satellite flyaway terminals include general purpose news gathering and live event broadcasts, transmission of security and surveillance footage. The portability of our portable satellite flyaway terminals also make them well-suited for use in emergency situations when terrestrial communication networks are susceptible to service interruptions, natural disasters and sabotage as well as in remote areas not covered by terrestrial communication networks.

In 2012, we introduced our new series of compact multi-diversity microwave receiver systems, which are primarily used for receiving transmissions from moving sources such as cameras mounted on helicopters and other vehicles. The system includes multiple individual antenna elements that are closely-spaced and arranged to automatically receive signals from different directions, up to 360 degrees, which help to acquire difficult to receive signals where there may not be a direct line of sight between the receiver and the source of the transmission. These signals are then combined by the system's receiver for improved performance. Unlike older analogue systems that used high gain directional antennas, which required frequent recalibration and were often large, bulky and expensive, our systems have compact dimensions and do not require antenna orientation or system calibration. During the Track Record Period, we have used such systems in connection with our provision of event broadcast services including for the Tour of Beijing.

We are currently marketing the NanoSat and the multi-diversity microwave receiver systems for standalone sale to customers.



NanoSat



Multi-diversity microwave receiver system

We work diligently with our customers, both in China and overseas, to identify their concerns and needs in the production and transmission of news, sports and data content in the above scenarios and plan our research and development plans accordingly. We will continue to enhance and develop broadcast and transmission equipment which may be used in our application solutions or sold to our customers separately, in addition to developing other new proprietary broadcast and transmission equipment to satisfy market demands.

BUSINESS

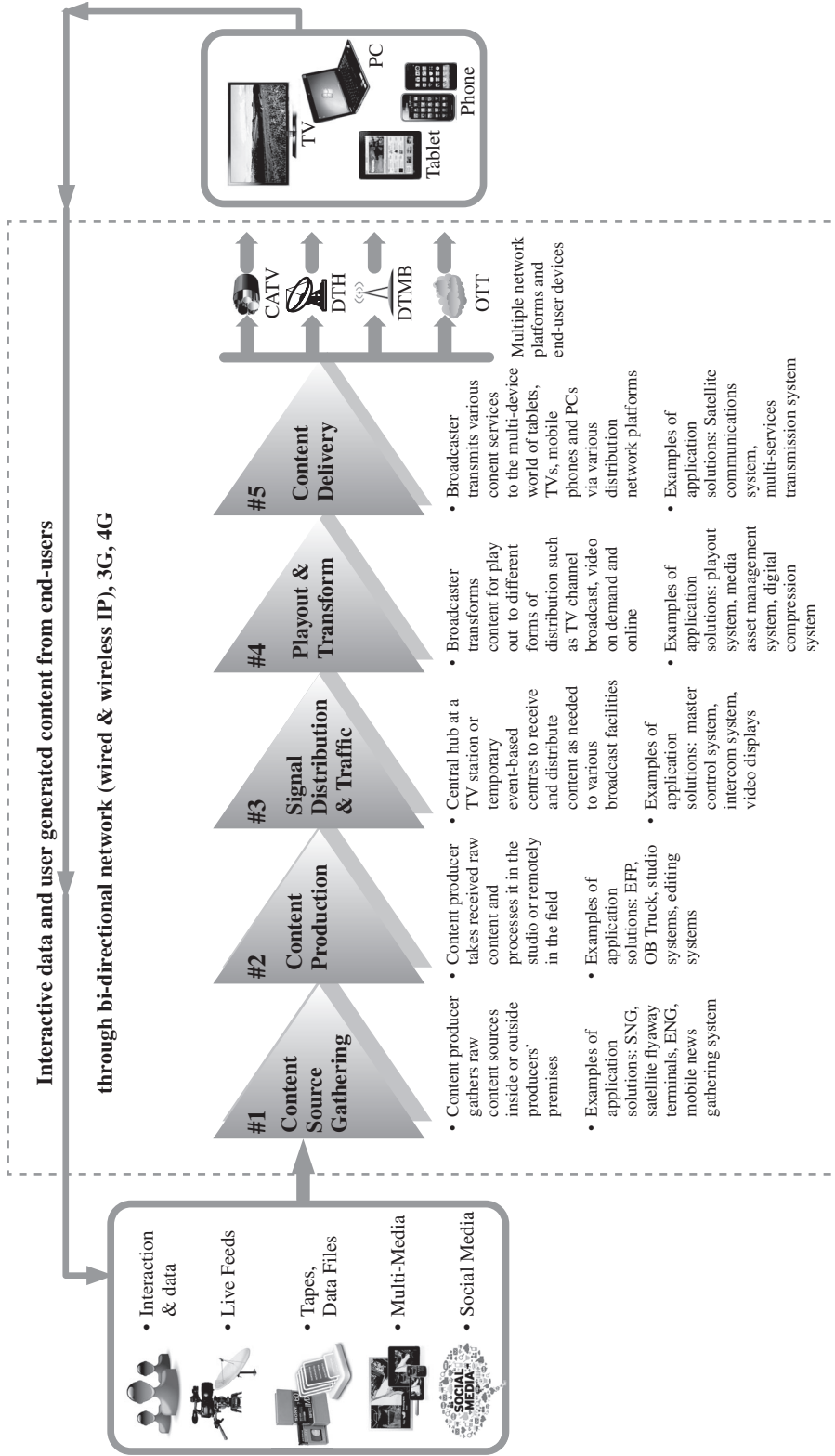
BUSINESS MODEL

We are principally engaged in providing high-end hardware and software application solutions, services and products to the All-Media industry in China, including broadcasters, event producers, online content providers, enterprises and government agencies. In addition to traditional television broadcasters, All-Media application solutions can be used by a variety of businesses. New media businesses, for example, may produce media content capable of being streamed over online and mobile platforms. Larger companies and institutions with multiple locations may need to produce All-Media content for internal video communications, education and entertainment. Other businesses and government agencies may need capabilities to produce and receive All-Media content as part of security and surveillance measures.

We address our customers' needs through a portfolio of tailor-made application solutions, services and products in four business segments: (i) provision of application solutions; (ii) event broadcast services; (iii) system maintenance services; and (iv) equipment development and sales. Our ability to provide products and services across these complementary segments, allows us to be a one-stop shop for our customers.

The following diagram summarises a typical workflow for the production, broadcast and transmission of All-Media content by our customers and the major stages of the workflow that our Group's application solutions, services and products support and facilitate.

WORKFLOW FOR THE PRODUCTION, BROADCAST AND TRANSMISSION OF ALL-MEDIA CONTENT



Our Group's application solutions, services and products support and facilitate our customers' execution of these stages of their All-Media workflow.

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Producers of All-Media content can fully outsource the design and build-out of their entire production, transmission, playout and broadcast systems to us by engaging us for customised hardware and software solutions incorporating our full suite of products and services to support their entire production and broadcast workflow. Our customers can also purchase our application solutions, services and products a la carte to support specific parts of their workflow, depending on their needs.

Business Units

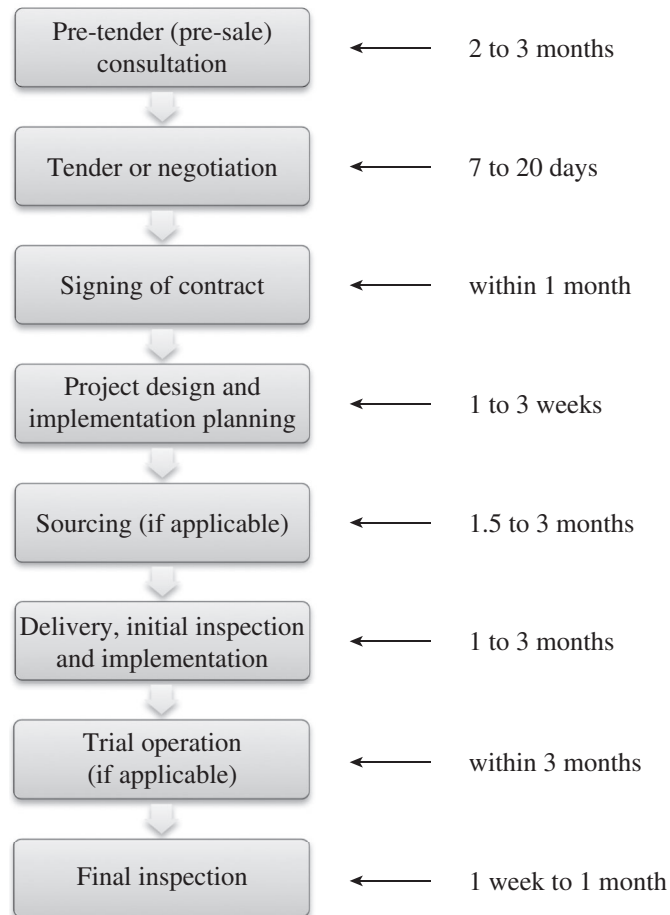
Our application solutions and event broadcast services require the integration of a variety of different types of products and technologies used in different stages of a typical work flow for the production, broadcast and transmission of All-Media content, and we divide such products into categories handled by the following six business units: (i) broadcast media, (ii) professional display, (iii) professional audio, (iv) broadband network, (v) communication and wireless transmission and (vi) new media. We have staff dedicated to each of these business units to specialise in the products and technologies of each respective category, and the units work together in each project to design solutions that are most suitable for our customers. The units are also involved in implementation planning, sourcing and implementation. Our coverage of all of these business units enable our Group to offer a one-stop shop and total solution to our customers, which we believe have been instrumental in helping our sales team to secure projects.

BUSINESS PROCESS

We provide our solutions and services to customers on a project-by-project basis and our sales are made on the basis of project contracts. Among our project contracts are for projects that make-up different stages of larger multi-stage projects of our customers. We generally prefer to participate in such larger multi-stage projects with the goal of securing multiple project contracts within the larger multi-stage project, which helps us extend our revenue streams from our customers. Most of our project contracts are awarded to us based on a tender process. However, in certain cases we may be awarded project contracts on a direct negotiation basis. See “— Business Process — Tender or negotiation”.

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The business process for our projects includes the following stages: (i) pre-tender (pre-sale) consultation; (ii) tender or negotiation; (iii) signing of contract; (iv) project design and implementation planning; (v) sourcing; (vi) delivery, initial inspection and implementation; (vii) trial operation; and (viii) final inspection. These stages are generally applicable to most of our sales for each of our segments, except for the products sold in our equipment development and sales segment, which currently are generally sold in connection with an application solutions project. These stages are summarised in the following chart:



According to the CCID Report, the business process for our projects and the time required for each stage of our business process is generally consistent with the industry norm.

In general, our business process for projects consists of the following steps:

Pre-tender (pre-sale) consultation

We obtain potential project information from our prospective customers through regular communications between them and our sales and marketing staff and engineering staff. The pre-sale consultation will usually last for two to three months. Through such channels our staff may learn of recent developments and specific requirements of our prospective customers and may introduce to such prospective customers application solutions that we can provide which may cater to their needs. In addition, our prospective customers may approach us and discuss with us their business development plan which may require procurement of application solutions and/or relevant products and services. From time-to-time, we may also obtain relevant potential project information from industry websites or public notices of our customers, such as television stations, from which we can keep abreast of potential requests for tenders.

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For application solutions and event broadcast services which are to be provided to television stations or public institutions, there will normally be a tender process whereby potential suppliers are required to submit a detailed bidding proposal in response to a request for tender. Technical requirements and specifications of the projects are normally set out on the tender offers. Tender offers may also set forth other details of the projects such as payment terms and deadlines for delivery of equipment and for completion of final installation. For some business enterprises, projects will be granted by negotiation instead of tender and after the pre-sale consultation, our sales and marketing staff will conduct negotiation on the terms of the project contract with the customers.

Tender or negotiation

When we are aware of a request for tender (or a prospective project for direct negotiation), we will conduct research and analysis of such project. Various factors, including budget, pricing, payment terms, timetable, competitive landscape, requirements on bidders such as relevant experience and track record, amount of registered capital and relevant experience and track record, software and hardware components and related technical and business architecture, will be taken into account when we analyse the feasibility of the potential project.

After feasibility studies are completed, our management will consider whether a detailed bidding proposal shall be prepared for such potential project based on the results of the feasibility studies. If we decide to proceed with the tender, further communication with our customers regarding the technical requirements of the project will be conducted. If necessary, we would also conduct site visit in order to obtain a better understanding on technical constraints that may apply to the project. Our technical team will formulate a preliminary project design plan, based on which the detailed bidding proposal will be prepared and submitted for the tender. The tender process in general takes approximately one week or less between the opening of submission of tender bids and the announcement of the tender result. As the results of tender bids are known within a relatively short period of time after they are submitted, our Directors consider that information regarding the status of in progress tenders as at a particular date would not be representative or meaningful. For the years ended 31 December 2011, 2012 and 2013, the success rate of our Group's tender bids was 57.8%, 56.5% and 52.7%, respectively. In the period from 1 January 2014 through the Latest Practicable Date, the success rate of our Group's tender bids was 60.3%.

When we participate in the tender for a project, a tender bond, which is typically delivered in the form of a cheque payment or wire transfer, is usually required to be delivered together with our tender application. The amount of the tender bond typically ranges from 1% to 2.5% of the estimated contract price for both application solutions and event broadcast services. If we are not awarded the project, the tender bond will be returned to us after the result of the tender has been announced, and if we are awarded the project, the tender bond will be returned to us after signing of the project contract, in either case as specified in the request for tender. The tender bond will be forfeited if we withdraw our tender application during the tender process, or if we do not proceed to enter into the project contract in the event that we are awarded the project.

Tenders are classified into two categories: public and invited tender. Customers who engage in public tenders will invite unspecified bidders through public bidding announcements. In cases where the projects are not suited for public tender, such customers may get special permission to engage in an invited tender by inviting specified bidders for a tender. The Tendering and Bidding Law applies to tendering and bidding activities in the PRC. As advised by our PRC Legal Advisors, the Tendering and Bidding Law specifically requires that the following types of construction projects (including the surveying, design, construction and supervision of such projects as well as the purchase of key equipment and materials for such projects) use tendering and bidding processes:

- (1) large infrastructure and public utility projects that concern public interests and security;

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- (2) projects invested completely or partly with state-owned funds or financed by the state; and
- (3) projects using loans or aid funds from international organisations or governments of other countries.

As advised by our PRC Legal Adviser, under the Tendering and Bidding Law, our Company's projects must comply with the law's requirements where either (i) the project is of the types specified above where the purchaser is legally required to use a tendering and bidding process for such project; or (ii) the purchaser has elected to use a tendering and bidding process for such project, even though it is not legally required to do so. Any Company project falling outside of the scope of the above two circumstances are not regulated by the Tendering and Bidding Law. See "Regulations — Regulatory Overview — Law and Regulations in the PRC — Tender and Procurement". For projects that are outside of the scope of PRC laws and regulations relating to tendering, our Company engages in direct negotiation. Customers not legally required to engage in a tender process, such as private enterprises, will usually engage in direct negotiations with potential suppliers.

For project contracts awarded by direct negotiation, including most system maintenance services projects, we will conduct negotiations with our customers on the terms of the project contracts. For system maintenance services projects, this may include the scope of system maintenance services and other technical support work, frequency of regular inspection and system upgrade, price terms, etc.

For the years ended 31 December 2011, 2012 and 2013, sales contribution (i) through public tenders accounted for approximately 43.7%, 51.1% and 53.2% of our revenue, respectively, (ii) through invited tenders accounted for approximately 23.6%, 17.4% and 23.2% of our revenue, respectively, and (iii) through direct negotiations accounted for approximately 32.7%, 31.5% and 23.6% of our revenue, respectively.

Signing of contract

After we are awarded the project, either by way of the submission of a bidding proposal or by negotiation, we will enter into a project contract with the customer within one month after the tender publicity period or in a date provided in the bidding report. The project contract in general sets out the contract price, scope of work, technical requirements and specifications as well as the payment arrangements.

In some cases, upon entering into a project contract for application solutions, we shall provide a performance bond of generally 5% of the contract price to the customer as a guarantee for our performance of the project and quality of our application solutions. Typically, our performance bonds are provided by us to customers by way of bank guarantee which will expire upon expiry of the warranty period. To obtain such bank guarantee, banks will usually require that we deposit approximately 20% of the performance bond amount into a designated account to secure the guarantee. Additionally, some customers require that the performance bond be provided in cash, in which case we will be required to provide the full performance bond amount upfront.

Project design and implementation planning

After we sign a project contract, our technical team will further prepare a tailor-made project design and implementation plan with the details of our project, such as the details and timing of application solutions and/or services to be provided. The design plan will be based on the technical requirements and specifications of the projects set out by our customers and the specific circumstances of each project. As part of the project design process, we may conduct further analysis on the functional needs and technical requirements of our customers. Based on our customers' needs and specifications (if any), we may conduct feasibility studies and testing on hardware which may be suitable for use in the project.

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For event broadcast services, project design will also include the creation of a project execution plan, based on the requirements of our customers and the geographical and other factors of the event. Such project execution plans cover the use of broadcasting equipment such as aerial filming helicopters and vehicles, design of aerial route, planning of the locations of micro-wave transmission systems, etc, to cope with the technical requirements regarding broadcasting of events faced by our customers. Prior to the event, we will conduct a site survey that includes ground exploration and planning the placement of transmission systems during the event in order to ensure that the transmission of the content signal will not be interrupted during the event. Trial and testing of the systems will also be conducted prior to the event by our technical staff together with the content production team of the host broadcaster.

Sourcing

Principal equipment and components provided to our customers in our application solutions are procured in the PRC and overseas. Once we have confirmed the design of the systems and design of the project execution plan with our customers, we will proceed with the sourcing of the relevant equipment and components by submitting purchase orders to our suppliers. For products used in our application solutions and event broadcast services that are made-to-order by our suppliers, such suppliers will begin production of the requested items after we submit the relevant purchase orders. Our suppliers will then deliver the requested items to us in accordance with the relevant purchase order. In general, we source and procure equipment and components required by our customers for our projects on a project-by-project basis, except that for event broadcast services, we may purchase and own the equipment and components that we may need and lease them to customers across different projects over time. Alternately, we may also rent the equipment to be used in the event on an ad hoc basis for the event. For details, please refer to the section headed “— Suppliers” below. In some application solutions projects, we are not responsible for sourcing equipment because the relevant equipment for the application will be provided by the customer.

Delivery, initial inspection and implementation

Application solutions

Once sourced equipment and components are delivered to our facilities, we will promptly arrange for delivery to our customers. Delivery can be completed as quickly as one day for our customers in Beijing and generally within two business days for our customers in Hong Kong, Macau and other parts of the PRC. In general, within 10 business days after delivery of equipment and components to a customer, the customer will then arrange for an initial inspection of the equipment and components as to whether there is any defect or inconsistency with the specification set out in the project contract.

Once our customers have confirmed satisfaction of the inspection result of the sourced products, we will commence installation and integration of the application solutions based on our project design plan, which generally takes between two to ten weeks. Regular review and discussion with customers will also be conducted to fine tune and modify the application solutions in order to achieve optimal performance.

While we possess the expertise and experience in the technical know-how for the design, installation and integration of the systems in the application solution projects and have our own technical team responsible for these works, we sub-contract various non-technical installation works such as welding, wiring and decoration to sub-contractors in order to achieve better cost-effectiveness. For details, see “— Sub-contractors”.

In the event that the costs incurred at any stage of the project exceeded our budgeted amount by a pre-determined level set on a case-by-case basis based on the specific technical requirements and profit margins of each project, the case will be reviewed by our management and our technical team to identify areas of improvement to prevent further budget overrun. We generally are unable to pass on unexpected

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excess costs to our customers after signing of a project contract, thus to the extent that we fail to mitigate the effect of a budget overrun, we may have to incur extra costs resulting in a lowering of profit or even incur a loss for such project.

Event broadcast services

Similar to our application solutions, for our event broadcast services we will arrange for the delivery of the necessary equipment and components to our customer following completion of trial and testing. Our customer will then arrange for an inspection of the equipment and components as to whether there is any defect or inconsistency with the specification set out in the project contract. Once our customers have confirmed satisfaction of the inspection result of the equipment, we will commence installation and integration for the event. After that, we will conduct the final adjustment and finalisation of the project execution plan with our customers. We will also purchase insurance regarding the safety of the staff and systems during the event based on the specific requirements of the project. See “— Insurance”.

During the event, we will provide on-site operation and technical support, such as monitoring the transmission of signals between aerial filming helicopters and the ground level, as well as operation and technical support in relation to other transmission systems. In relation to various specialised works which requires specific licences, expertise or technologies, such as provision of helicopters and pilots and other types of equipment, if it is required for a specific project, we will sub-contract the relevant works to sub-contractors. See “— Sub-contractors”.

System maintenance services

Our system maintenance contracts normally cover technical support, regular on-site system inspections, equipment repair and replacement, system upgrade and maintenance. Striving to offer the best quality service to our customers, in general, we offer to be accessible by our customers for technical enquiries on a 24-hour basis and endeavour to provide prompt response. A summary report will normally be provided to our customers annually to summarise our work and issues noticed by us. Depending on the specific needs of our customer, we may also assign our technical staff to station at the site of our customer regularly to perform the maintenance services. Our technical team also provides technical training programmes and training manuals in relation to the operation and maintenance of the systems to the customers.

In addition, based on our customers’ specific needs, we may also provide system upgrade and/or maintenance on a one-off basis. We believe such flexible arrangement would enable us to offer quality service and cater the needs of our customers.

Our Directors confirm that, during the Track Record Period, none of our system maintenance service contracts had been terminated by our customers as a result of system failures or faults, and that we had not been liable for our customers’ losses due to our failure to correct defaults in time.

Trial operation

In most but not all cases, we grant our customers a trial operation period, which is normally not more than three months, to test the operation of our applications solutions after completion of installation. During such period, we usually provide free maintenance, repair, return, technical support and training services to our customers to ensure the quality and smooth running of our application solutions. We generally do not grant trial operation period for our event broadcast and system maintenance services.

Final inspection

After completion of installation and upon expiration of the trial operation period (if applicable) and upon request by us, our customers or third-party inspection agencies appointed by our customers will conduct testing and final inspection of our application solutions. The final inspection stage usually takes one week to one month, depending on the complexity of the application solutions and the internal approval procedures of our customers. If the result of the final inspection is satisfactory, our customers will confirm their acceptance of completion of the project. During the Track Record Period, there was no material delay in the completion of the final inspection and acceptance of our products by our customers.

Our contracts with customers usually specify the timeframe for delivery of products. However, such contracts often do not specifically specify the timeframes for other steps including without limitation installation and testing, final inspection and acceptance of our products. The contracts usually also stipulate penalties for breach of contract terms, which may include failure to meet specified timeframes where such timeframes were provided in the relevant contract. The penalty terms vary among different contracts, for example, the customer may be entitled to terminate the contract and claim damages from us, or we may be subject to a penalty of certain percentage of the total contract value for each day or week of our delay, up to an agreed cap and the customer is then entitled to terminate the contract, request for return of any payment made to us and claim for damages from us. Such contracts generally provide a dispute resolution clause, which usually stipulates that for any dispute arising out of the contract, the parties shall first try to settle it by mutual agreement, failure of which, the parties may then submit the dispute to an applicable court or a designated arbitration forum. During the Track Record Period, we were not involved in any material dispute with our customers with respect to the performance of the contracts.

OUR MAJOR PROJECTS

The following tables set out the details of what our Directors considered to be our major projects in our application solutions and event broadcast services business segments that (i) were completed during the Track Record Period and up to the Latest Practicable Date; and (ii) in progress as at 30 April 2014. For each such major project, we have provided descriptions of (i) each project contract with a contract value of at least RMB10 million, if any, or (ii) in the case of a major project for which all project contracts are less than RMB10 million, the project contract with the greatest contract value. See “Financial Information — Principal Income Statement Components — Revenue” for a breakdown of revenue recognised for each major project during the Track Record Period.

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Completed projects

The following tables set out the details of what our Directors considered to be our major projects in our application solutions and event broadcast services business segments that were completed during the Track Record Period and up to the Latest Practicable Date:

Major application solutions projects

Major project/project contracts	Approximate contract value (net of VAT) (RMB million)	Commencement date	Completion date
New site construction project of Customer A, a national-level broadcaster			
HD news studio application solution	25.3	4th quarter 2013	4th quarter 2013
New linear editing application solution	16.6	1st quarter 2012	3rd quarter 2013
Compression headend application solution	27.1	3rd quarter 2011	1st quarter 2012
Studio switching and channel branding solution	13.2	1st quarter 2012	3rd quarter 2012
Master control application solution	11.8	3rd quarter 2011	3rd quarter 2011
42 other project contracts	131.3		(during the Track Record Period)
HD news studio application solution	16.7	4th quarter 2013	1st quarter 2014
Studio routing application solution	3.9	4th quarter 2013	2nd quarter 2014
Studio production application solution	3.6	4th quarter 2013	2nd quarter 2014
4 other project contracts	5.1		(after the Track Record Period)
	<u>254.6</u>		
<i>Subtotal</i>			
New headquarters for Customer B, a provincial-level broadcaster			
HD TV studio application solution	11.1	2nd quarter 2012	4th quarter 2012
SD/HD simulcast playout Application Solution	16.0	3rd quarter 2010	4th quarter 2011
HD studio application solution	11.0	3rd quarter 2010	1st quarter 2011
7 other project contracts	37.2		(during the Track Record Period)
Studio applications for online TV	14.5	2nd quarter 2013	2nd quarter 2014
1 other project contract	1.0		(after the Track Record Period)
	<u>90.8</u>		
<i>Subtotal</i>			
New site of Customer C, a prefectural-level broadcaster			
Master control application solution	4.0	1st quarter 2011	3rd quarter 2011
HD OB production application solution	15.1	4th quarter 2010	1st quarter 2012
18 other project contracts	31.9		(during the Track Record Period)
1 other project contract	3.1		(after the Track Record Period)
	<u>54.1</u>		
<i>Subtotal</i>			

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Major project/project contracts	Approximate contract value (net of VAT) (RMB million)	Commencement date	Completion date
Systems of Customer D, a provincial-level broadcaster			
HD studio application solution	5.0	2nd quarter 2012	3rd quarter 2013
13 other project contracts	13.3		(during the Track Record Period)
	<hr/>		
<i>Subtotal</i>	<u><u>18.2</u></u>		
New headquarters of Customer E, a provincial-level broadcaster			
Master control application solution	7.5	3rd quarter 2010	2nd quarter 2011
5 other project contracts	3.7		(during the Track Record Period)
	<hr/>		
<i>Subtotal</i>	<u><u>11.2</u></u>		
Systems of Customer F, a provincial-level broadcaster			
HD studio application solution	20.1	4th quarter 2012	4th quarter 2013
	<hr/>		
<i>Subtotal</i>	<u><u>20.1</u></u>		
New headquarters of Customer G, a provincial-level broadcaster			
Studio application solution	7.1	2nd quarter 2013	4th quarter 2013
1 other project contract	7.6		(after the Track Record Period)
	<hr/>		
<i>Subtotal</i>	<u><u>14.7</u></u>		
Broadcast TV contribution backbone network of Customer H, a cable television network			
Multiservices transmission solution	5.8	2nd quarter 2012	3rd quarter 2012
Contribution link solution	2.2	3rd quarter 2012	3rd quarter 2013
18 other project contracts	7.9		(during the Track Record Period)
	<hr/>		
<i>Subtotal</i>	<u><u>15.9</u></u>		
Electronic News Gathering Solution of Customer I, a media production company			
SNG vehicle system solution	22.0	2nd quarter 2011	4th quarter 2011
Portable transmission application solution	8.1	3rd quarter 2011	1st quarter 2012
4 other project contracts	12.2		(during the Track Record Period)
	<hr/>		
<i>Subtotal</i>	<u><u>42.3</u></u>		

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Major project/project contracts	Approximate contract value (net of VAT) (RMB million)	Commencement date	Completion date
Internet television project of Customer J, a publicly-listed internet service provider			
Playout application solution	8.1	2nd quarter 2013	1st quarter 2014
<i>Subtotal</i>	<u>8.1</u>		
<i>Major event broadcast services projects</i>			
Major project/project contracts	Approximate contract value (net of VAT) (RMB million)	Commencement date	Completion date
26th Shenzhen Universiade			
Technical operation centre service and equipment leasing	4.0	2nd quarter 2011	3rd quarter 2011
1 other project contract	3.0		(during the Track Record Period)
<i>Subtotal</i>	<u>7.0</u>		
Tour of Beijing			
Event broadcast and equipment leasing 2013	17.6	2nd quarter 2013	4th quarter 2013
Event broadcast and equipment leasing 2012	17.9	2nd quarter 2012	4th quarter 2012
Event broadcast and equipment leasing 2011	18.8	3rd quarter 2011	4th quarter 2011
<i>Subtotal</i>	<u>54.3</u>		
12th National Games of the PRC			
Service and equipment leasing	11.5	3rd quarter 2013	3rd quarter 2013
Event management and consultancy service	3.4	1st quarter 2013	3rd quarter 2013
Torch relay broadcast service and equipment leasing	6.6	3rd quarter 2013	3rd quarter 2013
<i>Subtotal</i>	<u>21.5</u>		

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In progress projects

The following tables set out the details of what our Directors considered to be our major projects in our application solutions and event broadcast services business segments that were in progress as at 30 April 2014:

Major application solutions projects

Major project/project contracts	Approximate contract value (net of VAT) (RMB million)	Commencement date	Expected completion date
New site construction project of Customer A, a national level broadcaster			
HDTV studio clocking and monitoring application	2.9	4th quarter 2013	2nd quarter 2014
10 other project contracts	<u>9.0</u>		
<i>Subtotal</i>	<u><u>11.9</u></u>		
New headquarters of Customer G, a provincial-level broadcaster			
HD studio application solution	<u>7.7</u>	2nd quarter 2013	4th quarter 2014
<i>Subtotal</i>	<u><u>7.7</u></u>		
Broadcast TV contribution backbone network of Customer H, a cable television network			
Multiservices transmission solution	17.2	3rd quarter 2013	3rd quarter 2014
1 other project contract	<u>9.0</u>		
<i>Subtotal</i>	<u><u>26.2</u></u>		
Electronic news gathering solution of Customer I, a new media production company			
National news coverage HD upgrade solution	<u>30.4</u>	2nd quarter 2014	3rd quarter 2014
<i>Subtotal</i>	<u><u>30.4</u></u>		
New site of Customer C, a prefectural-level broadcaster			
HD news studio application solution	<u>12.9</u>	2nd quarter 2014	1st quarter 2015
<i>Subtotal</i>	<u><u>12.9</u></u>		

BACKLOG

Backlog is defined as the aggregate value of contracts signed or secured with customers as of the indicated date, less revenue recognised in connection with such contracts up to and including the same date. It is our estimate of the contract value of work that remains to be completed as of a certain date. The contract value of a project represents the amount that we expect to receive under the terms of the contract if the contract is performed in accordance with its terms. Backlog is not a measure defined by generally accepted accounting principles, and our methodology for determining backlog may not be

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comparable to the methodology used by other companies in determining their backlog. Backlog may not be indicative of future operating results. The termination or modification of any one or more sizeable contracts or the addition of other contracts may have a substantial and immediate effect on backlog.

The following table sets forth, net of estimated VAT, a breakdown of our backlog revenue in our application solutions and event broadcast services business segments as at 31 December 2013:

	Revenue estimated to be recognised (net of VAT) in the six months ending 30 June 2014 (RMB million)	Revenue estimated to be recognised (net of VAT) in the six months ending 31 December 2014 (RMB million)	Revenue estimated to be recognised (net of VAT) after 31 December 2014 (RMB million)	Total backlog (net of VAT) as at 31 December 2013 (RMB million)
Application solutions	206.2	249.4	22.7	478.3
Event broadcast services	5.3	—	—	5.3
Total	211.5	249.4	22.7	483.6

NEW CONTRACTS

New contract value represents the aggregate value of the contracts we signed or secured with customers during a specified period. The value of a contract is the amount that we expect to receive under the terms of the contract if the contract is performed in accordance with its terms. New contract value is not a measure defined by generally accepted accounting principles, and our methodology for determining new contract value may not be comparable to the methodology used by other companies in determining their new contract value.

The following table sets forth, the number and new contract value, net of estimated VAT, of new contracts that we entered into after the Track Record Period through 30 April 2014, by estimated date of completion:

	For the four months ended 30 April 2014			
	Number of contracts expected to be completed in the six months ending 30 June 2014	Number of contracts expected to be completed in the six months ending 31 December 2014	Number of contracts expected to be completed after 31 December 2014	Total number of new contracts
Application solutions	76	29	4	109
Event broadcast services	2	3	—	5
System maintenance services	13	15	1	29
Total	91	47	5	143

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For the four months ended 30 April 2014

	Contract value of contracts (net of VAT) expected to be completed in the six months ending 30 June 2014 <i>(RMB'000)</i>	Contract value of contracts (net of VAT) expected to be completed in the six months ending 31 December 2014 <i>(RMB'000)</i>	Contract value of contracts (net of VAT) expected to be completed after 31 December 2014 <i>(RMB'000)</i>	Total contract value of new contracts (net of VAT) <i>(RMB'000)</i>
Application solutions	44,293	20,931	22,136	87,360
Event broadcast services	107	2,017	—	2,124
System maintenance services	719	1,565	566	2,850
Total	45,119	24,513	22,702	92,334

SUB-CONTRACTORS

While we possess the expertise and experience in the technical know-how for the design, installation and integration of the systems in our application solution projects and have our own technical team responsible for this work, we engage sub-contractors in relation to (i) various non-technical installation works such as welding, wiring and decoration in application solutions projects, and (ii) various specialised works which requires specific licences, expertise or technologies, such as provision of helicopters and pilots and other various equipment for event broadcast services and vehicle conversions for vehicle-based application solutions such as OB Trucks and SNG Vans. We engage such sub-contractors because we believe that our use of sub-contractors for these tasks is cost-effective and allow us to allocate and focus our resources on areas where we possess specialised expertise and experience.

During the Track Record Period, we entered into sub-contracting agreements with sub-contractors on a case-by-case basis for each project and had not entered into any long term sub-contracting agreement with any sub-contractor. We generally settle the sub-contracting fees by instalments based on the various milestones of the implementation process.

We select our sub-contractors based on a number of factors such as prior experience and our valuation of their prior performance. In monitoring the quality of work conducted by our sub-contractors, we inspect their work in accordance with relevant national or industry standards, as well as the specifications in design plans or project execution plan and we would also closely monitor their work progress. Based on our contracts with the sub-contractors, sub-contractors are normally liable for any losses or damages to any equipment or facilities to the project due to the negligence of the sub-contractors. In addition, the sub-contractors are subject to a penalty for any delays in work schedule caused by them.

We have developed business relationship with most of our sub-contractors for more than three years. Our Directors confirm that, during the Track Record Period, we have not encountered any material disputes with our sub-contractors nor any material disputes with our customers in relation to the work by our sub-contractors.

All of our five largest sub-contractors during the Track Record Period were Independent Third Parties.

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QUALITY CONTROL

We have established and implemented a standardised quality control system, which specifies the standards of quality control for each stage of our operation process such that our products and services would strictly adhere to the standard for acceptance by our customers. CSS (Beijing) and TST (Beijing) were accredited with ISO9001: 2008 certification in respect of the conformity of quality management system. The table below sets out the details of the certificates in respect of our quality management:

Validity period	Entity	Certificate	Accrediting body
26 December 2013 to 25 December 2016	CSS (Beijing)	ISO9001: 2008 Certificate of Conformity of Quality Management System Certification (質量管 理體系認證證書)	Beijing Zhonglian Tianrun Centre (北京中聯天潤認證中 心)
12 October 2011 to 11 October 2014	TST (Beijing)	ISO9001: 2008 Certificate of Conformity of Quality Management System Certification (質量管 理體系認證證書)	Beijing Zhonglian Tianrun Centre (北京 中聯天潤認證中心)

We have established procedures which clarify the responsibility of various departments and personnel, allocate resources and provide measures to be undertaken. For example, at the stage of procurement, components and equipment sourced from suppliers are subject to testing and quality inspections by us before being used. In addition, to ensure the quality of components and equipment, before engaging a new supplier, we would evaluate various aspects of the supplier, such as its overall ability and technical capability.

Similarly, we have also established procedures such that the installation and integration processes are strictly monitored to ensure that they fully comply with the quality standard requirements. We will internally designate a project manager who will be responsible for the overall quality standard and supervise the implementation of the quality control measures throughout the project. During the installation process, our technical team will closely monitor the project progress and costs incurred for the project. In the event of any delay due to any unforeseeable reasons, we will discuss and negotiate with our customers.

In addition, under our quality control management procedures, all reports and documents regarding each stage of the project operation process will be kept to ensure that all records are retrospectively traceable.

Our Directors confirm that, during the Track Record Period, we had not received any complaints from our customers regarding the quality of our products or services which are of a material nature.

RESEARCH AND DEVELOPMENT

Our Directors consider that a strong research and development capability is important to ensure our success and our ability to develop application solutions to meet the requirements of our customers. A strong research and development capability also enables us to continue to upgrade our existing application solutions in response to the changes in technological development. Our research and development efforts are headed by Mr. Wong Kwok Fai, the vice president of engineering of our Group. See “Directors, Senior Management and Employees — Senior Management”. As at the Latest

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Practicable Date, we have approximately 27 staff engaged in research and development and all of them have received tertiary education. In addition, in December 2011, we entered into a consultancy agreement with a technology consultant, an Independent Third Party based in the United States, under which the technology consultant is engaged as CTL (BVI)'s non-Executive Vice President and Technology Director to provide us with research and development services relating to our portable satellite flyaway terminal products. The initial term of such agreement is three years, expiring in December 2014, and may be extended upon mutual agreement. In addition to providing us research and development services, the agreement also provides that the technical consultant may provide related product support and sales management services in certain geographic regions to support our Group's marketing efforts, as needed. The technical consultant is a broadcast engineer with extensive experience in the transmission of video, audio and data over mobile radio frequency and microwave platforms, including for a number of major international sporting events. The technology consultant is subject to non-solicitation and non-competition covenants in favour of our Group during the term of the consultancy agreement and for an additional six months after termination of such consultancy agreement.

In addition to research and development of our application solutions and other related services, our engineering team also works closely with our sales and marketing staff. Feedback from our sales and marketing staff provide guidance on the development of our application solutions to meet the requirements of different customers. To maintain the quality and market awareness of the research and development team, we provide on-going technical training and seminars for our research and development staff. Some members of our research and development team also attend and participate in exhibitions and external seminars to keep abreast of the latest technological developments to ensure awareness of market needs.

As at the Latest Practicable Date, we had registered several patents and copyrights in the PRC. For further details, please refer to "Appendix IV — Statutory and General Information — Further Information About the Business of Our Company — 12. Intellectual property rights of our Group" to this prospectus.

SALES AND MARKETING

Our customers

During the Track Record Period, our five largest customers were mainly television stations and host broadcasters of sports and other events. Our five largest customers during the Track Record Period were Independent Third Parties. We have developed business relationship with our five largest customers during the Track Record Period ranging from three to seven years as at 31 December 2013. For the three years ended 31 December 2011, 2012 and 2013, our five largest customers in aggregate accounted for approximately 44.0%, 50.3% and 54.9% respectively of our total revenue, and sales to our largest customer accounted for approximately 18.4%, 34.0% and 38.2% of our total revenue during the same periods. Our largest customer is a leading national-level state-owned television broadcaster and an official state media outlet in the PRC. According to the CCID Report, this customer's programmes are viewed each day in the PRC by an audience of over 700 million people. The customers of our application solutions business and system maintenance services were mainly television stations in the PRC. In respect of our event broadcast services, our customers were mainly host broadcasters of sports or other events. In respect of our equipment development and sales business, our customers were mainly television stations.

None of our Directors or any of their respective associates or, to the knowledge of our Directors, shareholders who own more than 5% of our issued share capital as at the Latest Practicable Date, had any interest in any of our five largest customers during the Track Record Period.

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During the Track Record Period, over 90% of our revenue was generated from our customers in the PRC market, with the remainder generated in the Macau and Hong Kong markets. Examples of our projects that generated revenue outside of the PRC during the Track Record Period include event broadcast services for the 59th Macau Grand Prix in 2012 and application solutions relating to a pay television service for a major broadcaster in Hong Kong. We did not generate any revenue outside of the PRC, Macau and Hong Kong markets during the Track Record Period. The market in which our revenue is recognised is based on the location of the customer for whom our Group provides the products and services. See “Financial Information — Principal Income Statement Components — Revenue”. Additionally, during the Track Record Period, as part of our agreements with CCTV for our provision of application solution services for the transmission system of CCTV’s overseas news bureaus, we performed, on a one-off basis, limited and ancillary services at the locations of these overseas news bureaus to help complete final setup, installation, debugging, testing and technical security work to implement our application solution. However, the key services relating to these application solutions, including planning and design, system assembly, debugging and testing and implementation (including the portion of the transmission system for overseas news bureaus that are located at CCTV in Beijing) were conducted in the PRC. Furthermore, the customer, CCTV, was located in the PRC and such contracts were negotiated in the PRC. Consequently, we attributed the revenue for these application solutions services to the PRC market. Similarly, during the Track Record Period, we also performed for a PRC-based customer, on a one-off basis, limited and ancillary services in Venezuela relating to final installation and debugging for an application solution services project, in which the key services of the application solution were performed in the PRC. We attributed the revenue relating to these services to the PRC market. Subsequent to the Track Record Period, we generated a de minimis amount of revenue from Brazil in connection with an event broadcast services project.

Marketing strategies

As at the Latest Practicable Date, we have a sales and marketing team of 39 members. Generally we market our application solutions through various channels such as exhibitions, internet, advertisements and conference meetings. In addition, to facilitate our long-term business development outside the PRC and to achieve better cost-effectiveness, in June 2010, we entered into a consultancy agreement with a sales consultant, an Independent Third Party based in the United Kingdom, that has over 25 years’ experience in product sales & service, product development and project management within the professional broadcasting industry. Under the such agreement the sales consultant is engaged as TST (Beijing)’s non-Executive Vice President and Sales Director. The initial term of such agreement was three years, expiring in September 2013, and has been extended since then on a monthly basis on the same terms and conditions. As at the Latest Practicable Date, our Group and the sales consultant are in the course of negotiating a renewal of the agreement, which our Company expects will have an initial duration of one year. The services that the sales consultant provides to us include, among others, developing strategic business forecasts and plans, establishing pricing policies, establishing reseller, agent and distribution networks, product advertising and marketing and representing our Company at trade shows. Also, if and when we develop markets outside of the PRC, Hong Kong and Macau, the agreement also provides that the sales consultant shall provide us with sales support and sales management services for us in Europe, the Middle East, Africa and the Americas. We believe that such activities over the long-term will help create awareness of our Group and our products and services, as well as help us identify and develop new market opportunities. The sales consultant is subject to non-solicitation and non-competition covenants in favour of our Group during the term of the consultancy agreement and for an additional six months after termination of such consultancy agreement.

In order to promote our corporate image and our application solutions and to enhance customers’ awareness of our Company, our business track record and our expertise, we have adopted a series of marketing strategies, including publishing advertisements and articles in journals of the broadcasting industry, organising and participating in seminars and exhibitions, and we will also communicate with our customers after an event to ensure their satisfaction with our organisation of the event.

Payment terms*Application solutions*

To better match the capital outlays that we incur during the course of application solution projects with cash receipts from customers, our normal payment arrangements with our customers for application solutions projects are as follows: (i) in general 30% of the contract price will be payable to us upon signing of the project contract or within 30 days upon date of contract, after which we will arrange for the delivery of the equipment and major components to the customers; (ii) further collection is made such that we will have cumulatively received 60% to 70% of the contract price upon completion of initial inspections of equipment and major components, such initial inspection will, in general, be arranged by our customers within 10 business days after delivery to them (see “— Business Process — Delivery, initial inspection and implementation”); (iii) further collection is made such that we will have cumulatively received 90% to 95% of the total contract price upon completion of final inspection of the application solutions after installation and expiration of the trial operation period (if applicable); and (iv) the remaining 5% to 10% of the contract price will be payable by our customers to us after a period of generally one year since completion of final inspection. In relation to application solutions which are installed in vehicles such as OB Trucks and SNG Vans, after completion of installation and final inspection, application for the relevant vehicle licence for the subject vehicle will be made to the relevant authorities. The instalment under (iii) above will in general be payable once the relevant vehicle licence has been granted.

Under the payment arrangement described above, we will usually receive 30% of the contract value as cash advance either before or soon after the start of the credit period given by our suppliers, as we normally do not begin sourcing and accruing inventory until after the relevant project contract is signed and we have confirmed the design of the systems and the design of the execution plan with the customer. See “— Business Process — Sourcing”. Taking into account the fact that the overall gross profit margin of our application solutions business segment exceeded 20% during each year of the Track Record Period, we normally will have received over 35% of our procurement cost at this point of time. The credit terms granted by our suppliers of equipment and components generally ranged from payment on delivery to 90 days from the shipping date. In some cases during the Track Record Period, we were able to secure credit terms from our suppliers that exceeded 90 days. Since we generally arrange for delivery of sourced equipment and components promptly after we receive them from our suppliers, we generally are able to receive cumulative cash advances of 60% to 70% of the contract price prior to the expiration of the credit terms given to us by the relevant suppliers. Taking into account the overall gross profit margin of our application solutions, we usually will receive most of our procurement cost in the form of cash advances prior to the expiration of the credit terms given to us by the relevant suppliers.

In addition to the payment mechanism by way of instalment settlement as discussed above, based on the terms of the tender proposed by the customers, in some projects which our customers will settle the contract price in US dollars, our customer will settle up to 90% of the contract price by way of letters of credit (which can be presented once the equipment has been delivered to the relevant port in the PRC) prior to the delivery of the equipment to them, while the remainder of the contract price will be payable upon completion of the project.

Event broadcast services

For our event broadcast services projects, our payment arrangements with host broadcasters vary. For some event contracts, customers offer instalment payments based on completion of project milestones. For other events, we are entitled to the total service fee within a certain time after completion of the event.

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System maintenance services

In respect of our system maintenance services, payment terms vary among customers and we would in general be entitled to the system maintenance service fee annually upon completion of each year of service.

In some cases, our customer may terminate the contract before the end of the term by giving advance notice and our Group would be entitled to a certain portion of the contract price depending on the time of termination. In addition, under certain contracts, if we were to fail to provide timely services pursuant to the contract, we would be liable to a daily compensation for each day of default and our customers would be entitled to terminate the contract if the default period were to reach a pre-determined level as set out in the contract.

Equipment development and sales

In respect of our equipment development and sales business, sales of equipment from our Group to third-party customers, payment terms vary according to the tender requirements of specific customers, but are comparable to our normal payment arrangements for customers of our application solutions.

Credit policy

During the Track Record Period, in general, no credit terms were stipulated in our project contracts. We have adopted an internal credit policy, in order to reduce the amounts of outstanding receivables and decrease the potential risk of bad debts. In accordance with our credit policy, we classify our customers into seven different credit grades, based on the type of customer, its size and whether or not it is publicly listed. Length of credit terms, credit amount, amount of required prepayment (if any) and collection procedures vary depending on the credit grade. As confirmed by our Directors, we had not incurred any significant bad debts due to payment default by customers during the Track Record Period.

Pricing policy

Some of the main considerations of our customers in selecting their suppliers are the supplier's technical ability, experience and reputation, each of which are areas that we believe are among our strengths. Consequently, we believe our competitive advantage is not in pricing but the quality of our products and the value added services that we provide. Our pricing is, to a large extent, affected by the tenders offered by our customers since the cost analysis in our bidding proposal has to be in line with the requirements and within the budget of our customers. For system maintenance service contracts, the price is usually determined by the parties based on negotiation.

When we estimate our cost for a project, we will take into account a number of factors such as the complexity of the service to be provided, expected manpower required to perform such service, cost estimates for equipment and materials required. We determine our pricing primarily on the basis of the above factors, with appropriate consideration given to the credit record of specific customers, plus a benchmark minimum margin that we consider to be acceptable to our Group. On some specific occasions, for strategic reasons, we may offer a bid with a margin below our benchmark minimum margin. However, during the Track Record Period and up to the Latest Practicable Date, we did not bid on any project at a bid price that was below our budgeted cost and also did not have any loss making project contracts during the same period.

Warranty and product returns

We generally provide a warranty period of one to three years from the acceptance of completion of the project by our customers. During the warranty period, we are liable in accordance with the terms of the project contract for any malfunctioning or ineffectiveness of our application solutions due to any defects in the design and engineering of the systems as well as defects of the equipment and we shall take remedial measures such as equipment repair and replacement services upon receipt of notification from our customers. Striving to offer the best quality service to our customers, we set up 24-hour technical support hotlines which enable us to be readily accessible to our customer in case of any emergency issues. Depending on the terms of the project contract, our technical team may also provide technical training programmes and training manuals in relation to the operation and maintenance of the systems as well as complementary regular on-site system inspection and system upgrade services to our customers. We did not have any warranty provision or warranty expense recognised during the Track Record Period in respect of our liability and obligations during the warranty period. During the Track Record Period, there was no material rejection or return with respect to our products by our customers or any product recalls.

SUPPLIERS

Our main procurement items include components and equipment used in our application solutions such as broadcasting equipment, hardware and software such as digital disc recorder, live production switcher, TV transmission, studio editing and software, telecommunication hardware and software components. We generally source our main procurement items from third party suppliers that are based in U.K., U.S., Japan and the PRC.

We in general procure components and/or equipment required for our projects on a project-by-project basis based on the specifications and requirements set out by our customers. When selecting our suppliers, we usually assess them against a range of criteria including quality, price, after-sale service, delivery terms and payment terms. We do not have a formal tendering process for choosing suppliers. In respect of event broadcast services and equipment leasing projects, we may source the equipment from the suppliers by way of leasing and would return the relevant equipment to them after the projects.

During the Track Record Period, our five largest suppliers include suppliers of components and equipment used in our application solutions. All of our five largest suppliers during the Track Record Period were Independent Third Parties. For the three years ended 31 December 2011, 2012 and 2013, aggregate purchases from our top five suppliers accounted for approximately 46.4%, 39.3% and 26.7% of our total purchases respectively, while the largest supplier accounted for approximately 21.6%, 19.7% and 8.8% of our total purchases respectively. We were the number one distributor in the PRC market for each of our three largest suppliers in each of the years ended 31 December 2011, 2012 and 2013, in terms of our contribution to each such supplier's annual sales in the PRC for the All-Media industry. We have developed business relationship with our five largest suppliers during the Track Record Period ranging from three to seven years as at 31 December 2013. During the Track Record Period, we received awards from some of our five largest suppliers such as Harris Broadcast, Net Insight AB and Mitsubishi Electric to recognise our sales achievements as distributors for such suppliers.

None of our Directors or any of their respective associates, or to the knowledge of our Directors, shareholders who owns more than 5% of our issued share capital as at the Latest Practicable Date, had any interests in any of our five largest suppliers during the Track Record Period.

Distribution and resale arrangements

We have been the distributor or reseller of over 40 brands of our system and equipment suppliers. Products that we distribute or resell under these arrangements include a wide variety of systems and equipment used in our application solutions and services, including without limitation, wired and

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wireless video cameras, video routers, video displays, video processing equipment, editing systems, audio processing equipment, signal encoders and receivers, cables and connectors, servers, software, digital transmission and networking equipment, switchers, intercom equipment, amplifiers and satellite antennas.

Most of our distribution arrangements are subject to written distribution agreements that we enter into with such suppliers. Certain of our distribution arrangements with our suppliers are on an exclusive basis, such as those with Net Insight AB and Flying-Cam S.A. See “— Competitive Strengths — High quality services and products”. However, most of our distribution and resale arrangements with suppliers are on a non-exclusive basis. The term of the distribution agreements in general ranges between one to three years. Pursuant to the distribution agreements, we are normally entitled to purchase the products from the suppliers at a discount from the listed price and to resell the products to end users within a designated territory. Such discounts may be revised by the suppliers from time to time. Under some distribution agreements, we must meet annual sales targets either in terms of sales value or sales volume of the goods that we procure from the supplier. If we fail to achieve such targets, subject to the terms of the relevant distribution agreement, the relevant supplier may adjust our discount levels and in some cases may terminate our distribution agreement. We may be required under some of our distribution agreements to provide periodic sales forecasts, undertake marketing activities to promote the supplier’s products and to have certain of our staff participate in supplier-provided training programmes relating to the products to be distributed. In some cases, we may also agree not to sell or otherwise deal in products from other suppliers that directly compete with the products that are covered by the relevant distribution agreement without the supplier’s prior written consent. Under our distribution agreements, we generally settle our purchases with suppliers by telegraphic transfer or letter of credit.

We also purchase and resell products from suppliers with whom we do not have distributor relationships. Our purchases from these suppliers are documented on the basis of written purchase orders.

In general, our suppliers offer us credit terms ranging from a period between 30 to 90 days to settle the purchase price, as may be set forth in the relevant distribution agreement or purchase order or as separately agreed to in writing between our Group and the relevant supplier.

INVENTORY CONTROL

Our inventory mainly consists of equipment, components and spare parts for our application solutions.

As at 31 December 2011, 2012 and 2013, we had inventory balances of approximately RMB336.2 million, RMB284.0 million and RMB387.0 million, representing approximately 70.3%, 66.8% and 68.7% of our total current assets at the respective dates. Of these inventory balances, as at 31 December 2011, 2012 and 2013, RMB299.8 million, RMB233.5 million and RMB337.2 million, representing approximately 89.2%, 82.2% and 87.1% of our inventory balances at the respective dates, were categorised as work in process. The significant work in process inventory balances were primarily because equipment delivered on-site to our customers for integration and installation into the application solutions are recorded as part of our inventory until the project has been completed (i.e. the time when the application solutions have passed the final inspection). In general, once the equipment has been delivered to our customers’ site, our customer would conduct an initial inspection on the equipment with reference to the equipment list under the project contract.

As our contracts with our customers are in general on a project basis, we procure components and equipment required for our projects on a project-by-project basis in general. Under our inventory control policy, we conduct inspection on incoming items when they arrive at our warehouse and carry out regular stock take to closely monitor our inventory level and condition.

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As at 31 December 2011, 2012 and 2013, there were impairment provisions for inventory of approximately RMB0.7 million, RMB2.2 million and RMB2.3 million, respectively. Impairment provision for inventory as at each of the balance sheet dates are mainly made in respect of obsolete spare parts that were originally stocked for repair and maintenance purposes. Inventories for our application solutions consist of items that are procured at the request of our customers as specified in the relevant project contract, thus are not subject to being declined by our customers because of obsolescence. As such, no provision for obsolete inventories was made on inventories procured at the request of customers for application solutions during the Track Record Period.

COMPETITION

According to the CCID Report, there is a relatively large number of providers for content production, broadcasting and transmission application solutions for the All-Media industry in the PRC, and in 2012 we ranked number one, in terms of revenue, among providers of All-Media application solutions that facilitate content production, broadcast and transmission by the All-Media industry in China, with a market share of approximately 17%. For details, please refer to the section headed “Industry Overview — Content Production, Broadcasting and Transmission Application Solutions Market — Competitive Landscape”.

According to the CCID Report, television stations and radio stations usually have several channels available and are equipped with several corresponding production, broadcasting and transmission systems (including studios, the OB Truck and the playout systems) in China. In order not to rely too much on individual providers for content application solutions, usually, the television stations and radio stations select two to three such providers to provide services for different channels or studios, so as to ensure technical safety and to enhance their own bargaining power.

According to the CCID Report, the markets of event broadcast services and system maintenance service are also at an early stage of development in the PRC and mainly comprise of domestic service providers. For details, please refer to the section headed “Industry Overview”.

Given our competitive strengths as set out in the section headed “— Competitive Strengths” above, our Directors believe that we are able to provide quality services and products and compete effectively with other industry players.

INTELLECTUAL PROPERTY

We have confidentiality protection arrangements in place to protect our intellectual property rights and trade secrets, including the requirement for our senior management members and senior technical staff to enter into confidentiality agreements with us to ensure that our intellectual property rights and trade secrets are not passed onto any third party.

As at the Latest Practicable Date, our Group has registered several trademarks, patents and copyrights in the PRC. For further details of our material intellectual property rights, please refer to “Appendix IV — Statutory and General Information — Further Information About the Business of Our Company — 12. Intellectual property rights of our Group” to this prospectus.

As of the Latest Practicable Date, we were not involved in any disputes or litigation relating to the infringement of intellectual property rights, nor are we aware of any such claims either pending or threatened.

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AWARD AND ACCREDITATIONS

We have obtained the following awards and accreditations in recognition of our success and achievements. Set forth below is the highlight of some of the major awards and certifications in respect of our business.

Award(s)	Year of grant	Awarding body
The State Administration of Press, Publication, Radio, Film and Television 2012 Technology Innovation Award-the First Prize in Engineering Technology (國家新聞出版廣電總局2012科技創新獎 — 工程技術類一等獎)	2013	SAPPRFT
Technology Progress Award (科技進步獎)	2013	China Society of Motion Picture and Television Engineers (中國電影電視技術學會)
China Satellite Application Excellent Enterprise Award (中國衛星應用優秀企業獎)	2013 & 2009	China Association of Satellite Broadcasting and Television users (中國衛星通信廣播電視用戶協會)
The State Administration of Broadcasting, Film and Television 2010 Technology Innovation Award-the First Prize in Engineering Technology (國家廣播電影電視總局2010科技創新獎 — 工程技術類一等獎)	2011	SARFT
Leading Brand of Chinese Industry (中國行業領袖品牌獎)	2010	China Internet Information Centre (“CIIC”)
Excellent Brand of Chinese Industry (中國行業優秀品牌獎)	2010	CIIC
Technology Innovation Award (科技創新獎)	2009 to 2013	China Radio and TV Equipment Industry Association of China’s Ministry of Science and Technology (中國廣播電視設備工業協會)
Technology Innovation Excellent Enterprise Award (科技創新優秀企業獎)	2008 to 2013	China Radio and TV Equipment Industry Association of China’s Ministry of Science and Technology (中國廣播電視設備工業協會)

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EMPLOYEES

As at the Latest Practicable Date, we employed 245 full-time employees. The following table sets forth a breakdown of our employees by division as at the Latest Practicable Date:

Division	Number of employees		Total
	PRC	Hong Kong	
Management	4	7	11
Accounting and finance	21	3	24
Corporate administration	29	1	30
Procurement and quality control	22	3	25
Sales and marketing	36	3	39
System design, consultancy and engineering	41	2	43
System installation and implementation	11	1	12
On-site operation for Event Broadcast Services	21	1	22
System maintenance	10	2	12
Research and development	27	—	27
Total	222	23	245

We make social insurance and housing fund contribution for the benefit of our employees according to the applicable PRC laws and regulations. For administrative convenience purposes, we have engaged various human resources management companies since May 2008 to manage the payment of social insurance and housing fund contribution for some of our employees whose registered residence differ from the registered place of the respective subsidiaries they work for. Pursuant to the arrangement, we are responsible for providing the funds for such contribution. We also participate in a provident fund scheme registered under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all our eligible employees in Hong Kong. See “Directors, Senior Management and Employees”.

The representative office of CSS Group Ltd in Beijing, which is not eligible to hire employees independently in China, has entered into a labour despatch agreement with an agent (an Independent Third Party) in June 2008. Under the agreement, we are primarily responsible for (i) paying for the salaries and social insurance and housing fund contribution of the despatched employees as well as the agent’s management fees; and (ii) providing labour safety protection for the despatched employees in accordance with the relevant PRC laws and regulations. The despatch agent’s primary responsibilities include (i) providing suitable employees to us; (ii) entering into employment contracts with despatched employees; and (iii) arrange salaries and social insurance and housing fund contribution payment for the despatched employees.

For administrative convenience purposes, the Shanghai branch of CSS (Beijing) also entered into a labour despatch agreement with another agent (an Independent Third Party) in March 2010. The salient terms of the agreement is similar to those under the agreement entered into by the representative office of CSS Group Ltd in Beijing.

As advised by our PRC Legal Advisers, we have made all social insurance and housing fund contribution for our employees (including the despatched employees), either directly or through our agents, according to the applicable PRC laws and regulations.

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Employee training

In order to maintain quality, knowledge and skill levels of our employees, we provide training for our employees periodically, including technical training, management training and continuing education. Our staff may take job-related courses to better equip themselves with necessary technical knowledge and we will reimburse their education fees. We also carry out regular staff evaluations to assess their performance from time to time.

Relationship with staff

We recognise the importance of maintaining a good relationship with our employees. During the Track Record Period, we had not experienced any significant problems with our employees or disruption to our operations due to labour disputes, nor have we experienced any difficulties in the recruitment and retention of experienced staff. On this basis, we believe that we have a good working relationship with our employees.

PROPERTIES

We occupy certain properties in the PRC and Hong Kong for our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and they are primarily used for office and storage purposes.

Owned properties

As at the Latest Practicable Date, we owned three blocks of buildings in one site in Tongzhou District in Beijing. The properties have a total gross floor area of 2,997.25 sq.m. We consider these properties to be material to our Group for the purpose of Rule 5.10 of the Listing Rules. The land use rights of the piece of land where the properties are situated were granted for a term expiring on 27 July 2058 for industrial uses. Further details of the properties as at the Latest Practicable Date are set out below:

Subsidiary	Location	Gross Floor Area (sq.m.)	Use	Encumbrances, liens, pledges and mortgages against the property
CSS (Beijing)	Block No. 6 Privy Council No. 10 Jiachuang Road Opto-Mechatronics Industrial Park Tongzhou District Beijing, the PRC	1,254.48	Office use	The property is subject to mortgage in favour of Industrial and Commercial Bank of China Limited, Beijing Chaoyang District Branch.
CSS (Beijing)	Block No. 23 Privy Council No. 10 Jiachuang Road Opto-Mechatronics Industrial Park Tongzhou District Beijing, the PRC	1,037.89	Office use	The property is not subject to any encumbrances, liens, pledges or mortgages.

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Subsidiary	Location	Gross Floor Area (sq.m.)	Use	Encumbrances, liens, pledges and mortgages against the property
TST (Beijing)	Block No. 25 Privy Council No. 10 Jiachuang Road Opto-Mechatronics Industrial Park Tongzhou District Beijing, The PRC	704.88	Office use	The property is subject to mortgage in favour of Industrial and Commercial Bank of China Limited, Beijing Chaoyang District Branch.

As advised by our PRC Legal Advisers, we have obtained the relevant ownership certificates for these properties and are the only legal owner of such properties. We are entitled to use, transfer, lease, mortgage or otherwise dispose of such properties subject to the restrictions under the ownership certificate and the applicable PRC laws.

Leased properties

As at the Latest Practicable Date, we had leased nine properties for storage and office purposes, including six in the PRC and three in Hong Kong, from Independent Third Parties. Among the leased properties in the PRC, four of them are situated in Beijing, one in Guangzhou and one in Shanghai, with a total gross floor area of approximately 442.40 sq.m. The total gross floor area for the three properties leased in Hong Kong is approximately 471.39 sq.m.

As advised by our PRC Legal Advisers, all our lease agreements with respect to the leased properties in the PRC are valid, effective and legally binding. As at the Latest Practicable Date, to the best of our Directors' knowledge, (i) we shared a leased property in Hong Kong that is being used as an office premises by our Group, and such sharing is subject to the consent of the landlord which is pending, and (ii) for one of our leased properties in Hong Kong that is being used as a workshop of Evertop (HK), its lease is subject to consent of landlord's mortgagee, and the landlord had not obtained such consent from the mortgagee. In the event that the landlord terminates the tenancy agreement and exercises its right of re-entry to the premises or the mortgagee obtains possession of the property which our Group has no security of tenure against the mortgagee due to the lack of mortgagee consent (as the case may be), our Directors confirm that we shall relocate our office or workshop (as the case may be), which shall not have any material effect on our Group. Save as disclosed above, all our lease agreements with respect to the leased properties in Hong Kong are valid, effective and legally binding.

For the purpose of Chapter 5 of the Listing Rules, no single property interest that formed part of our non-property activities had a carrying amount of 15% or more of our total assets, hence, we are not required by Chapter 5 of the Listing Rules to value or include in the prospectus any valuation report of our property interests.

Accordingly, pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with requirements of section 342(1)(b) of the Companies (Miscellaneous) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Miscellaneous) Ordinance, which requires a valuation report with respect to all our Group's assets in land or buildings.

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INSURANCE

With regard to properties and assets, we purchase property insurance for the properties and motor vehicle we owned as well as goods in transit while the equipment are on the way of delivery to our customers' base. For our projects for event broadcast services, we purchase insurance covering the equipment and personnel involved in the broadcasting as well as third-party liability insurance during the period of the event, unless it is otherwise provided in the project contracts between our Company and our customers.

We do not maintain any product liability or business liability insurance. As confirmed by our PRC Legal Advisers, we are not required under PRC laws and regulations to maintain any compulsory product liability or business liability insurance. Our Directors are of the view that the insurance coverage is consistent with the industry practice in the PRC. During the Track Record Period, we did not experience any material liability claims from our customers arising from or relating to the use of our products or performance of our services.

ENVIRONMENTAL COMPLIANCE AND SAFETY

Due to the nature of our business, we do not generate industrial pollutants and our operations do not raise any material safety or health related concerns. As at the Latest Practicable Date, we have not come across any non-compliance issues in respect of any applicable laws and regulations on environmental protection and safety or any complaints from our customers or the public in respect of safety and health issues relating to the use of, or any incidents arising from, the use of our application solutions and related services. We maintain a standardised environmental management mechanism and was recognised and accredited with the ISO14001:2004 certificates set forth below:

Validity period	Entity	Certificate	Accrediting body
19 July 2011 to 18 July 2014	CSS (Beijing)	ISO14001: 2004 Certificate of Conformity of Environmental Management System Certification (環境管理體系認證證書)	Beijing Zhonglian Tianrun Centre (北京中聯天潤認證中心)
12 October 2011 to 11 October 2014	TST (Beijing)	ISO14001: 2004 Certificate of Conformity of Environmental Management System Certification (環境管理體系認證證書)	Beijing Zhonglian Tianrun Centre (北京中聯天潤認證中心)

Taking occupational health and safety as one of our prime responsibilities, we have established relevant safety policies and provide training to the staff prior to implementation of the project work. Our project manager designated for each project will be responsible for implementation of the safety standard throughout the implementation process of the project work.

As confirmed by our PRC Legal Advisers, there are no environmental and safety laws and regulations which may affect our business (except of business of assembling and manufacturing of portable transmission equipment, portable satellite station system and microwave receiving system) in any material respect, and that we are in compliance with the application laws and regulations of the PRC in respect of environmental protection and safety. Our Directors confirmed that, during the Track Record Period, our Group has not experienced any material environmental protection or safety problems and no material safety accidents had occurred due to the fault of our Group. We have not incurred and do not expect to incur material cost in connection with the compliance with applicable environmental and safety laws and regulations.

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LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

From time to time and during our ordinary course of business, our Group has been, and may in the future be occasionally, involved in legal proceedings or disputes incidental to the conduct of our business.

As at the Latest Practicable Date, we were involved in a contractual dispute (“**Legal Dispute**”) during our ordinary course of business with a supplier of television broadcasting systems in Sichuan province of the PRC (“**Claimant**”). The Claimant supplied certain television broadcasting systems (“**TV Systems**”) to TST (Beijing), our subsidiary, which as an intermediary providing application solution services, sold the TV Systems to a client in Hunan province of the PRC (“**Client**”), the end-user of the TV Systems. For background information, in mid April 2011, a supply contract (“**First Supply Contract**”) was entered into between the Client and the Claimant (“**Parties**”) whereby the Client agreed to purchase 10 sets of TV Systems from the Claimant. Since our Group is able to provide relevant technical services to the Client, subsequent to the entering of the First Supply Contract, the Client and TST (Beijing) agreed that instead of directly purchasing the TV Systems from the Claimant, TST (Beijing) would act as an intermediary between the Client and the Claimant. As such, we entered into two additional contracts (together with the First Supply Contract, the “**Supply Contracts**”) with each of the Parties, pursuant to which, the Claimant agreed to supply to us 10 sets of TV Systems and the Client also agreed to purchase from us such TV Systems (together with overall integration of certain technical services).

The Supply Contracts provided, among others, (i) part of the consideration was payable in stages subject to the TV Systems passing relevant inspections and having been accepted by the purchaser; (ii) in the event that the TV Systems failed to pass the inspection, the purchaser shall have right to require the supplier to rectify such issues unconditionally and bear all relevant costs arisen; and (iii) should the issue(s) persist and the TV Systems do not pass the inspection(s) after rectification, the purchaser shall have the right to terminate the contract, and the supplier shall return all payments made by the purchaser and be liable to pay the purchaser liquidated damages and relevant losses. To the best knowledge of our Directors, as the Client considered the TV Systems (which was ultimately supplied by the Claimant through TST (Beijing), as an intermediary, to the Client) did not meet the required standard, part of the consideration was not fully settled pursuant to the Supply Contracts.

In March 2014, the Claimant brought an action against TST (Beijing) and the Client claiming for the outstanding amount payable for the sale of the TV Systems and damages of about RMB6.77 million in total, and it was also claimed that the Client should be jointly liable for the claim. Pursuant to an order (“**Freezing Order**”) issued by the Intermediate People’s Court of Chengdu in Sichuan (“**Sichuan Court**”) dated 27 March 2014, an amount of RMB5 million in the bank accounts of TST (Beijing) was frozen, which is expected to be released on 26 September 2014, pending outcome of the Legal Dispute. TST (Beijing) is in the course of applying for a review of such Freezing Order.

Our Directors confirm that there was dispute on the quality of the TV Systems, therefore, the Client did not pay us the full products price and we in turn did not settle the outstanding amount payable to the Claimant. We were also advised by TST (Beijing)’s litigation counsel in the PRC (“**Beijing Legal Counsel**”) that if the court rules the TV Systems had quality problems, the amount which could be claimed by the Claimant would be affected.

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Even if we are ordered by the court to pay the total amount claimed by the Claimant, based on the advice from Beijing Legal Counsel, which is of the view that the Claimant is the supplier and the Client is the end-user of the TV Systems in the entire contractual arrangement and TST (Beijing) is only an intermediary of the Client, our Directors consider that the Client should bear the ultimate obligation to settle payments, and they consider the ultimate outcome of the Legal Dispute will not have a material adverse effect on our business, financial condition and operating results, therefore, no provision has been made for the three years ended 31 December 2011, 2012 and 2013. As at the Latest Practicable Date, the case was pending before the People's High Court of Sichuan Province regarding the jurisdiction over the Legal Dispute. Meanwhile, TST (Beijing), the Claimant and the Client were in the process of negotiating to settle the Legal Dispute.

Save as disclosed above and based on information available to us, during the Track Record Period and up to the Latest Practicable Date, we were not a party to any litigation, arbitration or claim of material importance, and our Directors were not aware of any pending or threatened litigation, arbitration or claim of material importance.

As advised by our PRC Legal Advisers, as at the Latest Practicable Date, we had duly obtained all necessary approvals, permits, consents, licences and registrations relating to our incorporation. Our PRC Legal Advisers also confirmed that, save as disclosed below, during the Track Record Period and up to the Latest Practicable Date, we had complied with all relevant laws and regulations in all material respects and had duly obtained requisite approvals, permits, consents, licences and registrations all of which are presently in force, necessary for the conduct of our business. For additional information on laws and regulations applicable to our operations in the PRC, please refer to the section headed "Regulations" in this prospectus.

BUSINESS

Non-compliance matters of our Group during the Track Record Period and as at the Latest Practicable Date

During the Track Record Period and as at the Latest Practicable Date, our Group had been or is involved in certain non-compliance matters which relate to the Companies Ordinance (Cap 32 of the laws of Hong Kong) then in force (“**Previous CO**”). Set out below is a summary of the non-compliance matters of our Group during the Track Record Period and as at the Latest Practicable Date:

Name of Group company	Details of non-compliance	Maximum penalty and potential financial loss for each instance of non-compliance	Relevant period of the non-compliance	Reasons for the breach	Personnel involved in the non-compliance	Latest status and rectification actions taken	Monitoring process after implementation of the remedial actions
TST (HK), Evertop (HK), and CTL (HK)	Failure to lay their profit and loss accounts and balance sheets at their respective annual general meeting within the prescribed time limit pursuant to section 122 of the Previous CO	The maximum penalties on a summary prosecution are a fine of HK\$300,000 and/or imprisonment for 12 months for the responsible director. Although TST (HK) had failed to obtain a court order allowing the extension of the time limit for laying of the accounts for the period from 3 November 2009 (date of incorporation) to 31 December 2009) our Hong Kong Legal Counsel advised that by section 351A of the Previous CO and/or section 916 of the Companies Ordinance, no complaint or criminal proceedings can now be brought for the non-compliance in respect of the accounts of TST (HK) referred to above. Our Hong Kong Legal Counsel further advised that in view of the court orders and in view of section 351A of the Previous CO and/or section 916 of the Companies Ordinance, Mr. Leung has been and/or would be relieved from any criminal liability and/or would be immune from prosecution in respect of the relevant non-compliance.	TST(HK): for the period from 3 November 2009 (date of incorporation) to 31 December 2009 and for the year ended 31 December 2010 Evertop (HK): for the period from 29 June 2010 (date of incorporation) to 31 December 2010 and for the year ended 31 December 2012 CTL (HK): for the period from 3 March 2011 (date of incorporation) to 31 December 2011	The relevant directors of TST (HK), Evertop (HK), and CTL (HK) did not possess the legal knowledge and did not receive advice from its respective company secretary firm which was appointed as the respective company secretary at the relevant time, on the on-going compliance requirements under section 122 of the Previous CO	Mr. Leung	With respect to each of TST (HK), Evertop (HK), and CTL (HK), applications have been made to the High Court of Hong Kong on 19 March 2014 for relief and an extension of time for laying of all the relevant accounts. On 6 June 2014, the court granted orders pursuant to section 122 of the Previous CO and/or section 78 of schedule 11 and/or section 429 and/or section 914 of the Companies Ordinance in relation to the application as referred to above, save and except for our application for relief in respect of the laying of the accounts of TST (HK) for the period from 3 November 2009 (date of incorporation) to 31 December 2009, which was not granted by the court.	Our Hong Kong legal adviser and the statutory auditors of the relevant Group company will assist and work closely with our Group to ensure due compliance of the statutory requirements under the Companies Ordinance Our audit committee will oversee the financial reporting and internal control procedures of our Group For other internal control measures, please refer to the end of this section of the prospectus

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Name of Group company	Details of non-compliance	Maximum penalty and potential financial loss for each instance of non-compliance	Relevant period of the non-compliance	Reasons for the breach	Personnel involved in the non-compliance	Latest status and rectification actions taken	Monitoring process after implementation of the remedial actions
EFE and VCL	Failure to lay their profit and loss accounts and balance sheets at their respective annual general meeting within the prescribed time limit pursuant to section 122 of the Previous CO	The maximum penalties on a summary prosecution are a fine of HK\$300,000 and/or imprisonment for 12 months for the responsible director. As advised by our Hong Kong Legal Counsel, the director involved in the offence should be liable to a fine of no more than HK\$10,000 and should not be liable to any term of imprisonment as there are no aggravating factors. Further, as advised by our Hong Kong Legal Counsel, the relevant Group company shall not be subject to any penalty	EFE: for the financial year ended 31 December 2008 to 2010 VCL: for the financial year ended 31 December 2010	The relevant directors of EFE and VCL did not possess the legal knowledge and did not receive advice from its respective company secretarial firm which was appointed as the respective company secretary at the relevant time, on the on-going compliance requirements under section 122 of the Previous CO	Mr. Leung	With respect to each of EFE and VCL, applications will not be made to the High Court of Hong Kong for relief and an extension of time for laying of all the relevant accounts, as EFE and VCL are in the process of winding up. As advised by our Hong Kong Legal Counsel, the Hong Kong courts had considered recently that applications made regarding such breaches of the Companies Ordinance are rather academic and artificial, and such breaches are usually technical and of a minor nature. As such, our Directors consider that as EFE and VCL are already in the process of winding up, it may not be practicable to apply to the Hong Kong courts for relief and an extension of time for laying of the relevant accounts, as our Hong Kong Legal Counsel advised that the recent approach is that the Hong Kong courts are less inclined to entertain such applications as such breaches are considered to be of a minor nature.	Our Hong Kong legal adviser and the statutory auditors of the relevant Group company will assist and work closely with our Group to ensure due compliance of the statutory requirements under the Companies Ordinance Our audit committee will oversee the financial reporting and internal control procedures of our Group For other internal control measures, please refer to the end of this section of the prospectus

For details of the identity, position, qualification and experience of each of the members of the audit committee, please refer to the section headed “Directors, Senior Management and Employees” of this prospectus.

During the Track Record Period and up to the Latest Practicable Date, each of TST (HK), Evertop (HK), CTL (HK), EFE and VCL has not been charged or penalised for the above non-compliance incidents, and has not made provisions for the non-compliance incidents in its financial statements as no provision is considered necessary and our Directors expect that the non-compliance incidents will not have any material operational and financial impact on our Group.

Given the nature and the circumstances giving rise to the above non-compliance incidents, which were principally due to the lack of relevant legal knowledge of and professional advice given, our Directors are of the view that none of these incidents have any material adverse impact on our business and operation and none of these incidents impugn the competence of our Directors.

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Internal control measures designed to prevent future non-compliance

In order to improve our corporate governance and to prevent future non-compliance, we have adopted or intend to adopt the following measures:

1. we are currently in the process of developing various internal approval policies and procedures. In order to further enhance our internal control measures, we expect to adopt an internal audit guideline, which provides detailed internal control procedures, so as to ensure our compliance with the Listing Rules and the relevant laws and regulations;
2. to avoid future occurrences of such non-compliance incidents, our company secretary, Ms. Ngai Kit Fong, who has more than 25 years of experience in company secretarial services field, will assist our Company to ensure compliance with the Companies Ordinance;
3. our audit committee will oversee the financial reporting and internal control procedures in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations, including timely preparation and laying of accounts;
4. we will engage and will continue to appoint external professional advisers, including auditors, legal advisers or other advisers to render professional advice as to compliance with the statutory requirements applicable to our Group from time to time after Listing;
5. in addition, to further strengthen the knowledge of our Directors as to the relevant requirements of the Companies Ordinance, our Directors have attended a training in this regard provided by our Hong Kong legal advisers on 12 March 2014;
6. after Listing, we also plan to engage a Hong Kong legal adviser to provide training to our Directors on the latest developments of various compliance matters applicable to our Group including the Listing Rules and the Companies Ordinance, from time to time, as and when needed; and
7. we have also appointed CCBI as our compliance adviser to provide advice to our Directors and management team on matters relating to the Listing Rules.

Views of our Directors and the Sole Sponsor

In the light of the foregoing, our Directors are of the view that we have adequate internal control procedures and policies in place to prevent further occurrence of the above non-compliance incidents by our Group in the future. Further, in light of the preventive measures mentioned above, our Directors are of the view that our Group has adequate and effective internal control procedures in place. The Sole Sponsor concurs with our Directors' view. Furthermore, having considered the facts and circumstances leading to the non-compliance incidents as disclosed in this section of this prospectus and our Group's internal control measures to avoid recurrence of these non-compliance incidents, our Directors are of the view that these past non-compliance incidents do not involve any dishonesty on the part of our Directors. Furthermore, our Directors are of the view that the Director who was involved in the past non-compliance incidents has the character, experience, integrity and competence and his involvement in these past non-compliance incidents do not affect his suitability to act as director of a listed issuer under Rules 3.08, 3.09 and 8.15 of the Listing Rules, and the suitability for listing of our Company under Rule 8.04 of the Listing Rules. Further, we will engage external professional advisers to advise us on compliance matters. Our Directors are of the view that the above measures will be sufficient to prevent future occurrence of non-compliance incidents.

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Deed of Indemnity

Our Controlling Shareholders have entered into the Deed of Indemnity with and in favour of us to provide indemnities on a joint and several basis in respect of, among other matters, all claims, payments, suits, damages, settlements, payments and any associated costs and expenses which would be incurred or suffered by our Group as a result of any litigation, arbitration and/or legal proceedings against any member of our Group which was issued and/or accrued and/or arising from any act, non-performance, omission or otherwise of any member of our Group on or before the Listing Date. This further protects our Group from any material adverse consequence due to any claims incurred on or before the Listing Date. For further details of the Deed of Indemnity, please refer to “Appendix IV — Statutory and General Information — Other Information — 18. Estate duty, tax and other indemnities” to this prospectus.

ANTI-CORRUPTION COMPLIANCE

As part of our risk management and internal control measures, since 3 April 2013, our Group has established various internal regulations against corrupt and fraudulent activities, which includes measures against receiving bribes and kickbacks, and misuse of company assets. The internal regulations (including those internal controls relating to trading and anti-corruption) were reviewed by our internal control consultant in March 2014. The regulations apply across our Group and the major measures and procedures are set out in the following:

- We ensure that all employees receive behavioural management training. Our internal regulations and policies on anti-corruption are included in staff handbooks. For any person to be employed or promoted for important positions, we will conduct background investigations to ensure they meet the requirements under our anti-corruption policies.
- The audit department will be responsible for the daily execution of the anti-corruption measures. Its scope of duties includes reviewing and assessing the anti-corruption measures in each department of our Group, reviewing complaints and reports from internal and external sources with respect to anti-corruption related measures, and conducting investigations and undertaking rectification actions accordingly.
- We have put in place procedures for handling complaints and investigations. We accept both named and anonymous complaints through our telephone hotline and emails, details of which are announced and circulated to all levels of employees as well as all relevant external parties. For complaints that involve senior management, a special investigations team may be formed and external investigators will be engaged if necessary. We will ensure protection is provided to the whistleblower.
- For any identified fraudulent activities within our Group, the management shall evaluate the case and the responsible department shall submit written report(s) to propose preventative measures to avoid future non-compliance.

The internal control consultant did not have any significant negative findings following its review of the procedures agreed with us.

Following the review of the internal regulations and the internal control consultant’s assessment result, and the discussion with the internal control consultant with respect to the anti-corruption compliance, our Directors and the Sole Sponsor are of the view that such controls and measures are sufficient and effective to avoid the occurrence of corruption, bribery, or other improper conducts of our employees.

Our Group has provided and will continue to provide anti-corruption compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations. Our Directors confirm that they are not aware of any corruption practice by our employees during the Track Record Period. Our Directors also confirm that our Group was not involved in any monetary and non-monetary bribery activities during the Track Record Period and up to the Latest Practicable Date.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and Capitalisation Issue, and without taking into account any Shares which may be allotted and issued under the Over-allotment Option or pursuant to the exercise of any options which may be granted under the Share Option Scheme, Cerulean Coast Limited will hold approximately 66.75% of the issued share capital of our Company, where Cerulean Coast Limited is wholly owned by Mr. Lo. As Cerulean Coast Limited and Mr. Lo is directly or indirectly entitled to exercise or control the exercise of 30% or more of the voting power at our Company's general meeting, each of Cerulean Coast Limited and Mr. Lo is regarded as our Controlling Shareholder under the Listing Rules.

As at the Latest Practicable Date, neither Cerulean Coast Limited nor Mr. Lo controls or conducts any business which competes, or is likely to compete, either directly or indirectly, with our business.

Background of our Controlling Shareholders

Mr. Lo is our executive Director, chairman of our Board and chief executive officer. Through his 100% interest in Cerulean Coast Limited, Mr. Lo will control approximately 66.75% of our Company's entire issued share capital upon completion of the Global Offering (without taking into account the Shares that may be issued and allotted pursuant to the exercise of the Over-Allotment Option or the exercise of any option which may be granted under the Share Option Scheme). For further information of Mr. Lo, please refer to his biography under the section headed "Directors, Senior Management and Employees".

Cerulean Coast Limited is an investment holding company incorporated in the BVI on 8 February 2013. It was wholly owned by Mr. Lo as at the Latest Practicable Date.

Our Directors consider that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective associates based on the following particulars:

Management independence

Our Board comprises six executive Directors and three INEDs. Mr. Lo, the chairman of the Board, an executive Director and chief executive officer, is our Controlling Shareholder. Mr. Lo is also the sole director of Cerulean Coast Limited.

Except as disclosed above and in the section headed "Directors, Senior Management and Employees" in this prospectus, our Controlling Shareholders do not hold any other directorship in our Group. Each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

We have our senior management team to carry out the business decisions of our Group independently. Our Directors are satisfied that our senior management team is able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders after the Global Offering.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational, administrative and financial independence

Our Group has our own independent administrative and corporate governance structure comprised of separate individual departments, each with specific areas of responsibilities, including accounting and finance, research and development and departments covering other aspects of our business operations. During the Track Record Period, our Group was operationally and administratively independent of our Controlling Shareholders and their associates as we have our own operational personnel and administrative personnel who are not in the employment of our Controlling Shareholders or their associates. Our Board believes that we have been operating independently from our Controlling Shareholders and their associates and will continue to do so after the Listing.

During the Track Record Period, our Group makes business decisions independently and has sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders. We do not rely on our Controlling Shareholders for access to our suppliers and customers, as we manage our sourcing of suppliers and customers independently to whom we have independent access.

During the Track Record Period, we principally financed our operations through a combination of (i) borrowings from banks; and (ii) cash generated from our operations. As of the year end during each year of the Track Record Period, our total bank borrowings amounted to about RMB27.8 million, RMB52.5 million and RMB58.2 million, respectively.

Save as disclosed, our source of funding is independent from our Controlling Shareholders and neither our Controlling Shareholders nor their respective associates had financed our operations during the Track Record Period. Our Directors also believe that we are able to obtain financing independently from our Controlling Shareholders. During the Track Record Period and up to the Latest Practicable Date, we had our own finance department and independent accounting systems.

Amounts due from Mr. Lo, one of our Controlling Shareholders, amounted to approximately RMB3.9 million, nil, and RMB0.3 million as at 31 December 2011, 2012, and 2013 respectively and amounts due to Mr. Lo amounted to approximately nil, RMB4.1 million and nil as at 31 December 2011, 2012, and 2013 respectively. Such balances were unsecured, interest-free and repayable on demand. All of the balances with our Controlling Shareholders will be fully settled before Listing.

Based on the above, our Directors believe that our Group's business operation does not rely on our Controlling Shareholders and our Group is capable of operating independently without financial reliance on our Controlling Shareholders.

NON-COMPETITION

Undertakings Given by our Controlling Shareholders

Each of our Controlling Shareholders (namely Cerulean Coast Limited and Mr. Lo) has confirmed that none of them is engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business. To protect our Group from any potential competition, each of our Controlling Shareholders has given an unconditional and irrevocable non-compete undertaking (the "**Non-Competition Undertaking**") in favour of our Company (for itself and for the benefits of our subsidiaries) on 13 June 2014, pursuant to which each of our Controlling Shareholders has, among other matters, unconditionally and irrevocably undertaken to us on a joint and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

several basis that at any time during the Relevant Period (as defined below), each of our Controlling Shareholders shall, and shall procure that their respective associates and/or companies controlled by them (other than our Group):

- (i) not, directly or indirectly, be interested or involved or engaged in or carry on or concern with or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to (i) provision of production, broadcast and transmission application solutions, (ii) provision of event broadcast services, (iii) provision of system maintenance services, and (iv) equipment development and sales, in the All-Media industry in Hong Kong, the PRC and any other country or jurisdiction to which our Group provides such services and/or in which any member of our Group carries on business mentioned above currently and from time to time (the “**Restricted Activity**”);
- (ii) not solicit any existing employee or then existing employee of our Group for employment by it/him or its/his associates (excluding our Group);
- (iii) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to its/his knowledge in its/his capacity as our Controlling Shareholders or otherwise for any purpose of engaging, investing or participating in any Restricted Activity;
- (iv) if there is any project or new business opportunity that relates to the Restricted Activity, refer such project or new business opportunity to our Group for consideration;
- (v) not invest or participate in or carry on any project or business opportunity of the Restricted Activity; and
- (vi) procure its/his associates (excluding our Group) not to invest or participate in any project or business opportunity of the Restricted Activity, unless pursuant to the exception set out below.

The above undertakings are subject to the exception that any of the associates of our Controlling Shareholders (excluding our Group) are entitled to invest, participate and be engaged in or carry on any Restricted Activity or any project or business opportunity, regardless of value, which has been offered or made available to our Group, provided always that information about the principal terms thereof has been disclosed to our Company and our Directors, and our Company shall have, after review (taking into account whether the entering into of such project or business opportunity will be in the best interest of our Group and our Shareholders) and approval by our Directors (including our INEDs without the attendance by any Director with beneficial interest in such project or business opportunities at the meeting, in which resolutions have been duly passed by the majority of the INEDs), confirmed its rejection in writing to be involved or engaged, or to participate or carry on, in the relevant Restricted Activity and provided also that the principal terms on which that relevant associate of our Controlling Shareholders invests, participates or engages in the Restricted Activity are substantially the same as or not more favourable than those disclosed to our Company. Subject to the above, if the relevant associate of our Controlling Shareholders decides to be involved, engaged, participate in or carry on the relevant Restricted Activity, whether directly or indirectly, the terms of such involvement, engagement, participation or carrying on must be disclosed to our Company and our Directors as soon as practicable.

The Non-Competition Undertaking is conditional on (i) the Listing Committee granting listing of, and permission to deal in, all the Shares in issue and to be issued under the Global Offering and the Shares which may be issued upon the exercise of the options that may be granted under the Share

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Option Scheme; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant as a result of the waiver of any condition(s) by the Underwriters) and that the Underwriting Agreements not being terminated in accordance with its terms or otherwise.

For the above purpose, the “Relevant Period” means the period commencing from the Listing Date and shall expire on the earlier of the dates below:

- (a) the date on which our Controlling Shareholders and their associates (individually or taken as a whole) ceases to own 30% or more of the then issued share capital of our Company directly or indirectly or cease to be the controlling shareholders of our Company for the purpose of the Listing Rules; or
- (b) the date on which the Shares cease to be listed on the Stock Exchange.

Under the Non-Competition Undertaking, each of our Controlling Shareholders has unconditionally and irrevocably undertaken to our Group to allow our Directors, their respective representatives and the auditors of our Group to have sufficient access to the records of each of our Controlling Shareholders and their respective associates to ensure compliance with the terms and conditions of the Non-Competition Undertaking. Each of our Controlling Shareholders has unconditionally and irrevocably undertaken under the Non-Competition Undertaking that he or it shall provide to us and our Directors (including our INEDs) from time to time all information necessary for the annual review by our INEDs with regard to compliance with the terms of the Non-Competition Undertaking by our Controlling Shareholders. Each of our Controlling Shareholders has also unconditionally and irrevocably undertaken to make an annual declaration as to full compliance with the terms of the Non-Competition Undertaking and consent to disclose such letter in our annual report.

Compliance with the Corporate Governance Code

Our Company complies or intends to comply with the Corporate Governance Code in Appendix 14 to the Listing Rules except for code provision A.2.1, requiring the roles of chairman and chief executive be in different individuals.

Under code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Lo currently holds both positions. Since the establishment of our Group in 2007, Mr. Lo has been the key leadership figure of our Group who has been primarily involved in formulation of business strategies and determination of the overall direction of our Group. He has also been chiefly responsible for our Group’s operations as he directly supervises our members of senior management. Our Directors meet regularly to consider major matters affecting the operations of our Group. As such, our Directors consider that this structure will not impair the balance of power and authority between our Directors and the management of our Group and believes that this structure will enable our Group to make and implement decisions promptly and efficiently.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance report which will be included in our annual reports upon Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Corporate Governance Measures

In order to properly manage any potential or actual conflict of interests between us and our Controlling Shareholders in relation to compliance and enforcement of the Non-Competition Undertaking, we have adopted the following corporate governance measures:

- (i) our INEDs shall review, at least on an annual basis, compliance and enforcement of the terms of the Non-Competition Undertaking by our Controlling Shareholders;
- (ii) we will disclose any decisions on matters reviewed by our INEDs on whether to accept the business opportunity referred by our Controlling Shareholders either through our annual report or by way of announcement;
- (iii) we will disclose in the corporate governance report of our annual report on how the terms of the Non-Competition Undertaking have been complied with and enforced; and
- (iv) in the event that any of our Directors and/or their respective associates has material interest in any matter to be deliberated by our Board in relation to compliance and enforcement of the Non-Competition Undertaking, he may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Our Board is responsible and has general powers for the management and conduct of the business of our Group. The table below shows certain information in respect of members of our Board:

Name	Age	Position	Date of joining our Group	Date of first becoming a Director	Roles and responsibilities
Mr. Lo Chi Sum (盧志森)	54	Chairman, chief executive officer and executive Director	27 April 2007	18 December 2012	— overall business strategies — overall business operation of our Group
Mr. Leung Wing Fai (梁榮輝)	45	Chief operating officer and executive Director	27 April 2007	31 May 2013	— overall business operation of our Group — overall day-to-day business operation — day-to-day management
Mr. Zhou Jue (周珏)	42	Executive Director	1 September 2007	31 May 2013	— application solutions and services of All-Media broadcasting in the PRC — day-to-day management
Mr. Sun Qingjun (孫清君)	49	Executive Director	1 December 2007	31 May 2013	— application solutions and services of All-Media broadcasting in the PRC — day-to-day management
Mr. Huang He (黃河)	45	Executive Director	1 November 2007	31 May 2013	— application solutions and services of All-Media broadcasting in the PRC — day-to-day management
Mr. Geng Liang (耿亮)	46	Executive Director	6 April 2012	31 May 2013	— professional technical services in the PRC — day-to-day management
Mr. Ma Guoli (馬國力)	61	INED	13 June 2014	13 June 2014	See note below
Dr. Ng Chi Yeung, Simon (吳志揚)	56	INED	13 June 2014	13 June 2014	See note below
Mr. Hung Muk Ming (洪木明)	49	INED	13 June 2014	13 June 2014	See note below

Note: Participating in meetings of the Board to bring an independent judgment to bear on issues of strategy, performance, accountability, resources, key appointments and standards of conduct and transactions which are material to our Group as and when required; taking the lead where potential conflicts of interest arise and serving on the audit committee, remuneration committee and the nomination committee (as the case may be).

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Executive Directors

Mr. Lo Chi Sum (盧志森), aged 54, is the founder, chief executive officer, and chairman of our Group and an executive Director. He is primarily responsible for the overall business strategies and business operation of our Group. Mr. Lo completed the programme of diploma in business management organised jointly by the Hong Kong Management Association and the Hong Kong Polytechnic University in February 1986. He obtained a master's degree in business administration from the Shanghai Jiao Tong University (上海交通大學) in 2006, and he graduated from the doctoral programme in business administration from Wuhan University (武漢大學) in 2013. In each of March 2009 and March 2010, Mr. Lo was awarded twice as an "Outstanding Entrepreneur in Technological Innovation" (科技創新優秀企業家) by China Radio and TV Equipment Industry Association* (中國廣播電視設備工業協會) ("CTEIA"). Furthermore, in each of March 2012 and March 2013, he was awarded as an "Outstanding Individual in Scientific and Technological Innovation" (科技創新優秀個人獎) by the CTEIA. Mr. Lo has accumulated substantial experience in the All-Media industry.

In 2007, Mr. Lo invested in the All-Media industry in the PRC and set up CSS (Beijing) in April 2007. Since then he was in charge of the overall business strategies and business operation of our Group. As at the Latest Practicable Date, Mr. Lo was a director of CSS (Beijing), CTL (BVI), Evertop (HK), NISL, Evertop (Beijing), CSS (International), CSS (Group) Ltd, Cortesia and CTL (HK). Mr. Lo is the sole shareholder and sole director of Cerulean Coast Limited, one of our Controlling Shareholders.

Mr. Lo has over 25 years of experience in the broadcasting and television industry. Prior to the founding of our Group, Mr. Lo started his career in the industry in 1987, and he was first employed as a sales manager by Advanced Communication Equipment (International) Co., Ltd ("ACE"), a company which then provided, among others, audio and visual system integration services. Mr. Lo was transferred to the Taiwan office of ACE in 1989 and served as a general manager; subsequently, Mr. Lo became a director of ACE. From 2003 to 2006, Mr. Lo also took up the role of director of New Digital Technology Holdings Limited ("NDT"), a company which provided, among others, video system integration services. Through his extensive industry-related working experience, Mr. Lo has accumulated in-depth industry knowledge and market understanding for the All-Media industry.

Mr. Leung Wing Fai (梁榮輝), aged 45, is the chief operating officer of our Group and an executive Director. Mr. Leung joined our Group in April 2007 as deputy operating officer of CSS (Beijing) and he was designated as the chief operating officer of our Group in April 2012; Mr. Leung is in charge of overall business operation of our Group. As at the Latest Practicable Date, Mr. Leung was a director of CSS (Beijing), NISL, TVL, TST (BVI), TST (Beijing), CSS Engineering, CTL (BVI), Evertop (HK), Evertop (Beijing), CSS International, CSS Group Ltd, TST (HK), Cortesia, and CTL (HK). Mr. Leung is the sole shareholder and sole director of Future Miracle Limited, one of our Shareholders.

Mr. Leung graduated with a bachelor's degree in business administration from the Chinese University of Hong Kong in December 1991 and a master's degree in business administration from the Fordham University in May 2003.

Mr. Leung has over 20 years of experience in the All-Media industry. Before he joined our Group, Mr. Leung started his career at ACE, a company which then provided, among others, audio and visual system integration services, from May 1992 and he was responsible for sales, business coordination and marketing work. From April 1999 to March 2000, Mr. Leung served as sales manager at New Digital Systems China Co. Ltd. ("NDS"), a company which provided, among others, video system integration services. Mr. Leung was a colleague of Mr. Lo when they first met at ACE. During the period from 2000 to 2006, Mr. Leung was employed as the marketing director and was later promoted as the vice president at NDT, a company which provided, among others, video system integration services.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Zhou Jue (周珏), aged 42, is an executive Director. Mr. Zhou J joined our Group in September 2007 as vice president of CSS (Beijing) and since then, Mr. Zhou J was primarily responsible for application solutions and services of All-Media broadcasting of our Group in the PRC. Mr. Zhou J was promoted as chief executive officer of CSS (Beijing) in April 2012. As at the Latest Practicable Date, Mr. Zhou J was a director of TST (Beijing), CSS International, CSS Group Ltd, and Evertop (Beijing) and a director and chief executive officer of CSS (Beijing).

Mr. Zhou J obtained a college degree of computer science and application from the Beijing College of Computer Science (北京計算機學院) (now known as the Beijing University of Technology (北京工業大學)) in January 1993, and further obtained a master's degree in information science from the Institute of Scientific and Technical Information (中國科學技術信息研究所) in July 1999. In December 2010 and May 2012, Mr. Zhou J was nominated as executive director of China Society of Motion Picture and Television Engineers (中國電影電視技術學會).

Mr. Zhou J has over 20 years of experience in the All-Media industry. Before he joined our Group, Mr. Zhou J started his career at Radio and Television Institute of Beijing Television Equipment Factory* (北京電視設備廠) (“**BJ TV Equipment Factory**”), a camera and video recorder manufacturer and broadcasting system integration provider, where he worked as an engineer during the period from January 1993 to February 1996. During the period from August 1996 to January 1997, he was employed as a product manager of the sales support team by Beijing New Trend Science and Technology Development Co., Ltd* (北京新趨勢科技發展有限責任公司), a company which was engaged in, among others, technical development of communications equipment. Mr. Zhou J furthered his studies during September 1997 to July 1999 and obtained the master's degree mentioned above. From 2000 to 2002, he was employed as deputy general manager of ACE, where he was responsible for overseeing its overall management. During December 2002 to September 2007, Mr. Zhou J worked at Beijing New Digital Systems China Co., Ltd* (北京安達斯信息技術有限公司) (“**BNDS**”), a company engaged in provision of agency and system integration services. During his tenure, Mr. Zhou J has served as vice president of sales and he was responsible for the daily operation of the sales team.

Mr. Sun Qingjun (孫清君), aged 49, is an executive Director. Mr. Sun joined our Group in December 2007 and since then he was in charge of application solutions and services of All-Media broadcasting of our Group in the PRC. As at the Latest Practicable Date, Mr. Sun was a director of CSS (Beijing), CSS International, CSS Group Ltd, and Evertop (Beijing) and a director and chief executive officer of TST (Beijing).

Mr. Sun graduated with a bachelor's degree in electronic engineering from the Beijing Institute of Aeronautics (北京航空學院) (now known as the Beihang University (北京航空航天大學)) in July 1986, and a master's degree in electronic engineering from the Beihang University (北京航空航天大學) in June 1989. Mr. Sun was recognised as a senior engineer in electronic telecommunications by the Chinese Academy of Sciences (中國科學院) in December 1997.

Mr. Sun has over 24 years of experience in the All-Media industry. Before he joined our Group, and during March 1989 to January 1993, Mr. Sun worked at the Fifth Academy of the Ministry of Aerospace Industry* (中國航天工業部第五研究院), a company engaged in the development of aerospace products. From January 1993 to May 1998, Mr. Sun was employed as a technical director and deputy general manager by Chinese Academy of Sciences Kehai Hightech Group* (北京科海高技術(集團)公司), a company engaged in, among others, information technology development. During the period from December 2002 to June 2007, Mr. Sun worked at ACE, a company which then provided, among others, audio and visual system integration services, and subsequently, as general manager at BNDS (so nominated by ACE), a company engaged in provision of agency and system integration services. Mr. Sun was then responsible for the daily operation, sales and market operation of BNDS.

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Mr. Huang He (黃河), aged 45, is an executive Director. Mr. Huang joined our Group in November 2007 and since then he was in charge of application solutions and services of All-Media broadcasting of our Group in the PRC. As at the Latest Practicable Date, Mr. Huang was a director of CSS International, CSS Group Ltd, and Evertop (Beijing) and a director and chief executive officer of CSS (Beijing).

Mr. Huang graduated with a college degree of Chinese literature from the Huazhong University of Science and Technology (華中理工大學) in July 1990.

Mr. Huang has over 23 years of experience in the All-Media industry. Before he joined our Group, Mr. Huang served as a reporter at Huangshi Television Station* (黃石電視台) from December 1990 to March 1999, where he was responsible for gathering and searching sources for information, conducting interviews with expert sources, writing articles. From March 1999 to December 1999, Mr. Huang served as chief technology officer of Travel Channel at MSTV Satellite TV Company Limited* (澳門衛星電視有限公司), a company which provides satellite television broadcasting services. From January 2001 to December 2002, Mr. Huang served as system integration vice manager at Sobey Digital Technology Co., Ltd* (成都索貝數碼科技股份有限公司), a company engaged in radio and television software development and systems integration businesses. During the period from March 2003 to March 2007, he served as general manager, responsible for sales and marketing and customer service, at Leitch China Limited.

Mr. Geng Liang (耿亮), aged 46, is an executive Director. Mr. Geng joined our Group in April 2012 and since then he was in charge of professional technical services of our Group in the PRC. Mr. Geng graduated with a bachelor's degree in engineering from Beijing Institute of Technology (北京理工大學) in July 1990, subsequently, with a master's degree in engineering from the Beijing Institute of Technology (北京理工大學) in February 1993. As at the Latest Practicable Date, Mr. Geng was also a director and chief executive officer of Evertop (Beijing).

Mr. Geng has over 12 years of experience in the All-Media industry. Before he joined our Group, and during the period from March 2001 to May 2008, Mr. Geng was employed as a sales manager and general manager for greater China by Tandberg Television Ltd, a company which provides an advanced compression systems, on-demand and content distribution solutions; he was responsible for the sales and business development of digital TV in China. From June 2008 to December 2008, Mr. Geng joined Multimedia Solutions and Systems Integration of Ericsson (China) Communication Co Ltd., as the head of sales, responsible for sales and business development of Ericsson multimedia solution in China. From March 2009 to March 2012, Mr. Geng was employed by Ericsson Television Limited, a company which provides TV solutions and services, as vice president of Greater China, where he was responsible for sales and business development of digital TV solution.

Independent Non-executive Directors

Mr. Ma Guoli (馬國力), aged 61, was appointed an INED of our Company with effect from 13 June 2014. Mr. Ma has over 30 years of experience in TV production and sports broadcasting industry. Mr. Ma graduated from the Beijing Broadcasting Institute (北京廣播學院) (now known as Communication University of China (中國傳媒大學)) specialising in television news and photography in January 1982. Mr. Ma was the president of the China Sport Broadcaster Association and chairman of the China Sports Broadcasting Academy from 1993 to 2005. Mr. Ma was awarded as senior reporter by examination of Ministry of Radio, Film and Television in 1997. In 1999, Mr. Ma was granted special government allowance of the State Council for his outstanding achievements in the news press industry.

Mr. Ma started his full-time work in January 1982. Since then, from February 1982 to May 2005, Mr. Ma was the leader and director of CCTV sports division at CCTV, the predominant state television broadcaster in mainland China; he was responsible for overseeing operations of CCTV-5 (sports channel) and television broadcast of the major sports events. During the period from May 2005 to

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October 2008, he was the chief operating officer of Beijing Olympic Broadcasting Co.* (北京奧林匹克轉播有限公司), a Chinese broadcasting consortium which produced the main international feeds for the 2008 Beijing Olympics and 2008 Summer Paralympics, where he was responsible for the overall operation and management for the Beijing Olympic Games. From January 2009 to the Latest Practicable Date, Mr. Ma served as the chief executive officer and managing director of Infront Sports & Media (China) Co., Ltd, an international sports marketing company, and he was responsible for project management and further expansion of business across China.

Dr. Ng Chi Yeung, Simon (吳志揚), aged 56, was appointed an INED of our Company with effect from 13 June 2014. Dr. Ng is a solicitor practising in Hong Kong since 1986. Dr. Ng was admitted as a solicitor of the High Court of Hong Kong advocate and solicitor in 1986. Dr. Ng was awarded with a bachelor's of laws degree from the Manchester Polytechnic (now known as Manchester Metropolitan University) in May 1986, a master's degree in Chinese and Comparative Law from the City University of Hong Kong in November 1997 and a doctoral degree in worship studies from the Robert Webber Institute for Worship Studies in June 2013.

As at the Latest Practicable Date, Dr. Ng is a consultant of Rowland Chow, Chan & Co, a law firm in Hong Kong. Besides, since September 2013 and as at the Latest Practicable Date, Dr. Ng served as a part-time lecturer at the University of Hong Kong and was responsible for lecturing on commercial law and practice for the postgraduate certificate in laws course.

In the three years preceding the Latest Practicable Date, Dr. Ng served as an independent non-executive director in the following listed companies:

Name of listed issuer	Place of listing
Long Success International (Holdings) Limited (stock code: 08017) ("Long Success") (Note 1)	Hong Kong
Winfair Investment Company Limited (stock code: 00287) (Note 2)	Hong Kong
Kith Holdings Limited (stock code: 01201) (Note 2)	Hong Kong
Opes Asia Development Limited (stock code: 00810) ("Opes Asia") (Note 3)	Hong Kong

Notes:

- (1) Dr. Ng served as an independent non-executive director of Long Success from February 2013 to October 2013.
- (2) As at the Latest Practicable Date and during the three years preceding that date, Dr. Ng served as an independent non-executive director of such listed companies.
- (3) Dr. Ng served as an independent non-executive director of Opes Asia from November 2013 and up to the Latest Practicable Date.

Mr. Hung Muk Ming (洪木明), aged 49, was appointed an INED of our Company with effect from 13 June 2014. Mr. Hung graduated with a bachelor's degree in social science from the University of Hong Kong in 1990, and a master's degree in corporate governance from the Hong Kong Polytechnic University in August 2008. Mr. Hung was admitted as an associate of the Chartered Association of Certified Accountants in January 1994, a fellow of the Association of Chartered Certified Accountants in January 1999, a fellow of Hong Kong Institute of Certified Public Accountants in July 2001, an associate of the Institute of Chartered Secretaries and Administrations and an associate of the Hong

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Kong Institute of Chartered Secretaries, respectively, in February 2009, a fellow of the Hong Kong Institute of Directors in November 2009 and a certified tax adviser of the Taxation Institute of Hong Kong in January 2013.

Mr. Hung has over 20 years of experience in financial industry in Hong Kong, and he started his full-time work in August 1990. From then on, he joined PricewaterhouseCoopers, Certified Public Accountants, during the period from August 1990 to November 1994, as a staff accountant and senior accountant; he was mainly engaged in auditing and accounting work during such period. From November 1994 to July 2001, Mr. Hung served as an accounting manager at Embryform Group Limited, a company engaged in the design, manufacturing, marketing, distribution and retail of lingerie, where he was involved in the accounting, financial, treasury, internal control and shipping functions, assist in strategic business and financial planning of the business. From July 2001 to September 2002, he joined Hong Kong Exchanges and Clearing Limited as a finance manager, which he was responsible for the overall financial and accounting matters. From October 2002 to January 2005, he was employed by Hoi Meng Group Limited, an apparel manufacturer in Asia, as financial controller, which he was responsible for the company's overall financial, accounting, tax, company secretarial and legal matters. Subsequently and until the Latest Practicable Date, Mr. Hung served as financial controller at Guangdong MingCrown Group Limited, a company engages in hotel, real estate construction, port logistics and industrial manufacturing industry; Mr. Hung was also responsible for the overall financial, accounting, tax, company secretarial and legal matters. Mr. Hung served as an independent non-executive director of Rontex International Holdings Limited (stock code: 01142) from September 2004 to February 2006.

As at the Latest Practicable Date and in the three years preceding that date, Mr. Hung served as an independent non-executive director in the following listed companies:

Name of listed issuer	Place of listing
Cinda International Holdings Limited (stock code: 00111)	Hong Kong
Silver Grant International Industries Limited (stock code: 00171)	Hong Kong

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date. As at the Latest Practicable Date, save as the interests of Mr. Lo and Mr. Leung in the Shares which are disclosed in this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO. In addition, our Directors confirmed that none of them is interested in any business which competes or is likely to compete with our Group's business.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

SENIOR MANAGEMENT

As at the Latest Practicable Date, our Group's senior management include the following persons:

Name	Age	Position	Date of first becoming a member of senior management	Roles and responsibilities
Mr. Wong Wai Ming (黃偉明)	35	chief financial officer	26 November 2012	Capital operation and financial management of our Group
Mr. So Yun Wah (蘇潤華)	43	vice president of marketing	1 March 2009	Marketing development of our Group in the PRC
Mr. Wong Kwok Fai (王國輝)	42	vice president of engineering	1 August 2007	Management in content transmission engineering of our Group
Mr. Ng Kwok Chung (吳國聰)	51	technical director	2 September 2010	Management in content production and broadcast engineering of our Group
Mr. Li Lianmin (李連民)	44	vice president of engineering	1 January 2008	Management in content production and broadcast engineering of our Group

Mr. Wong Wai Ming (黃偉明), aged 35, is the chief financial officer of our Group. Mr. Wong joined our Group in November 2012 and was since then responsible for capital operation and financial management of our Group. Mr. Wong graduated with a bachelor's degree in business administration from the City University of Hong Kong in November 2001. He was admitted as a member of the Hong Kong Institution of Certified Public Accountants in February 2005 and certified as a qualified Financial Risk Manager by the Global Association of Risk Professionals.

Mr. Wong has over 10 years of experience in the accounting and financial industry. Before he joined our Group, from September 2001 to February 2004, Mr. Wong joined the assurance department of PricewaterhouseCoopers, Certified Public Accountants as an associate and was later promoted as a senior associate; Mr. Wong was then responsible for the audit for financial institutions. From February 2004 to May 2005, Mr. Wong served as a product controller of UBS AG, an investment bank, and was responsible for monitoring and reporting of equity product financials. From September 2005 to April 2007, he worked as an audit manager at KPMG, an accounting firm. During the period from April 2007 to October 2010, Mr. Wong was employed by the Standard Bank as the vice president of global market equities department, which he was responsible for business origination. From November 2010 to August 2012, Mr. Wong was appointed as an executive director of China King Fund Investment Management Limited where he was responsible for risk assessment and investment evaluation.

Mr. So Yun Wah (蘇潤華), aged 43, is the vice president of marketing of our Group. Mr. So joined our Group in March 2009 as vice president of marketing of CSS (Beijing). He is primarily responsible for marketing development of our Group in the PRC. As at the Latest Practicable Date, Mr. So was a director of FIL and Tongda.

Mr. So graduated with a bachelor's degree in engineering from the Chinese University of Hong Kong in December 1995.

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Mr. So has over 13 years of experience in the All-Media industry. Before he joined our Group, Mr. So started his career at NDT, a company which provided, among others, video system integration services. During the period from August 2007 to February 2008, Mr. So was employed as the technical director by Shenzhen COSHIP Electronics Co., Ltd (深圳市同洲電子股份有限公司), a company specialising in research and development, manufacture and marketing of, among others, electrical transmission products; he was then responsible for the research and development of IPTV system and planning of overseas IPTV service deployment. From April 2008 to February 2009, Mr. So worked as a senior management member at Hanya Star Culture & Technology Co., Ltd (漢雅星空文化科技有限公司), a media company that is engaged in overseas IPTV operation and other internet value-added business in China.

Mr. Wong Kwok Fai (王國輝), aged 42, is the vice president of engineering of our Group. He is primarily responsible for management in research and development content transmission engineering of our Group. Mr. Wong joined our Group in August 2007 as engineering manager of transmission and broadband division of CSS Group Ltd. He was then in charge of management in transmission and broadband. Mr. Wong graduated with a bachelor's degree in engineering from the University of Hong Kong in November 1995, and a master's degree in business administration from the University of Melbourne in March 2008.

Mr. Wong has over 15 years of experience in the All-Media industry. Before he joined our Group, from June 1995 to July 1998, Mr. Wong served as an assistant engineer at ACE, a company which then provided, among others, audio and visual system integration services, where he was responsible for the provision of technical service or related technical support activities. During the period from June 1998 to July 2007, Mr. Wong served as an engineering manager at NDS, responsible for technical management and engineering in broadcast transmission.

Mr. Ng Kwok Chung (吳國驄), aged 51, is the technical director of our Group. Mr. Ng joined our Group in September 2010 as technical director of CSS (Beijing). Since then, he was responsible for content production and broadcast engineering of our Group. Mr. Ng obtained a higher diploma in electronic engineering with distinction from the Hong Kong Polytechnic College (now known as the Hong Kong Polytechnic University) in November 1984.

Mr. Ng has over 25 years of experience in the All-Media industry. Before he joined our Group, Mr. Ng started his career at ACE in 1986. From 1986 to 1997, he served as an assistant servicing engineer at ACE, where he was responsible for assisting the team and leading the team to complete various system project and business development. From March 1997 to September 1999, Mr. Ng was employed as the director of customer service by Tektronix HK Limited, a company engaged in electronic equipment and supplies wholesale and manufacturing, where he was responsible for the management of its customer service team and he demonstrated various business activities in technical aspects. After the merger of Tektronix into the Grass Valley Group, a premier solutions provider for, among others, media broadcasting, Mr. Ng continued to serve as the director of customer service from September 1999 to July 2010, where he was responsible for leading the technical team, driving business with sales of services to customers in Hong Kong, Taiwan and South Korea regions.

Mr. Li Lianmin (李連民), aged 44, is the vice president of engineering of our Group. He is responsible for content production and broadcast engineering of our Group. Mr. Li joined our Group in January 2008 as general manager of engineering department of CSS (Beijing). He was then responsible for the technical management in engineering department. Mr. Li obtained a diploma of applied electronic technology from the Beijing Union University (北京聯合大學) in June 1992, and graduated with a master's degree in engineering from the University of Electronic Science and Technology (電子科技大學) in 2010.

Mr. Li has over 24 years of experience in the All-Media industry. Before he joined our Group, Mr. Li worked at the BJ TV Equipment Factory, a camera and video recorder manufacturer and broadcasting system integration provider, from 1988 to 2000. During the period from June 2004 to December 2007,

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Mr. Li served as deputy chief engineer and deputy general manager at BNDS, a company which provided, among others, video system integration services. Mr. Li was then responsible for the system design and integration in broadcasting and television.

COMPANY SECRETARY

Ms. Ngai Kit Fong (倪潔芳), aged 49, who has been so nominated to act as our company secretary by Tricor Services Limited under an engagement letter made between our Company and Tricor Services Limited, pursuant to which Tricor Services Limited has agreed to provide certain company secretarial services to our Company. She was appointed by our Board as our company secretary on 6 March 2014. Ms. Ngai is a director of the corporate services division of Tricor Services Limited. Prior to her employment by Tricor Services Limited, Ms. Ngai was a manager of the company secretarial department of Deloitte Touche Tohmatsu in Hong Kong to provide both company secretarial and share registration services to their clients. She has over 25 years of experience in the company secretarial services field and has been providing professional services to many Hong Kong listed companies. Ms. Ngai is currently the company secretary of Huiyin Household Appliances (Holdings) Co., Ltd. (stock code: 1280) and China Animal Healthcare Ltd. (stock code: 940) and the joint company secretary of BAI00 Family Interactive Limited (stock code: 2100). Ms. Ngai is a fellow member of The Hong Kong Institute of Chartered Secretaries (“HKICS”) and The Institute of Chartered Secretaries and Administrators of UK. She is also a holder of the Practitioner’s Endorsement of HKICS. Ms. Ngai is confident that she can allocate sufficient time and resources to take up the role of the company secretary of our Company. Ms. Ngai is supported by a team of staff from Tricor Services Limited.

Benefits and social insurance

As required by the employment laws in Hong Kong, our Group participates in a provident fund scheme registered under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all our eligible employees in Hong Kong. We contribute 5% of our employees’ relevant income per month as required under the ordinance subject to a maximum of HK\$1,500 per employee. Contributions from us are 100% vested in each employee immediately but, subject to limited exceptions, all benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65 or ceases employment and the employee declares not to become employed or self-employed within the foreseeable future.

In the PRC, in accordance with relevant national and local labour and social welfare laws and regulations, we are required to pay in respect of our employees in the PRC various social insurance including basic pension insurance, basic medical insurance, unemployment insurance, occupational injury insurance, and insurance for maternity leave.

Compensation to our Directors and senior management

The aggregate amounts of remuneration of our Directors for the three years ended 31 December 2013 were approximately RMB1.03 million, RMB0.77 million and RMB3.88 million respectively. Details of the arrangement for remuneration are set out in the Accountant’s report in Appendix I to this prospectus. Under such arrangement and pursuant to our Directors’ service agreements and letters of appointment referred to in the paragraph headed “Further information about Directors and Shareholders — 13. Directors — (b) Particulars of Directors’ service contracts” in Appendix IV to this prospectus, the aggregate amount of directors’ fee and other emoluments payable to our Directors for the year ending 31 December 2014 is estimated to be approximately HK\$9.2 million and excluding any discretionary bonuses.

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During the Track Record Period, the five individuals whose emoluments were the highest in our Group did not include any Director for the year ended 31 December 2011 and 2012 and included two Directors for the year ended 31 December 2013. The aggregate amount of emoluments payable to the five highest paid individuals, including basic salaries and allowances during the Track Record Period was approximately RMB3.6 million, RMB3.5 million and RMB5.4 million, respectively.

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations. We regularly review and determine the remuneration and compensation packages of our Directors and senior management.

After Listing, the remuneration committee of our Company will make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

During the Track Record Period, no remuneration was paid by our Company to, or received by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company or as compensation for loss of office. None of our Directors has waived any remuneration during the same period.

BOARD COMMITTEES

The audit committee, remuneration committee and nomination committee of our Company were approved to be established by resolutions passed by our Board on 13 June 2014. The membership of such committees are as follows:

Name of Director	Audit Committee	Remuneration Committee	Nomination Committee
<i>Executive Director</i>			
Mr. Lo	N.A.	Member	Chairman
Mr. Leung	N.A.	Member	N.A.
Mr. Zhou J	N.A.	N.A.	N.A.
Mr. Sun	N.A.	N.A.	N.A.
Mr. Huang	N.A.	N.A.	N.A.
Mr. Geng	N.A.	N.A.	N.A.
<i>INED</i>			
Mr. Ma Guoli	Member	Member	N.A.
Dr. Ng Chi Yeung, Simon	Member	Chairman	Member
Mr. Hung Muk Ming	Chairman	Member	Member

Each of the above three committees has written terms of reference. The functions of the above three committees are summarised as follows:

Audit committee

Our audit committee has written terms of reference in compliance with (i) Rule 3.21 of the Listing Rules and (ii) Code C.3 of the Corporate Governance Code. The primary duties of the audit committee of our Company are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and material and provide advice in respect of financial reporting and oversee the internal control procedures of our Company.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Remuneration committee

Our remuneration committee has written terms of reference in compliance with (i) Rule 3.25 of the Listing Rules and (ii) Code B.1 of the Corporate Governance Code. The primary functions of the remuneration committee of our Company are to make recommendation to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of our Group, review performance-based remuneration and ensure none of our Directors determine their own remuneration.

Nomination committee

Our nomination committee has written terms of reference in compliance with Code A.5 of the Corporate Governance Code. The primary functions of the nomination committee of our Company are to review the structure, size and composition (including the skills, knowledge and experiences) of the Board at least annually and make recommendation to the Board on any proposed changes to the Board to complement our Company's corporate strategy; identify individuals suitably qualified as potential board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of INEDs; and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning of Directors, in particular that of our chairman and the chief executive officer.

Corporate governance functions

The terms of reference of our Board include, among others, (i) developing and reviewing our Group's policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of our Directors and senior management; (iii) reviewing and monitoring our Group's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and our Directors; and (v) reviewing our Company's compliance with the Corporate Governance Code and disclosure in the annual reports of our Company.

Deviation from the Code Provision of the Corporate Governance Code

Under the code provision A.2.1 of Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer ("CEO") of our Group should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO of our Group should be clearly established and set out in writing. The roles of the chairman and the CEO of our Group was not separated and was performed by the same individual, Mr. Lo who has been responsible for overall strategic planning and management of our Group since our Group was founded in 2007. Our Directors meet regularly to consider major matters affecting the operations of our Group. As such, our Directors consider that this structure will not impair the balance of power and authority between our Directors and the management of our Group and believes that this structure will enable our Group to make and implement decisions promptly and efficiently.

COMPLIANCE ADVISER

We have appointed CCBI as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on, among other matters, the following:

- (a) (before its publication) any regulatory announcement, circular or financial report;
- (b) a transaction, which might be a notifiable or connected transaction or will involve share issues and share repurchases;

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

- (c) where our Company proposes to use the net proceeds of the Global Offering in a manner different from that set out in this prospectus or where our business activities, development or results deviate from any forecast, estimate, or other information in this prospectus; and
- (d) where the Stock Exchange makes any inquiry of us under Rule 13.10 of the Listing Rules.

The term of appointment of our compliance adviser will commence on the Listing Date and will end on the date of despatch of our annual report in respect of our financial results for the first full financial year commencing after the Listing Date. Such appointment may be subject to extension by mutual agreement.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme and intends to grant options to our executive Directors and senior management of our Group after Listing.

The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable us to reward our Directors and other selected participants for their contributions to us.

The total number of the 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 scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue on the Listing Date.

A summary of the principal terms of the Share Option Scheme is set out in “Appendix IV — Statutory and General Information — 16. Share Option Scheme” in this prospectus.

SHARE AWARD PLAN

In order to recognise and reward the contribution of eligible participants to the growth and development of our Group, on 24 March 2014, our Company adopted the Share Award Plan. Teeroy Limited will act as the Share Award Plan Trustee to the Share Award Plan. Among the 9,200 shares in our Company then held by Mr. Lo through Cerulean Coast Limited, 300 shares had been gifted by him and transferred to the Share Award Plan Trustee at nil consideration to be held on trust for the Share Award Plan on 24 March 2014.

A summary of the principal terms of the Share Award Plan is set out in “Appendix IV — Statutory and General Information — 17. Share Award Plan” in this prospectus.

SHARE CAPITAL

SHARE CAPITAL

The following is a summary of the authorised and issued share capital of our Company as of the date of this prospectus and immediately after completion of the Global Offering and the Capitalisation Issue:

<i>Authorised share capital:</i>		<i>HK\$</i>
<u>5,000,000,000</u>	Shares of HK\$0.01 each	<u>50,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid:</i>		
100,000	Shares in issue at the date of this prospectus	1,000
749,900,000	Shares to be issued pursuant to the Capitalisation Issue	7,499,000
250,000,000	Shares to be issued pursuant to the Global Offering (excluding any Shares which may be issued under the Over-allotment Option)	2,500,000
<u>1,000,000,000</u>	Shares	<u>10,000,000</u>

ASSUMPTIONS

This table assumes the Global Offering has become unconditional and the issue of Shares pursuant thereto is made as described herein. It takes no account of any Shares which may be allotted and issued under the Over-allotment Option or upon the exercise of options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the issued share capital of our Company in the hands of the public (as defined in the Listing Rules).

RANKING

The Offer Shares and the Shares which may be issued under the Over-allotment Option or upon the exercise of any options which may be granted under the Share Option Scheme will rank equally with all of the Shares now in issue or to be issued, and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus, save for the entitlements under the Capitalisation Issue.

ALTERATIONS OF SHARE CAPITAL

Our Company may from time to time by ordinary resolution or special resolution (as the case may be) of our Shareholders alter the share capital of our Company. For a summary of the provisions in the Articles regarding alterations of share capital, please refer to the paragraph headed "2. Articles of Association — (c) Alterations of Capital" in Appendix III of this prospectus.

SHARE CAPITAL

SHARE OPTION SCHEME AND SHARE AWARD PLAN

Our Company has conditionally adopted the Share Option Scheme and adopted the Share Award Plan. A summary of the principal terms of the Share Option Scheme and the Share Award Plan is set out in the paragraphs headed “Share Option Scheme” and “Share Award Plan” in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- i 20% of the aggregate nominal value of our share capital in issue immediately following completion of the Global Offering but excluding any Shares that may fall to be issued under the Over-allotment Option; and
- ii the aggregate nominal value of the share capital repurchased by our Company (if any) pursuant to the repurchase mandate (as referred to below).

The allotment and issue of Shares under a rights issue or pursuant to the exercise of any subscription rights, warrants which may be issued by our Company from time to time, scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, or on the exercise of the Over-allotment Option, or under the Global Offering or the Capitalisation Issue or options granted under the Share Option Scheme do not generally require the approval of shareholders of our Company in general meeting and the aggregate nominal amount of Shares which our Directors are authorised to allot and issue pursuant to this mandate will not be reduced by the allotment and issue of such Shares.

This mandate will expire upon the earliest occurrence of any of the following:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which our next general meeting is required by the Articles or any applicable laws to be held; or
- the date on which such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

For further details of this general mandate, see the paragraph headed “Resolutions in writing of our Shareholders passed on 13 June 2014” in the section headed “Further information about our Group” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal value of our share capital in issue immediately following completion of the Global Offering, but excluding Shares that may fall to be issued under the Over-allotment Option. This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules.

SHARE CAPITAL

A summary of the relevant Listing Rules is set out in the paragraph headed “Repurchase by our Company of our own securities” in the section headed “Further information about our Group” in Appendix IV to this prospectus.

This mandate will expire upon the earliest occurrence of any of the following:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which our next annual meeting is required by the Articles or any applicable laws to be held; or
- the date on which such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

For further details of this general mandate, see the paragraph headed “Resolutions in writing of our Shareholders passed on 13 June 2014” in the section headed “Further information about our Group” in Appendix IV to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, as at the Latest Practicable Date and immediately following completion of the Global Offering (but without taking into account Shares to be issued pursuant to the exercise of the Over-allotment Option and options granted pursuant to the Share Option Scheme) and the Capitalisation Issue, the following persons will have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of members of our Group other than our Company:

Name of Shareholder	Nature of Interest	As at the Latest Practicable Date		Immediately following completion of the Global Offering and the Capitalisation Issue	
		Number of Shares held <i>(Note 1)</i>	Approximate shareholding percentage <i>(%)</i>	Number of Shares held <i>(Note 1)</i>	Approximate shareholding percentage <i>(%)</i>
Cerulean Coast Limited	Beneficial owner	89,000 (L)	89	667,500,000 (L)	66.75
Mr. Lo <i>(Note 2)</i>	Interest of a controlled corporation	89,000 (L)	89	667,500,000 (L)	66.75
Future Miracle Limited	Beneficial owner	8,000 (L)	8	60,000,000 (L)	6
Mr. Leung <i>(Note 3)</i>	Interest of a controlled corporation	8,000 (L)	8	60,000,000 (L)	6
Ms. Wang Hui <i>(Note 4)</i>	Interest of spouse	8,000 (L)	8	60,000,000 (L)	6

Notes:

1. The letter “L” denotes a person’s long position in such Shares
2. Mr. Lo is deemed or taken to be interested in all the Shares which are beneficially owned by Cerulean Coast Limited under the SFO as Cerulean Coast Limited is wholly-owned by Mr. Lo.
3. Mr. Leung is deemed or taken to be interested in all the Shares which are beneficially owned by Future Miracle Limited under the SFO as Future Miracle Limited is wholly-owned by Mr. Leung.
4. Ms. Wang Hui is the spouse of Mr. Leung and she is deemed or taken to be interested in all the Shares which are beneficially owned by Mr. Leung under the SFO.

Save as disclosed above, our Directors are not aware of any other persons who will, as at the Latest Practicable Date and immediately following completion of the Global Offering and the Capitalisation Issue, have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries.

FINANCIAL INFORMATION

You should read this section in conjunction with our audited consolidated financial statements, including the notes thereto, as set out in the Accountant's Report included in "Appendix I — Accountant's Report" to this prospectus. Our financial statements have been prepared in accordance with HKFRS. Information included in this section that has not been extracted or derived from the Accountant's Report has been extracted or derived from unaudited management accounts or other records. You should read the entire Accountant's Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depends on a number of risks and uncertainties over which we do not have control. For further information, see the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are the leading 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, and system maintenance services. In addition, we develop and sell broadcast and transmission equipment. Our application solutions, services and equipment are used by a wide range of customers requiring services relating to All-Media, including broadcasters, event producers, new media providers, enterprises and government agencies.

Our traditional customer base consists of top-tier (based on revenue according to CCID Report) All-Media producers and broadcasters in China, which include the nation's leading national-level, provincial-level (including provincial-level municipalities) and prefectural-level broadcasters. According to the CCID Report, such top-tier producers and broadcasters are in a better position to invest in technology. For example, they have migrated to digital and HD technologies more quickly than their lower-tiered competitors. According to the CCID Report, in 2012 we ranked number one, in terms of revenue, among providers of All-Media application solutions that facilitate content production, broadcast and transmission by the All-Media industry in China, with a market share of approximately 17%.*

Our application solutions, services and equipment have been installed and used in high-profile projects such as:

- The outfitting of broadcasting facilities in the headquarters of CCTV, Hunan Television, Anhui Television, Yunnan Television, Shenzhen Television and Guangzhou Television.
- The setup of the IBCs for the 2009 and 2013 China National Games and the 26th Summer Universiade.
- Event broadcast services to support some of the most high profile live events in China, such as the 60th anniversary celebration of the founding of the PRC, the 2008 Beijing Olympics, the 16th Asian Games, the Tour of Beijing and the 2013 China National Games.

* Information in relation to our Group's market share and market ranking for 2013 is not available at the time of this prospectus. Our Group's 2012 ranking may not be representative of our Group's current ranking in the industry.

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We are also expanding our business by expanding both our service and product offerings and our customer base. In terms of service and product offerings, we are growing our system maintenance services and our equipment development and sales businesses, both of which tend to have higher gross profit margins than our other business segments. In terms of our customer base, we are increasingly expanding our customer base to include China's leading new media providers, as well as government agencies.

During the Track Record Period, our revenue increased at a CAGR of 15.8%, from RMB468.9 million for the year ended 31 December 2011 to RMB628.8 million for the year ended 31 December 2013, while our net profit increased from RMB36.7 million for the year ended 31 December 2011 to RMB77.8 million for the year ended 31 December 2013, representing a two-year CAGR of 45.6%.

BASIS OF PRESENTATION

Our 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. Our Company is an investment holding company and our subsidiaries are principally engaged in the provision of application solutions that facilitate content production, broadcasting and transmission, event broadcast services, system maintenance services and the development and sales of broadcast and transmission equipment, as well as other related services, for the All-Media industry in the PRC. Prior to the Reorganisation, our Group's business was conducted by CSS International and its subsidiaries, and CSS International was ultimately beneficially owned by the Original Shareholders.

Immediately prior to and after the Reorganisation, the Group's business has been conducted through CSS International and its subsidiaries. Pursuant to the Reorganisation, CSS International and the business were transferred to and held by our Company. Our Company has not been involved in any other business prior to the Reorganisation. The Reorganisation is merely a reorganisation of our Group's business with no change in management of such business. Accordingly, the financial information of our Group is presented using the carrying values of our Group's business under CSS International for all periods presented. The consolidated balance sheets, consolidated income statements, consolidated statements of changes in equity, and consolidated statements of cash flows of our Group for the Track Record Period have been prepared as if the current group structure had been in existence throughout the Track Record Period.

Intercompany transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation. The financial information is presented in RMB, unless otherwise stated.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, financial positions and results of operations have been and will be significantly affected by a number of factors, many of which may not be within our control. The principal factors affecting our results of operations are set out below.

Evolving technologies in the PRC All-Media industry

The All-Media industry, including the television broadcasting industry, together with the related application solutions, event broadcast services and other related services provision industries in the PRC, are characterised by rapidly changing technologies, evolving industry standards and continuing improvements. Accordingly, we believe that our future success will largely depend upon our continuing ability to adapt to customers' needs and technological developments in a timely manner. The long-term growth of our business will depend on our success in identifying and capitalising on key technological and market trends of the industry.

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Development of the All-Media industry in the PRC

Currently, our customers are mainly television stations and host broadcasters for sports and other events in the PRC. Our financial performance is dependent upon the continued growth of the All-Media industry in the PRC, including the television broadcasting industry, and the continued growth of the provision of application solutions, event broadcast services, and other related services. Changes in the businesses, infrastructures and capital spending plans of these customers will have a direct impact on our results of operations. Spending by our customers may be influenced by a variety of factors, such as the evolution of technologies of their respective sectors, the intensity of competition in their respective industry, governmental policies, other macroeconomic factors, etc.

Pricing of our application solutions and other services

A significant part of our revenue is generated from projects acquired through tendering and bidding. The contract price for our tendering and bidding of projects is to a large extent, affected by the tenders offered by our customers since the cost analysis in our bidding proposal has to be in line with the requirements and within the budget of our customers. For system maintenance service contracts, the price is usually determined by the parties based on negotiation.

When we estimate our cost for a project, we will take into account a number of factors such as the complexity of the service to be provided, expected manpower required to perform such service, cost estimates for equipment and materials required. We determine our pricing primarily on the basis of the above factors, with appropriate consideration given to the credit record of specific customers, plus a benchmark minimum margin that we consider to be acceptable to our Group. On some specific occasions, for strategic reasons, we may offer a bid with a margin below our benchmark minimum margin.

The pricing of our projects may fluctuate and are subject to our various considerations, including the factors described above, which enable us to retain our competitiveness in the tender process. The fluctuation in the pricing of our projects will affect our operations and profitability.

Progress of our projects and timing of final inspection and acceptance

Our typical project contracts for our application solutions business segment include either or both of delivery of equipments and products and provision of services. Sales from delivery of equipment and related products are recognised when the customer has completed final inspection and accepted the products and collectability of the related receivables is reasonably assured while for provision of services, our Group uses the “percentage of completion method” to determine the appropriate amount of revenue to be recognised in a given period for the services rendered. The stage of completion is measured by reference to the costs incurred up to the balance sheet date as a percentage of total estimated costs. Our Group offers certain arrangements whereby a customer can purchase equipments together with certain of the services as discussed above. When such multiple element arrangements exist, the total arrangement consideration is allocated to each element based on their relative fair values, as determined based on the current market price of each of the elements when sold separately. The revenue relating to the service elements, which represent their relative fair value in relation to the fair value of each of the elements in the arrangement, are recognised on a percentage-of-completion basis over the service period. Services are provided in the form of fixed-price contracts. Sales from provision of these services are recognised in the period the services are rendered.

Competition

Our business is mainly conducted in the PRC and we face competition from our competitors. For details, please refer to the section headed “Business — Competition” in this prospectus. Increased competition or our inability to sustain our competitive advantages could adversely affect our pricing and

FINANCIAL INFORMATION

our results of operations. For the three years ended 31 December 2011, 2012 and 2013, we were able to maintain a gross margin of 25.9%, 31.4% and 30.8%, respectively. We believe that we have enjoyed certain competitive advantages. For details, please refer to the section headed “Business — Our Competitive Strengths” in this prospectus.

Repeat customers

Many of our current customers have engaged us for other projects in the past. Such repeat customers are important sources of revenue for our Group. We believe that our ability to continue to earn business from repeat customers will depend largely on our ability to provide consistent, high quality solutions, services and products, and to successfully maintain our cost structure to allow us to offer competitive pricing, while still maintaining positive gross margins. If we are not able to maintain our good relationship with our repeat customers, our revenue, net profit and financial performance would be negatively affected.

Cyclical demand

Our customers’ demand for certain of our solutions, services and products may be cyclical in nature. For example, some of our application solutions may have extended lifecycles before they need to be upgraded by our customers. Also, for our event broadcast services business, certain major events that generate higher revenues such as the Summer and Winter Olympic Games, the Asian Games and the China National Games, may occur in multi-year cycles, such as once every four years. While the procurement cycles of each of our customers are not necessarily in sync, to the extent such cycles do coincide, we may experience fluctuations in our revenue. Cyclical downturns may materially and adversely affect our business, liquidity, financial condition and results of operations.

Taxation

Our profitability and financial performance is affected by the level of taxation that we pay on our profit and the preferential tax treatments to which we are entitled. On 16 March 2007, the National People’s Congress of the PRC promulgated The Enterprise Income Tax Law of the PRC, which took effect on 1 January 2008. The implementation of this tax law has an effect on the level of taxation that we pay on our profit and the preferential tax treatments to which we are entitled. In accordance with the aforementioned law and regulations, a unified enterprise income tax rate of 25% will be applied equally to both domestic enterprises and foreign-invested enterprises. Some of our subsidiaries are currently entitled to the preferential tax treatment with applicable tax rate of 15% as a result of receiving the HNTE qualification for a fixed term. They may continue to enjoy such treatment until the fixed term expires. If our subsidiaries cannot continue to enjoy such preferential treatment upon the expiry of the existing preferential tax treatments, our profitability and financial performance will be negatively affected.

CRITICAL ACCOUNTING POLICIES, ESTIMATE AND JUDGMENTS

Our Group has identified certain accounting policies that are significant to the preparation of the consolidated financial statements in accordance with HKFRS. These significant accounting policies are important for an understanding of the financial condition and results of operation of our Group and such accounting policies are set forth in the Accountant’s Report in Appendix I to this prospectus. Some of the accounting policies involve subjective assumptions and estimates, as well as complex judgment related to accounting items such as assets, liabilities, income and expenses. We base our estimates on historical experience and other assumptions which our management believes to be reasonable under the circumstances. Results may differ under different assumptions and conditions. Our management has identified below accounting policies that are most critical to the preparation of our consolidated financial statements.

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1. Property, plant and equipment

Buildings comprise mainly building and offices. Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to our Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

— Buildings	20–40 years
— Vehicles and machinery	3–5 years
— Furniture, fittings and equipment	3–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains-net' in the consolidated income statement.

2. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost comprises acquisition cost purchased from third parties includes purchase price, related taxes, transportation cost and insurance cost but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of our Group's activities. Revenue is shown net of VAT, returns, rebates and discounts and after elimination of sales made within our Group.

Our Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of our Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. Our Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Our Group's turnover includes, separately or in combination, the sales of application solution services with equipment, the provision of consultancy services, professional services, maintenance services, customer support services, extended warranty and other services.

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(a) Sales of equipments and products

Sales of standard equipments and related products are recognised when the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) Application solutions services

Our Group uses the “percentage of completion method” to determine the appropriate amount of revenue to recognise in a given period for the application solutions services. The stage of completion is measured by reference to the costs incurred up to the balance sheet date as a percentage of total estimated costs.

When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of an application solution service contract cannot be estimated reliably, revenue is recognised only to the extent of costs incurred that are likely to be recoverable.

Application solutions services are normally accompanied with sale of certain equipment and products. Under such contracts, 30% deposit will be paid upon signing of the contract, 30% to 40% when key components of the equipments and products are transferred to the site and initial inspection is completed, 30% to 40% upon the final inspection and acceptance by customer, and 5% to 10% upon the maturity of the warranty period.

Our Group presents as a liability the receipt in advance for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses). Contract costs are recognised as expenses in the period in which they are incurred.

Our Group presents as an asset, the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers are included within “trade and other receivables”.

(c) Consultancy services and professional services

Consultancy services and professional services for event broadcast are provided in the form of fixed-price contracts. Sales of these services are recognised in the period the services are provided.

(d) Maintenance, extended warranty, training, and other supporting services

System maintenance services including maintenance, extended warranty, training and other supporting services are provided in the form of fixed-price contracts. Sales of these services are recognised in the period the services are provided, using a straight-line basis over the term of the contract.

(e) Multiple element arrangements

Our Group offers certain arrangements whereby a customer can purchase equipments together with certain of the related application solution service or other services as discussed above. When such multiple element arrangements exist, the total arrangement consideration is allocated to each element based on their relative fair values, as determined based on the current market price of each of the elements when sold separately. The revenue relating to the service elements, which represent their relative fair value in relation to the fair value of each of the elements in the arrangement, are recognised on a percentage-of-completion basis over the service period.

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Where our Group is unable to determine the fair value of each of the elements in an arrangement, it uses the residual value method. Under this method, our Group determines the fair value of the delivered element by deducting the fair value of the undelivered element from the total contract consideration.

To the extent that there is a discount on the arrangement, such discount is allocated between the elements of the contract in such a manner as to reflect the fair value of the elements.

4. Impairment of trade and other receivables

Management reviews its trade and other receivables for objective evidence of impairment. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered as objective evidence that a receivable is impaired. In determining this, management makes judgments as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect on the market and economic environment in which the debtor operates in. Where there is objective evidence of impairment, management makes judgments as to whether an impairment loss should be recorded as an expense.

5. Income tax

Our Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There may be transactions and calculations for which the ultimate tax determination is uncertain. Our Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

6. Recognition of income tax and deferred income tax assets

Significant judgment is required in determining the provision for income tax. There may be transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

7. Impairment of inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value when there is an objective evidence that the cost of inventories may not be recoverable. The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also be not recoverable if the estimated costs to be incurred to make the sale have increased. The amount written off to the income statement is the difference between the carrying value and net realisable value of the inventories. In determining whether the cost of inventories can be recoverable, significant judgement is required. In making this judgement, our Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

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8. Impairment of available-for-sale equity investments

Our Group follows the guidance of HKAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgement. In making this judgement, our Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

There has been no change in the relevant estimates or underlying assumptions for significant items of property, plant and equipment, inventories and trade and other receivables throughout the Track Record Period. Accordingly, based on the historical results, our Directors are of the view that the relevant estimates or underlying assumptions of significant items of property, plant and equipment, inventories and trade and other receivables throughout the Track Record Period had been accurate.

RESULTS OF OPERATIONS

The following table sets forth our consolidated income statements for the Track Record Period as extracted from the Accountant's Report included in Appendix I to this prospectus:

Consolidated income statement

	Year ended 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	468,902	568,065	628,758
Cost of sales	<u>(347,287)</u>	<u>(389,557)</u>	<u>(435,198)</u>
Gross profit	121,615	178,508	193,560
Selling expenses	(26,596)	(33,809)	(33,356)
Administrative expenses	(48,334)	(63,613)	(62,928)
Other income	<u>272</u>	<u>588</u>	<u>361</u>
Operating profit	46,957	81,674	97,637
Finance income	101	126	84
Finance costs	<u>(1,503)</u>	<u>(2,334)</u>	<u>(3,575)</u>
Finance costs — net	<u>(1,402)</u>	<u>(2,208)</u>	<u>(3,491)</u>
Profit before income tax	45,555	79,466	94,146
Income tax expense	<u>(8,814)</u>	<u>(15,712)</u>	<u>(16,391)</u>
Profit for the year	<u>36,741</u>	<u>63,754</u>	<u>77,755</u>
Profit attributable to:			
Owners of the company	36,164	63,762	77,755
Non-controlling interests	<u>577</u>	<u>(8)</u>	<u>—</u>
Profit attributable to owners of the company	<u>36,164</u>	<u>63,762</u>	<u>77,755</u>
Basic and diluted earnings per share (RMB) (Note)	<u>361.64</u>	<u>637.62</u>	<u>777.55</u>
Dividends	<u>30,354</u>	<u>15,563</u>	<u>60,000</u>

Note: The earnings per share as presented above has not taken into account the proposed capitalisation issue pursuant to a written shareholders' resolution passed on 13 June 2014 because the proposed capitalisation issue has not been effected as of the date of the Accountant's Report.

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PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue

During the Track Record Period, our revenue was generated from provision of application solutions, event broadcast services, system maintenance services and equipment development and sales. Revenue is net of returns, discounts and sales taxes. The table below sets out a breakdown of our Group's revenue during the Track Record Period:

	For the year ended 31 December					
	2011		2012		2013	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Application solutions						
Production and broadcast	268,185	57.2	349,401	61.5	365,396	58.1
Transmission	<u>157,794</u>	<u>33.6</u>	<u>170,728</u>	<u>30.1</u>	<u>176,089</u>	<u>28.0</u>
Subtotal	425,979	90.8	520,129	91.6	541,485	86.1
Event broadcast services	27,960	6.0	25,009	4.4	48,836	7.8
System maintenance services	6,159	1.3	9,180	1.6	10,326	1.6
Equipment development and sales	<u>8,804</u>	<u>1.9</u>	<u>13,747</u>	<u>2.4</u>	<u>28,111</u>	<u>4.5</u>
Total revenue	<u><u>468,902</u></u>	<u><u>100.0</u></u>	<u><u>568,065</u></u>	<u><u>100.0</u></u>	<u><u>628,758</u></u>	<u><u>100.0</u></u>

During the Track Record Period, most of our products and services were sold within the PRC, and the remainder of our sales were made in Hong Kong and Macau. The following table sets forth our revenue by geographical market based on the location of the customer for whom our Group provides the products and services:

	For the year ended 31 December					
	2011		2012		2013	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
PRC	458,258	97.7	558,114	98.3	577,776	91.9
Macau	2,758	0.6	2,381	0.4	28,483	4.5
Hong Kong	<u>7,886</u>	<u>1.7</u>	<u>7,570</u>	<u>1.3</u>	<u>22,499</u>	<u>3.6</u>
Total revenue	<u><u>468,902</u></u>	<u><u>100.0</u></u>	<u><u>568,065</u></u>	<u><u>100.0</u></u>	<u><u>628,758</u></u>	<u><u>100.0</u></u>

Application solutions

Revenue from application solutions represented the most substantial contributor to our revenue representing approximately 90.8%, 91.6% and 86.1% respectively of the total revenue of our Group for the three years ended 31 December 2011, 2012 and 2013 and increased from approximately RMB426.0 million for the year ended 31 December 2011 to approximately RMB520.1 million for the year ended 31 December 2012 and further to approximately RMB541.5 million for the year ended 31 December 2013. Such increases were mainly attributable to an increase in the number of completed projects during the Track Record Period. We generally provide application solutions in a package which covers system engineering design, sales of related software and hardware equipment used in the system, installation and customer training. Our Group is also engaged in the sale of equipment for application solutions on a standalone basis and the revenues from such sales are attributable to our application solutions.

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Our application solutions can be divided by their functions into two major categories: (i) production and broadcast and (ii) transmission. Revenue from production and broadcast application solutions represented approximately 57.2%, 61.5% and 58.1%, respectively, of the total revenue of our Group for the three years ended 31 December 2011, 2012 and 2013 and increased from RMB268.2 million for the year ended 31 December 2011 to RMB365.4 million for the year ended 31 December 2013. Revenue from transmission application solutions represented approximately 33.6%, 30.1% and 28.0%, respectively, of the total revenue of our Group for the three years ended 31 December 2011, 2012 and 2013 and increased from RMB157.8 million for the year ended 31 December 2011 to RMB176.1 million for the year ended 31 December 2013.

The following table sets forth a breakdown of our revenue by major application solutions projects for the periods indicated (for details regarding these projects, please see “Business — Our Major Projects”):

	For the year ended 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
New site construction project of Customer A, a national level broadcaster	14,197	97,303	113,785
New headquarters for Customer B, a provincial-level broadcaster	45,812	17,242	11,196
New site of Customer C, a prefectural-level broadcaster	12,411	35,227	3,379
Systems of Customer D, a provincial-level broadcaster	—	7,515	10,697
New headquarters of Customer E, a provincial-level broadcaster	7,383	2,797	991
Systems of Customer F, a provincial-level broadcaster	—	—	20,097
New headquarters of Customer G, a provincial-level broadcaster	—	—	7,148
Broadcast TV contribution backbone network of Customer H, a cable television network	—	9,830	6,045
Electronic News Gathering Solution of Customer I, a media production company	34,242	8,071	—
Internet television project of Customer J, a publicly-listed internet service provider*	—	—	—
Other projects	<u>311,935</u>	<u>342,144</u>	<u>368,148</u>
Total	<u><u>425,980</u></u>	<u><u>520,129</u></u>	<u><u>541,486</u></u>

* No revenue was recognised for this project during the Track Record Period.

Event broadcast services

Revenue from event broadcast services represented approximately 6.0%, 4.4% and 7.8% respectively, of the total revenue of our Group for the three years ended 31 December 2011, 2012 and 2013. While revenue from this segment decreased slightly from RMB28.0 million for the year ended 31 December 2011 to RMB25.0 million for the year ended 31 December 2012, it subsequently increased to RMB48.8 million for the year ended 31 December 2013. The increase in 2013 was primarily attributable to event broadcast services we performed with respect to certain large scale athletic events in 2013, such as the China National Games in 2013 that are held once every four years.

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The following table sets forth a breakdown of our revenue by major event broadcast services projects for the periods indicated (for details regarding these projects, please see “Business — Our Major Projects”):

	For the year ended 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
26th Shenzhen Universiade	7,018	—	—
Tour of Beijing	18,832	17,872	17,621
12th National Games of the PRC	—	—	23,203
Other projects	2,110	7,137	8,012
Total	<u>27,960</u>	<u>25,009</u>	<u>48,836</u>

System maintenance services

Revenue from system maintenance services represented approximately 1.3%, 1.6% and 1.6%, respectively of the total revenue of our Group for the three years ended 31 December 2011, 2012 and 2013 and increased from RMB6.2 million in the year ended 31 December 2011 to RMB10.3 million in the year ended 31 December 2013. Such increase was mainly attributable to an increase in the number of system maintenance contracts as a result of the expansion of our customer base during the Track Record Period.

Equipment development and sales

Revenue from equipment development represented approximately 1.9%, 2.4% and 4.5%, respectively, of the total revenue of our Group for the three years ended 31 December 2011, 2012 and 2013 and increased from RMB8.8 million in the year ended 31 December 2011 to RMB28.1 million in the year ended 31 December 2013. Such increase was mainly attributable to an increase in the number of units of our portable satellite flyaway terminals sold during the Track Record Period.

Cost of sales

The following table sets forth the breakdown of our cost of sales for the Track Record Period:

	For the year ended 31 December					
	2011		2012		2013	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Costs of sales						
Equipment costs	316,084	91.0	346,521	89.0	370,054	85.0
Servicing and agency costs	13,178	3.8	14,731	3.8	29,914	6.9
Labour costs	6,658	1.9	11,090	2.8	18,750	4.3
Transportation costs	3,801	1.1	8,275	2.1	8,954	2.1
Business tax and other transaction taxes	3,810	1.1	2,834	0.7	2,529	0.6
Depreciation expense	930	0.3	1,519	0.4	1,519	0.3
Others	2,826	0.8	4,587	1.2	3,478	0.8
Total	<u>347,287</u>	<u>100.0</u>	<u>389,557</u>	<u>100.0</u>	<u>435,198</u>	<u>100.0</u>

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Our cost of sales primarily comprises equipment costs for the equipment that we incorporate into our application solutions. It also includes servicing and agency costs, labour costs, transportation costs, business tax and other transaction taxes, depreciation expenses and other costs. For the three years ended 31 December 2011, 2012 and 2013, our total cost of sales was RMB347.3 million, RMB389.6 million and RMB435.2 million, respectively, representing 74.1%, 68.6% and 69.2% of the total revenue of our Group for the relevant periods.

The equipment costs was RMB316.1 million, RMB346.5 million and RMB370.1 million for the years ended 31 December 2011, 2012 and 2013, respectively, representing 91.0%, 89.0% and 85.0% of our total cost of sales for the relevant period. It increased during the Track Record Period, primarily due to the increase in the revenue.

The following table sets forth the cost of sales for each business segment during the Track Record Period:

	For the year ended 31 December					
	2011		2012		2013	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Application solutions						
Production and broadcast	215,897	62.2	252,223	64.7	273,698	62.9
Transmission	<u>112,965</u>	<u>32.5</u>	<u>115,094</u>	<u>29.5</u>	<u>120,240</u>	<u>27.6</u>
Subtotal	328,862	94.7	367,317	94.3	393,938	90.5
Event broadcast services	12,856	3.7	13,712	3.5	26,101	6.0
System maintenance services	3,086	0.9	4,147	1.1	5,141	1.2
Equipment development and sales	<u>2,483</u>	<u>0.7</u>	<u>4,381</u>	<u>1.1</u>	<u>10,018</u>	<u>2.3</u>
Total cost of sales	<u><u>347,287</u></u>	<u><u>100.0</u></u>	<u><u>389,557</u></u>	<u><u>100.0</u></u>	<u><u>435,198</u></u>	<u><u>100.0</u></u>

Gross profit and gross profit margin

Gross profit represents revenue less cost of sales. For the three years ended 31 December 2011, 2012 and 2013, our gross profit was RMB121.6 million, RMB178.5 million and RMB193.6 million respectively. Our gross profit margin was 25.9%, 31.4% and 30.8% respectively, for the same periods. The following table set forth the gross profit and gross profit margin of each of our services during the Track Record Period:

	For the year ended 31 December					
	2011		2012		2013	
	<i>RMB'000</i>	Gross profit margin %	<i>RMB'000</i>	Gross profit margin %	<i>RMB'000</i>	Gross profit margin %
Application solutions						
Production and broadcast	52,288	19.5	97,178	27.8	91,698	25.1
Transmission	<u>44,829</u>	<u>28.4</u>	<u>55,634</u>	<u>32.6</u>	<u>55,849</u>	<u>31.7</u>
Subtotal	97,117	22.8	152,812	29.4	147,547	27.2
Event broadcast services	15,104	54.0	11,297	45.2	22,735	46.6
System maintenance services	3,073	49.9	5,033	54.8	5,185	50.2
Equipment development and sales	<u>6,321</u>	<u>71.8</u>	<u>9,366</u>	<u>68.1</u>	<u>18,093</u>	<u>64.4</u>
Total gross profit	<u><u>121,615</u></u>	<u><u>25.9</u></u>	<u><u>178,508</u></u>	<u><u>31.4</u></u>	<u><u>193,560</u></u>	<u><u>30.8</u></u>

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Our Group's gross profit has been increasing over the period, though gross profit margin experienced a drop in 2013 from 2012, following a significant increase in gross profit margin in 2012 from 2011. During the Track Record Period, our gross profit margin was 25.9%, 31.4% and 30.8%, respectively. The improvement of our Group's gross profit margin in 2012 from 2011 was mainly attributable to an improvement in the gross profit margin for our application solutions segment from 22.8% in 2011 to 29.4% in 2012, which was primarily attributable to an increase in the number of completed projects with higher contract price during 2012 as a result of a major application solutions project of a customer involving multiple project contracts. See "Significant Factors Affecting Our Results of Operations — Cyclical demand". At the same time, our cost of sales for the applications solutions segment did not grow as quickly as revenues, which is primarily attributable to discounts provided by our suppliers of equipment in connection with a major application solutions project. In 2013, gross profit margins in our system maintenance services and equipment development and sales segments decreased. The decreases in gross profit margin for our system maintenance services was primarily due to increased aggregate cost of parts used for maintenance services. The decreases in gross profit margin for our equipment development and sales was primarily due to our selective discounting of the selling price of our portable satellite flyaway terminal product to certain customers in order to broaden our customer base.

The following table sets forth our gross profit and gross profit margin by geographical market.

	For the year ended 31 December					
	2011		2012		2013	
	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
PRC	119,643	26.1	175,569	31.5	186,000	32.2
Macau	566	20.5	1,148	48.2	4,634	16.3
Hong Kong	<u>1,406</u>	<u>17.8</u>	<u>1,791</u>	<u>23.7</u>	<u>2,925</u>	<u>13.0</u>
Total gross profit	<u><u>121,615</u></u>	<u><u>25.9</u></u>	<u><u>178,508</u></u>	<u><u>31.4</u></u>	<u><u>193,560</u></u>	<u><u>30.8</u></u>

Other income

Other income mainly represents the compensation benefit we received from insurance claims that we made relating to transportation of equipment. We recorded other income of approximately RMB0.3 million, RMB0.6 million and RMB0.4 million for the three years ended 31 December 2011, 2012 and 2013, respectively.

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Selling and administrative expenses

Our Group's selling and administrative expenses refer to expenses incurred on a regular basis to our Group's normal course of business, including principally business development and entertainment, travelling and transportation expenses, employee benefit expenses, legal and professional fees, rental expenses, office expenses, depreciation and amortisation charges as well as some other administrative expenses. The table below sets forth the breakdown of our Group's selling and administrative expenses, respectively, during the Track Record Period:

Selling expenses

	For the year ended 31 December					
	2011		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%
Business development and entertainment	7,395	27.8	13,605	40.2	10,291	30.9
Travelling and transportation expenses	8,646	32.5	10,218	30.2	12,389	37.1
Employee benefit expenses	6,412	24.1	5,931	17.6	5,797	17.4
Exhibition and conference	2,256	8.5	2,280	6.8	3,273	9.8
Advertising costs	1,689	6.4	1,299	3.8	1,453	4.3
Insurance	198	0.7	476	1.4	153	0.5
Total	26,596	100.0	33,809	100.0	33,356	100.0

Selling expenses represented approximately 5.7%, 6.0% and 5.3% of our Group's total revenue for the three years ended 31 December 2011, 2012 and 2013.

Administrative expenses

	For the year ended 31 December					
	2011		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%
Employee benefit expenses	31,334	64.8	28,575	44.9	27,889	44.3
Research & Development	1,419	2.9	5,893	9.3	5,275	8.4
Auditor's remuneration	238	0.5	267	0.4	1,173	1.9
Legal fee and professional charges	4,253	8.8	8,984	14.1	8,875	14.1
Operating lease rentals	3,969	8.2	4,200	6.6	3,386	5.4
Office expenses	3,782	7.8	4,386	6.9	4,429	7.0
Depreciation	956	2.0	4,461	7.0	6,833	10.9
Provision for inventory obsolescence	679	1.4	1,553	2.5	88	0.1
Provision for bad debts	148	0.3	148	0.2	46	0.1
Bank charges	720	1.5	1,500	2.4	744	1.2
Donations	—	—	456	0.7	400	0.6
Other taxes	385	0.8	851	1.3	994	1.6
Others	451	1.0	2,339	3.7	2,796	4.4
Total	48,334	100.0	63,613	100.0	62,928	100.0

Administrative expenses represented 10.3%, 11.2% and 10.0% of our Group's total revenue for the three years ended 31 December 2011, 2012 and 2013, respectively. Legal fee and professional charges increased by 109.3% from RMB4.3 million for the year ended 31 December 2011 to RMB9.0 million for the year ended 31 December 2012, which was mainly attributable to

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the legal and professional charges incurred for advisory services in connection with our preparations for the Listing on the Stock Exchange, and remained steady at RMB8.9 million for the year ended 31 December 2013. Auditor's remuneration increased significantly by 339.3% from RMB0.3 million for the year ended 31 December 2012 to RMB1.2 million for the year ended 31 December 2013, which was mainly attributable to the increase of audit fees relating to the audit of consolidated financial statements of our Group. Our Company did not have auditors perform an audit of consolidated financial statements of our Group prior to 2013.

Net finance costs

The table below sets forth the breakdown of our Group's net finance costs during the Track Record Period:

	Year ended 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finance costs:			
— Bank borrowings wholly repayable within 5 years	<u>(1,503)</u>	<u>(2,334)</u>	<u>(3,575)</u>
Finance income:			
— Interest income on short-term bank deposits	<u>101</u>	<u>126</u>	<u>84</u>
Net finance costs	<u><u>(1,402)</u></u>	<u><u>(2,208)</u></u>	<u><u>(3,491)</u></u>

Our net finance costs mainly represent interest expenses on bank loans, net of bank interest income. For the three years ended 31 December 2011, 2012 and 2013, the net finance costs of our Group were approximately RMB1.4 million, RMB2.2 million and RMB3.5 million respectively. The net finance costs increased as a result of the increase in the average balance of bank borrowings during the Track Record Period.

Income tax

The table below sets forth the breakdown of our Group's income tax expenses during the Track Record Period:

	Year ended 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax			
— PRC enterprise income tax	8,438	16,723	17,161
Deferred income tax	<u>376</u>	<u>(1,011)</u>	<u>(770)</u>
Income tax expenses	<u><u>8,814</u></u>	<u><u>15,712</u></u>	<u><u>16,391</u></u>

Our increase in income tax expenses from approximately RMB8.8 million in 2011 to RMB15.7 million in 2012 and further to RMB16.4 million in 2013 was mainly attributable to an increase in taxable profit during the Track Record Period. For the three years ended 31 December 2013, our effective tax rate was 19.3%, 19.8% and 17.4%, respectively. Our effective tax rate decreased from 2012 to 2013, primarily due to the increase in the taxable profit from our PRC subsidiaries which enjoyed the preferential tax treatment.

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PERIOD TO PERIOD COMPARISON

Year ended 31 December 2013 compared with year ended 31 December 2012

Revenue

Our Group's revenue increased by approximately 10.7% from approximately RMB568.1 million for the year ended 31 December 2012 to approximately RMB628.8 million for the year ended 31 December 2013. The increase was attributable to an increase in revenues from the application solutions, event broadcast services and equipment development and sales business segments.

Application solutions

The revenue from the provision of application solutions increased from approximately RMB520.1 million for the year ended 31 December 2012 to approximately RMB541.5 million for the year ended 31 December 2013, representing an increase of 4.1%. The increase was attributable to increases in revenue of both production and broadcast application solutions and transmission application solutions. The revenue from the provision of production and broadcast application solutions increased from approximately RMB349.4 million for the year ended 31 December 2012 to approximately RMB365.4 million for the year ended 31 December 2013, representing an increase of 4.6%. Whereas, the revenue from the provision of transmission application solutions increased from approximately RMB170.7 million for the year ended 31 December 2012 to approximately RMB176.1 million for the year ended 31 December 2013, representing an increase of 3.2%. These increases were mainly attributable to the increase in number of completed projects for the year ended 31 December 2013.

Event broadcast services

The revenue from event broadcast services increased from approximately RMB25.0 million for the year ended 31 December 2012 to approximately RMB48.8 million for the year ended 31 December 2013, representing an increase of 95.2%. The increase was mainly attributable to the event broadcast services we provided for the 2013 China National Games and six cycling competitions in the PRC.

System maintenance services

The revenue from provision of system maintenance services increased from approximately RMB9.2 million for the year ended 31 December 2012 to approximately RMB10.3 million for the year ended 31 December 2013, representing an increase of 12.0%. The increase was mainly attributable to an increased average contract value of the system maintenance services projects we were engaged.

Equipment development and sales

The revenue from sale of broadcast and transmission equipment manufactured by our Group increased from approximately RMB13.7 million for the year ended 31 December 2012 to approximately RMB28.1 million for the year ended 31 December 2013, representing a substantial increase of 105.1%. The increase was mainly attributable to the increase in number of units of flyaway terminals sold as we expanded our customer base.

Cost of sales

Cost of sales increased by approximately 11.7%, from RMB389.6 million for the year ended 31 December 2012 to RMB435.2 million for the year ended 31 December 2013. This increase was primarily attributable to an increase in servicing and agency costs, which includes costs for equipment that we leased for event broadcast services in relation to a large-scale athletics event in 2013, and an increase in our equipment costs as a result of the increase in our revenue. Our servicing and agency

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costs increased by approximately 103.4% from RMB14.7 million for the year ended 31 December 2012 to RMB29.9 million for the year ended 31 December 2013. Our equipment costs increased by approximately 6.8% from RMB346.5 million for the year ended 31 December 2012 to RMB370.1 million for the year ended 31 December 2013.

Gross profit and gross profit margin

Gross profit increased by approximately 8.5%, from RMB178.5 million for the year ended 31 December 2012 to RMB193.6 million for the year ended 31 December 2013, which was mainly attributable to the increase in revenue from our provision of event broadcast services and our equipment development and sales businesses, representing 11.7% and 9.3%, respectively, of our Group's gross profit in 2013. The overall gross profit margin of our Group decreased from 31.4% for the year ended 31 December 2012 to 30.8% for the year ended 31 December 2013, which was mainly attributable to lower gross profit margins in each of our business segments, except for our event broadcast services business.

Application solutions

Our gross profit from provision of application solutions declined by approximately 3.5%, from RMB152.8 million for the year ended 31 December 2012 to RMB147.5 million for the year ended 31 December 2013 while our gross profit margin of the segment decreased from 29.4% for the year ended 31 December 2012 to 27.2% for the year ended 31 December 2013. This decrease was mainly attributable to a decrease in gross profit from our production and broadcast application solutions arising from an increase in the cost of sales primarily as a result of increase in equipment costs, which was greater than the increase in revenue of production and broadcast application solutions during the same period.

Event broadcast services

Our gross profit from event broadcast services increased by approximately 100.9%, from RMB11.3 million for the year ended 31 December 2012 to RMB22.7 million for the year ended 31 December 2013. Gross profit margin for the segment also increased from 45.2% in 2012 to 46.6% in 2013. The increase in gross profit and gross profit margin was mainly attributable to the increase in recognised revenue following the increase in the number of completed projects during the period as a result of our effort in promoting our event broadcast service business. Furthermore we were engaged in more large scale events in 2013 such as the 2013 China National Games.

System maintenance services

Our gross profit from system maintenance services increased slightly by approximately 4.0%, from RMB5.0 million for the year ended 31 December 2012 to RMB5.2 million for the year ended 31 December 2013 with gross profit margin decreasing from 54.8% to 50.2% during the same periods. The decrease in gross profit margin was mainly attributable to an increase in the cost of sales as a result of parts used in system maintenance services.

Equipment development and sales

Our gross profit from equipment development and sales increased by approximately 92.6%, from RMB9.4 million for the year ended 31 December 2012 to RMB18.1 million for the year ended 31 December 2013 while gross profit margin decreased from 68.1% to 64.4% during the same periods. The decrease in gross profit margin was mainly attributable to our selective discounting of the selling price of our portable satellite flyaway terminal product to certain customers in order to broaden our customer base.

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Other income

Other income decreased by approximately 33.3%, from RMB0.6 million for the year ended 31 December 2012 to RMB0.4 million for the year ended 31 December 2013, which was mainly attributable to fewer insurance reimbursements from claims relating to transportation of equipment during the period.

Selling and administrative expenses

Selling expenses stayed steady, decreasing slightly by approximately 1.2%, from RMB33.8 million for the year ended 31 December 2012 to RMB33.4 million for the year ended 31 December 2013. The decrease was mainly attributable to a decrease of business development and entertainment expenses by 24.3% from RMB13.6 million to RMB10.3 million as a result of our sponsorship of a national conference of regional broadcasters in 2012 that did not recur in 2013, and was partially off-set by an increase in travelling expenses by 21.6% from RMB10.2 million to RMB12.4 million during the periods under review in connection with certain projects.

Administrative expenses stayed steady, decreasing slightly by approximately 1.1%, from RMB63.6 million for the year ended 31 December 2012 to RMB62.9 million for the year ended 31 December 2013. However, auditor's remuneration increased significantly by 339.3% from RMB0.3 million for the year ended 31 December 2012 to RMB1.2 million for the year ended 31 December 2013, which was mainly attributable to the increase of audit fees relating to the audit of consolidated financial statements of our Group. Our Company did not have auditors perform an audit of consolidated financial statements of our Group prior to 2013.

Net finance costs

Net finance costs increased by approximately 59.1%, from RMB2.2 million for the year ended 31 December 2012 to RMB3.5 million for the year ended 31 December 2013, which was mainly attributable to increase in average balance of bank loans.

Income tax

Our income tax expenses increased by approximately 4.5%, from RMB15.7 million for the year ended 31 December 2012 to RMB16.4 million for the year ended 31 December 2013, which was mainly due to increase in taxable profit.

Profit for the year

As a result of the foregoing, profit attributable to owners of our Company for the year increased by approximately 21.9%, from RMB63.8 million for the year ended 31 December 2012 to RMB77.8 million for the year ended 31 December 2013. Our net profit margin increased from 11.2% to 12.4% during the period, primarily due to the lower effective tax rate in 2013, as compared to 2012.

Year ended 31 December 2012 compared with year ended 31 December 2011

Revenue

Our Group's revenue increased by approximately 21.2% from approximately RMB468.9 million for the year ended 31 December 2011 to approximately RMB568.1 million for the year ended 31 December 2012. The increase was attributable to the increases in revenue in each of our business segments, except for event broadcast services.

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Application solutions

The revenue from provision of application solutions increased from approximately RMB426.0 million for the year ended 31 December 2011 to approximately RMB520.1 million for the year ended 31 December 2012, representing an increase of 22.1%.

The increase was attributable to increases in revenue of both production and broadcast application solutions and transmission application solutions. The revenue from the provision of production and broadcast application solutions increased from approximately RMB268.2 million for the year ended 31 December 2011 to approximately RMB349.4 million for the year ended 31 December 2012, representing an increase of 30.3%. Whereas, the revenue from the provision of transmission application solutions increased from approximately RMB157.8 million for the year ended 31 December 2011 to approximately RMB170.7 million for the year ended 31 December 2012, representing an increase of 8.2%. These increases were primarily attributable to an increase in the number of completed projects during 2012 as a result of a major project of one of our customers that involved multiple project contracts.

Event broadcast services

The revenue from event broadcast services decreased by approximately 10.7% from approximately RMB28.0 million for the year ended 31 December 2011 to approximately RMB25.0 million for the year ended 31 December 2012. The decrease was mainly attributable to the decrease of projects our Group was engaged in 2012 as some of the major events which we were engaged in 2011, did not recur in 2012. See “— Significant Factors Affecting Our Results of Operations — Cyclical demand”.

System maintenance services

The revenue from provision of system maintenance services increased from approximately RMB6.2 million for the year ended 31 December 2011 to approximately RMB9.2 million for the year ended 31 December 2012, representing an increase of 48.4%. The increase was mainly attributable to the increase in the number of system maintenance projects we were engaged.

Equipment development and sales

The revenue from sale of portable satellite flyaway terminal manufactured by our Group increased from approximately RMB8.8 million for the year ended 31 December 2011 to approximately RMB13.7 million for the year ended 31 December 2012, representing an increase of 55.7%. The increase was mainly attributable to an increase in the number of units sold.

Cost of sales

Cost of sales increased by approximately 12.2%, from RMB347.3 million for the year ended 31 December 2011 to RMB389.6 million for the year ended 31 December 2012. The increase was mainly attributable to the increase in equipment costs as a result of the increase in sales volume.

Gross profit and gross profit margin

Gross profit increased by approximately 46.8%, from RMB121.6 million for the year ended 31 December 2011 to RMB178.5 million for the year ended 31 December 2012, which was mainly attributable to the increase in our application solutions business, representing 85.6% of our Group's gross profit in 2012. The overall gross profit margin of our Group increased from 25.9% for the year ended 31 December 2011 to 31.4% for the year ended 31 December 2012.

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Application solutions

Our gross profit from sale of application solution increased by approximately 57.4%, from RMB97.1 million for the year ended 31 December 2011 to RMB152.8 million for the year ended 31 December 2012 while our gross profit margin of the segment increased from 22.8% for the year ended 31 December 2011 to 29.4% for the year ended 31 December 2012. That was mainly attributable to the increase in recognised revenue from application solutions contracts, which outpaced an increase in cost of sales for the segment.

Event broadcast services

Our gross profit from event broadcast services decreased by approximately 25.2%, from RMB15.1 million for the year ended 31 December 2011 to RMB11.3 million for the year ended 31 December 2012. The decrease was mainly because of the decrease of projects our Group was engaged in 2012 as some of the major events which we were engaged in 2011, did not recur in 2012. See “Significant Factors Affecting Our Results of Operations — Cyclical demand”. Gross profit margin dropped from 54.0% in 2011 to 45.2% in 2012, in part because of the increase in depreciation charge on equipment acquired for the purpose of this business segment in 2012.

System maintenance services

Our gross profit from system maintenance services increased by approximately 61.3%, from RMB3.1 million for the year ended 31 December 2011 to RMB5.0 million for the year ended 31 December 2012 with gross profit margin risen from 49.9% to 54.8% during the same periods. The increase in gross profit was mainly attributable to the increase in revenue from this segment during the year. The increase in gross profit margin was mainly attributable to lower increasing rate of cost of sales of this segment in 2012.

Equipment development and sales

Our gross profit from equipment development and sales increased by approximately 49.2%, from RMB6.3 million for the year ended 31 December 2011 to RMB9.4 million for the year ended 31 December 2012 with gross profit margin decreasing significantly from 71.8% to 68.1% during the same periods. The increase in gross profit was mainly attributable to the increase in number of units sold during the year. Decline in gross profit margin was mainly attributable to our selective discounting of the selling price of our portable satellite flyaway terminal product to certain customers in order to broaden our customer base.

Other income

Other income increased by approximately 100.0%, from RMB0.3 million for the year ended 31 December 2011 to RMB0.6 million for the year ended 31 December 2012, which was mainly attributable to the increase of insurance reimbursement.

Selling and administrative expenses

Selling expenses increased by approximately 27.1%, from RMB26.6 million for the year ended 31 December 2011 to RMB33.8 million for the year ended 31 December 2012, which was in line with our Group’s revenue growth trend. The increase was mainly attributable to an increase of business development and entertainment expenses by 83.8% from RMB7.4 million to RMB13.6 million during this period to promote our Company’s business. This includes expenses relating to our sponsorship of a national conference of regional broadcasters in the PRC in 2012. In addition to this, travelling expenses

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also increased by 18.6% from RMB8.6 million to RMB10.2 million during the periods under review. The increase was mainly attributable to business development needs. Other selling expenses remained relatively stable during the periods under review.

Administrative expenses increased by approximately 31.7%, from RMB48.3 million for the year ended 31 December 2011 to RMB63.6 million for the year ended 31 December 2012, which was in line with our Group's revenue growth trend. The increase was mainly attributable to an increase in research and development costs, legal fee and professional charges, and depreciation expense. Research and development costs surged by 321.4% from RMB1.4 million to RMB5.9 million during the periods and were incurred to enhance our proprietary know-how with respect to transmission techniques. Legal fee and professional charges increased by 109.3% from RMB4.3 million to RMB9.0 million during the periods, which was mainly attributable to the legal and professional charges incurred for advisory services in connection with our preparations for the Listing on the Stock Exchange. Depreciation expense also increased significantly during the periods by 350.0% from RMB1.0 million to RMB4.5 million, which was mainly due to depreciation charge of the newly acquired property that was put into use as our Group's headquarters in Beijing in 2012.

Net finance costs

Net finance costs increased by approximately 57.1%, from RMB1.4 million for the year ended 31 December 2011 to RMB2.2 million for the year ended 31 December 2012, which was mainly attributable to the increase in average balance of bank borrowings.

Income tax

Our income tax expenses increased by approximately 78.4%, from RMB8.8 million for the year ended 31 December 2011 to RMB15.7 million for the year ended 31 December 2012 which was mainly attributable to an increase in taxable profit.

Profit for the year

As a result of the foregoing, profit attributable to equity shareholders of our Company for the year increased by approximately 76.2%, from RMB36.2 million for the year ended 31 December 2011 to RMB63.8 million for the year ended 31 December 2012, while our net profit margin increased from 7.7% to 11.2% during the period. Our net profit margin increased primarily due to the increase in the gross profit margin in 2012.

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ANALYSIS ON VARIOUS ITEMS OF OUR CONSOLIDATED BALANCE SHEETS

The following table sets forth our consolidated balance sheets at the dates indicated:

Consolidated balance sheets

	As at 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets			
Non-current assets			
Property, plant and equipment	39,923	64,513	59,890
Deferred income tax assets	814	1,825	2,595
Other non-current assets	—	1,394	1,376
Available-for-sale-financial assets	—	—	4,189
	<u>40,737</u>	<u>67,732</u>	<u>68,050</u>
Current assets			
Inventories	336,154	283,977	386,970
Trade and other receivables	97,328	96,487	112,907
Financial assets at fair value through profit or loss	—	828	—
Pledged bank deposits	4,091	9,112	9,206
Cash and cash equivalents	40,642	35,026	53,878
	<u>478,215</u>	<u>425,430</u>	<u>562,961</u>
Total assets	<u>518,952</u>	<u>493,162</u>	<u>631,011</u>
Equity and liabilities			
Equity attributable to owners of our Company			
Ordinary shares and premium	—	70,675	70,675
Other reserves	10,102	(68,702)	(68,729)
Retained earnings	27,091	75,290	93,045
	37,193	77,263	94,991
Non-controlling interests	<u>4,278</u>	<u>—</u>	<u>—</u>
Total equity	<u>41,471</u>	<u>77,263</u>	<u>94,991</u>
Liabilities			
Non-current liabilities			
Borrowings	7,771	11,557	4,624
Current liabilities			
Trade and other payables	429,801	331,381	435,191
Current income tax liabilities	19,864	32,010	42,661
Borrowings	20,045	40,951	53,544
	<u>469,710</u>	<u>404,342</u>	<u>531,396</u>
Total liabilities	<u>477,481</u>	<u>415,899</u>	<u>536,020</u>
Total equity and liabilities	<u>518,952</u>	<u>493,162</u>	<u>631,011</u>
Net current assets	<u>8,505</u>	<u>21,088</u>	<u>31,565</u>
Total assets less current liabilities	<u>49,242</u>	<u>88,820</u>	<u>99,615</u>

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Property, plant and equipment

Property, plant and equipment consist of buildings, vehicles and machinery, and furniture, fittings and equipment. As at 31 December 2011, 2012 and 2013, the net book value of our property, plant and equipment amounted to RMB39.9 million, RMB64.5 million and RMB59.9 million, respectively. The increase from 31 December 2011 to 31 December 2012 was mainly attributable to the addition of buildings as a result of the acquisition of property in Beijing as our Group's headquarters during the relevant period. The decrease from 31 December 2012 to 31 December 2013 was mainly attributable to depreciation charges.

Other non-current assets

Other non-current assets mainly represent the prepaid rental for car parking facilities.

Available-for-sale financial assets

Available-for-sale financial assets consist of our 16.11% equity interest in an unlisted company, which we acquired in 2013. See "History and Development — Our Corporate History-CTL (Beijing)".

Inventories

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Equipment and parts	37,001	52,715	52,076
Work in progress	299,832	233,494	337,214
Provision for inventory	<u>(679)</u>	<u>(2,232)</u>	<u>(2,320)</u>
	<u>336,154</u>	<u>283,977</u>	<u>386,970</u>

Our inventories primarily consist of components, equipment and other common items for our application solutions, as well as spare parts for repair and maintenance purposes. As most of our application solutions are provided on a project basis, we tailor procurement plans for our customers according to the specifications provided and the project schedule. Inventories include work in progress items dispatched to customers' premises which are either pending integration and installation work or are subject to customers' final inspection and acceptance. As at 31 December 2011, 2012 and 2013, our inventories were approximately RMB336.2 million, RMB284.0 million and RMB387.0 million, respectively. The inventory balance as at 31 December 2012 decreased in comparison with that of 31 December 2011 primarily due to an increase in the number of project in which final inspection and acceptance had been completed. The inventory balance as at 31 December 2013 increased in comparison with that of 31 December 2012 because of an increase in the number of projects in progress.

Impairment provision for inventory as at each of the balance sheet dates are mainly made in respect of obsolete spare parts for repair and maintenance purposes. The provision for inventory obsolescence charged to the income statement was RMB0.7 million, RMB1.6 million and RMB0.1 million for the years ended 31 December 2011, 2012 and 2013.

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The table below set forth our inventory turnover days for the three years ended 31 December 2011, 2012 and 2013:

	For the year ended 31 December		
	2011	2012	2013
Inventory turnover days (<i>Note</i>)	309	287	278

Note: Inventory turnover days are calculated by dividing the average of the beginning and ending balances of inventory for the relevant period by cost of sales of the corresponding period and multiplying by 360 days.

Inventory turnover days were 309, 287 and 278, respectively, for the three years ended 31 December 2011, 2012 and 2013. Our inventory turnover days are consistent with the normal duration of our Group's business process. In accordance with our typical business process for application solution projects, from which a majority of our inventory arises, it takes our Group up to 10 months from commencement of sourcing of equipment and components to the completion of final inspection and acceptance. See "Business — Business Process". During this period, sourced equipment and components for a project are treated as work-in-progress inventory, until the completion of final inspection and acceptance, at which time project revenue arising from the delivery of these items is recognised. See "Financial Information — Significant Factors Affecting Our Results of Operations — Progress of our projects and timing of final inspection and acceptance". According to the CCID Report, the business process for our projects and the time required for each stage of our business process is generally consistent with the industry norm. The number of our inventory turnover days was further attributable to large balance of work in progress in some cases as a result of relatively long period of project completion and final inspection and acceptance procedures by customers for certain projects. As our projects are tailor-made, the length of time required for completion of steps such as implementation, trial operation and final inspection and acceptance procedures will vary from project-to-project. The duration of these steps may be affected by various factors such as a particular project's complexity and scale. Furthermore, where we have repeat experience working on a particular type of project or working with a specific customer, we may be able to increase our efficiency and shorten the time needed to complete implementation and to encourage customers to shorten the period from project completion to the final inspection, which in many cases includes a trial operation period. Our Directors believe that our decrease in inventory turnover days over the Track Record Period is in part attributable to our improved communication and experience with customers to shorten the period from project completion to the final inspection. Moreover, our Group is able to manage its cash flows related to the acquisition of such work-in-progress inventory through its payment arrangements with its customers for application solutions projects, which generally provide for instalment payments from customers tied to specific project milestones and are designed to match the capital outlays that our Group incurs during the course of its application solution projects, see "Business — Sales and Marketing — Payment terms" and "Business — Inventory Control".

As at 30 April 2014, approximately RMB127.1 million, or approximately 22.8%, of the inventories outstanding as at 31 December 2013 was subsequently utilised or sold.

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Trade and other receivables

	As at 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables			
Trade receivables	30,934	32,564	42,416
Less: provision for impairment of trade receivables	<u>(148)</u>	<u>(296)</u>	<u>(342)</u>
Trade receivables — net	30,786	32,268	42,074
Other receivables			
Amounts due from customers for contract work	310	145	472
Deposits for guarantee certificate over tendering and performance	10,690	13,277	14,631
Amounts due from a former related party	10,000	10,000	7,000
Amounts due from shareholders/Directors	4,292	113	3,390
Prepayments	18,940	18,079	26,615
Value-added tax receivables	11,107	8,793	5,556
Cash advance to staff	1,154	3,105	4,975
Others	<u>10,049</u>	<u>10,707</u>	<u>8,194</u>
	<u>97,328</u>	<u>96,487</u>	<u>112,907</u>
Trade receivables			

Our trade receivables as at the respective year end during the Track Record Period represent amounts of revenue recognised, but uncollected, from our customers. The trade receivables were mainly derived from the application solutions business for the three years ended 31 December 2013, and in general started accrual upon completion of final inspection. See “Business — Sales and Marketing — Payment terms”.

During the Track Record Period, in general, no credit terms were stipulated in our project contracts. We have adopted an internal credit policy, in order to reduce the amounts of outstanding receivables and decrease the potential risk of bad debts. In accordance with our credit policy, we classify our customers into seven different credit grades based on the type of customer, its size and whether or not it is publicly listed. Length of credit terms, credit amount, amount of required prepayment (if any) and collection procedures vary depending on the credit grade. See “Business — Sales and Marketing — Credit Policy”.

Our trade receivables increased from approximately RMB30.8 million as at 31 December 2011 to approximately RMB32.3 million as at 31 December 2012. Such increase was primarily due to increase in our revenue. Our trade receivables further increased to RMB42.1 million as at 31 December 2013. Such increase was primarily due to increase in our revenue.

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The following table sets forth the ageing analysis of our trade receivables as at the end of each reporting period indicated, based on revenue recognition date:

	As at 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	14,859	12,583	20,588
3 to 6 months	13,723	12,941	14,124
6 months to 1 year	846	797	871
1 to 2 years	243	5,710	6,232
2 to 3 years	1,115	237	259
Over 3 years	<u>148</u>	<u>296</u>	<u>342</u>
	<u><u>30,934</u></u>	<u><u>32,564</u></u>	<u><u>42,416</u></u>

As at 30 April 2014, approximately RMB15.1 million, or approximately 35.5%, of our trade receivables outstanding as at 31 December 2013 was subsequently settled.

The table below set forth our trade receivables turnover days for the three years ended 31 December 2011, 2012 and 2013:

	For the year ended 31 December		
	2011	2012	2013
Trade receivable turnover days (<i>Note</i>)	24	20	21

Note: Trade receivable turnover days is calculated by dividing the average of the opening and closing balances of the trade receivables for the relevant year by revenue and then multiplied by 360 days.

For the three years ended 31 December 2011, 2012 and 2013, our trade receivable turnover days were relatively stable at 24 days, 20 days and 21 days, respectively.

The following table sets out the movement in provision for impairment of trade receivables, as at 31 December 2011, 2012 and 2013:

	As at 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of period	—	(148)	(296)
Provision for impairment	<u>(148)</u>	<u>(148)</u>	<u>(46)</u>
Total	<u><u>(148)</u></u>	<u><u>(296)</u></u>	<u><u>(342)</u></u>

As at 31 December 2011, 2012 and 2013, our provision for impairment of trade receivables represented about 0.5%, 0.9% and 0.8% of the total gross trade receivables.

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Other receivables

Other receivables comprised mainly of deposits for guarantee certificate over tendering and performance, amount due from former related party, amounts due from shareholders/Directors, VAT receivables and advances to staff for business trips. Other receivables decreased by approximately 3.5% from RMB66.5 million as at 31 December 2011 to RMB64.2 million as at 31 December 2012, which was mainly attributable to the decrease in amounts due from shareholders/Directors. Other receivables subsequently stayed steady with a slight increase of approximately 10.3% to RMB70.8 million as at 31 December 2013.

Amounts due from shareholders/Directors

Amounts due from shareholders/Directors were denominated in RMB, unsecured, interest free and were repayable on demand. The details of amounts due from individual shareholders are set out below:

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Mr. Leung	—	—	856
Mr. Zhou J	196	—	325
Mr. Huang	103	—	—
Mr. Lo	3,865	—	274
Mr. Sun	<u>128</u>	<u>113</u>	<u>1,935</u>
	<u>4,292</u>	<u>113</u>	<u>3,390</u>

Our Directors confirmed that the amounts due from shareholders/Directors will be fully settled before Listing.

Prepayments

The prepayments primarily represented the prepayments to certain suppliers for purchase of equipment and amounted to RMB18.9 million, RMB18.1 million and RMB26.6 million as at 31 December 2011, 2012 and 2013, respectively. It increased as at 31 December 2013, primarily due to the increase of purchase of equipment as a result of growth in business.

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Trade and other payables

The following table sets forth the components of our trade and other payables as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	57,954	66,476	93,420
Other payables			
Amounts due to customers for contract work	843	595	514
Advances from customers	333,944	213,102	239,095
Employee benefits payable	6,886	7,247	11,011
Other taxes payable	19,588	19,747	20,860
Amounts due to shareholders/Directors	6	11,715	16
Accrual for professional service fee	3,398	6,796	2,400
Dividends payable	—	—	60,000
Others	7,182	5,703	7,875
Sub-total	<u>371,847</u>	<u>264,905</u>	<u>341,771</u>
Total	<u><u>429,801</u></u>	<u><u>331,381</u></u>	<u><u>435,191</u></u>

Trade payables

Trade payables were mainly incurred for the purchase of components and equipment from various suppliers and the fees payable to the sub-contractors. Our trade payables increased from RMB58.0 million as at 31 December 2011 to RMB66.5 million as at 31 December 2012, and further increased to RMB93.4 million as at 31 December 2013. The increases in trade payables was primarily due to the increase in the purchase of components and equipment driven by the growth of our application solutions business.

The following table sets forth the ageing analysis of our trade payables as at the end of each reporting period indicated:

	As at 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	48,126	49,387	76,764
3 to 6 months	2,690	10,906	5,099
6 months to 1 year	786	3,011	4,020
1 to 2 years	5,017	1,037	5,705
2 to 3 years	1,335	2,018	501
Over 3 years	—	117	1,331
	<u>57,954</u>	<u>66,476</u>	<u>93,420</u>

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The table below set forth our trade payable turnover days for the three years ended 31 December 2011, 2012 and 2013:

	For the year ended 31 December		
	2011	2012	2013
Trade payable turnover days (<i>Note</i>)	52	57	66

Note: Trade and other payable turnover days is calculated by dividing the average of the opening and closing balances of the trade payables for the relevant year by cost of sales and then multiplied by 360.

The credit terms granted by our suppliers of components and equipment during the Track Record Period generally ranged from payment on delivery to 90 days. In some cases during the Track Record Period, we were able to secure credit terms from our suppliers that exceeded 90 days. The credit terms granted by our sub-contractors ranged from 60 to 90 days.

The trade payable turnover days increased from 52 days in 2011 to 57 days in 2012 and further to 66 days in 2013, as a result of the increase in the trade payable during the Track Record Period.

As at 30 April 2014, approximately RMB60.6 million, or approximately 64.9%, of our trade payables outstanding as at 31 December 2013 was subsequently settled.

Other payables

Our other payables mainly represented advances from customers, amounts due to related parties and individuals, other taxes payable and employee benefits payable. Advances from customers generally arise from payments made to us by customers, pursuant to application solutions project contracts, prior to final inspection and acceptance of the application solution, at which time such amounts accrue to us as revenue. Other payables decreased from RMB371.8 million as at 31 December 2011 to RMB264.9 million as at 31 December 2012. The decrease was mainly attributable to a reduction in advances from customers due to an increase in completed projects during this period and partially off-set by an increase in amount due to related parties resulting from the acquisition of shares in CSS (Beijing) from PRC Partner, which held such shares on trust in favour of the Original Shareholders. Our other payables increased to RMB341.8 million as at 31 December 2013 because of increases in advances from customers due to an increase in project contracts and RMB60 million of dividends payable.

Amounts due to shareholder/Directors

The following table sets forth a breakdown of balances due to shareholder/Directors as at the dates indicated:

	Year ended 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mr. Leung Wing Fai	6	3,436	—
Mr. Zhou Jue	—	434	—
Mr. Huang He	—	707	16
Mr. Lo Chi Sum	—	4,138	—
Mr. Zhou Qi	—	3,000	—
	<u>6</u>	<u>11,715</u>	<u>16</u>

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The above sums were unsecured, interest free and repayable on demand. Our Directors confirm that the amount due to related parties will be settled before Listing.

NET CURRENT ASSETS

We had net current assets of approximately RMB8.5 million, RMB21.1 million and RMB31.6 million as at 31 December 2011, 2012 and 2013, respectively.

As at 30 April 2014, we had net current assets of RMB35.0 million. The following table sets out the composition of our current assets and liabilities as at 30 April 2014:

	As at 30 April 2014 <i>RMB'000</i> (unaudited)
CURRENT ASSETS	
Inventories	326,789
Trade and other receivables	156,507
Pledged bank deposits	6,285
Cash and cash equivalents	<u>15,393</u>
Total current assets	<u>504,974</u>
CURRENT LIABILITIES	
Trade and other payables	394,057
Current income tax liabilities	38,909
Borrowings	<u>37,048</u>
Total current liabilities	<u>470,014</u>
NET CURRENT ASSETS	<u><u>34,960</u></u>

The net current assets increased from RMB31.6 million as at 31 December 2013 to RMB35.0 million as at 30 April 2014, primarily due to the decrease of current liabilities as a result of the decrease in trade and other payables, current income tax liabilities and borrowings due to repayments of bank loans, partially offset by the decrease in inventories.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

The following table sets forth a condensed summary of our consolidated statements of cash flows for the periods indicated. Such summary of our consolidated statements of cash flows is extracted from the Accountant's Report included in Appendix I to this prospectus and you should read the entire financial statements included therein, including the notes thereto, for more details.

	Year ended 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	59,108	8,890	35,085
Net cash used in investing activities	(19,330)	(21,075)	(22,140)
Net cash (used in)/generated from financing activities	<u>(22,320)</u>	<u>6,729</u>	<u>5,660</u>
Net increase/(decrease) in cash and cash equivalents	17,458	(5,456)	18,605
Cash and cash equivalents at the beginning of the year	23,608	40,642	35,026
Exchange gains/(losses) on cash, cash equivalents and bank overdrafts	<u>(424)</u>	<u>(160)</u>	<u>247</u>
Cash and cash equivalents at the end of the year	<u><u>40,642</u></u>	<u><u>35,026</u></u>	<u><u>53,878</u></u>

Operating activities

We derive our net cash generated from operating activities primarily through the receipt of payments for the sales of products and provision of services. Our cash flows used in operating activities is used primarily for equipment and components purchases, payment of sub-contracting and project service fees, selling costs, staff salaries, and general and administrative expenses.

Our net cash generated from operating activities of RMB35.1 million in 2013 mainly arose from profit before taxation of RMB94.1 million, adjusted for non-cash expenses such as depreciation expense which mainly represented depreciation on our headquarters premises in Beijing and our other property, plant and equipment. The operation profit was partially off-set by changes in our working capital including an increase in trade and other receivables of RMB16.4 million and an increase in inventory of RMB103.1 million.

Our net cash generated from operating activities of RMB8.9 million in 2012 mainly arose from profit before taxation of RMB79.5 million, adjusted for non-cash expenses such as depreciation expense which increased in 2012 as we had more property, plant and equipment along with our business expansion and acquisition of headquarters premises in Beijing. The operating profit was partially off-set by changes in our working capital including decrease in trade and other payables of RMB123.1 million.

Our net cash generated from operating activities of RMB59.1 million in 2011 mainly arose from profit before taxation of RMB45.6 million, adjusted for non-cash expenses such as depreciation expense which increased in 2011 as we had more property, plant and equipment along with our business expansion and changes in our working capital, including increase in trade and other payables of RMB91.6 million, and the increase in inventory of RMB77.0 million.

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Investing activities

Our net cash used in investing activities in 2013 was RMB22.1 million. This amount was primarily attributable to purchase of available-for-sale financial assets of RMB4.2 million, which represents our 16.11% equity interest in an unlisted company and cash advances paid to shareholders/Directors of RMB15.0 million.

Our net cash used in investing activities in 2012 was RMB21.1 million. This amount was primarily attributable to the purchase of property, plant and equipment of RMB31.1 million and the increased usage of restricted cash of RMB5.0 million, and was partially off-set by cash advances received from shareholders/Directors of RMB15.9 million.

Our net cash used in investing activities in 2011 was RMB19.3 million. This amount was primarily attributable to the purchase property, plant and equipment of RMB38.1 million, and partly off-set by the decreased usage of restricted cash of RMB8.1 million.

Financing activities

Our net cash generated from financing activities in 2013 was RMB5.7 million. This amount was primarily attributable to proceeds from bank loans and other borrowings of RMB68.8 million, and partially off-set by repayments of bank loans and other borrowings of RMB63.2 million.

Our net cash generated from financing activities in 2012 was RMB6.7 million. This amount was primarily attributable to proceeds from bank loans and other borrowings of RMB41.3 million and was partially off-set by repayments of borrowings of RMB16.6 million, dividend payments made to the then shareholders of RMB15.6 million and the acquisition of non-controlling interests of RMB2.4 million.

Our net cash used in financing activities in 2011 was RMB22.3 million. This amount was primarily attributable to repayments of bank loans and other borrowings of RMB32.2 million and dividend payments made to the shareholders of RMB30.4 million, but partially off-set by proceeds from bank loans and other borrowings of RMB40.2 million.

FINANCIAL INFORMATION

INDEBTEDNESS

Bank borrowings

The following tables set forth a summary of our bank and other borrowings on each of the balance sheets date were as follows:

	As at 31 December			As at
	2011	2012	2013	30 April
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
Bank loan repayable within one year	20,045	40,951	53,544	37,048
Bank loan repayable over one year	<u>7,771</u>	<u>11,557</u>	<u>4,624</u>	<u>4,175</u>
Total	<u>27,816</u>	<u>52,508</u>	<u>58,168</u>	<u>41,223</u>
Effective interest rate	6.74%	6.88%	6.50%	6.83%
Non-current				
Bank borrowings	<u>7,771</u>	<u>11,557</u>	<u>4,624</u>	<u>4,175</u>
Current				
Bank borrowings	<u>20,045</u>	<u>40,951</u>	<u>53,544</u>	<u>37,048</u>
Total	<u>27,816</u>	<u>52,508</u>	<u>58,168</u>	<u>41,223</u>

As at 31 December 2011, 2012 and 2013 and 30 April 2014, bank borrowings of RMB27.8 million, RMB33.6 million, RMB28.5 million and RMB10.9 million are secured by (i) the buildings of our Group, cost of which amounting to RMB34.0 million, RMB51.7 million, RMB51.7 million and Nil; and (ii) trade receivables of RMB26.5 million, RMB20.9 million, RMB35.3 million and RMB15.4 million, respectively.

A Director provided guarantees to our bank borrowings amounting to about RMB14.3 million, RMB37.9 million, RMB41.0 million and RMB28.6 million as at 31 December 2011, 2012 and 2013 and 30 April 2014, respectively. The personal guarantees will be released before or upon Listing through (i) repayment of the bank borrowings by our Group; (ii) replacement of personal guarantees by pledging of assets of our Group as collateral; (iii) through consent given in principle by the relevant banks to release such personal guarantees before or upon Listing or (iv) a combination of the foregoing.

Bank borrowings as at 31 December 2011, 2012 and 2013 were amounted to RMB27.8 million, RMB52.5 million and RMB58.2 million, respectively. The increase in bank borrowings was mainly attributable to the leverage of purchase order financing and accounts receivable financing to finance our business growth. Bank borrowings also included mortgage loans associated with the purchase of our headquarters premises in Beijing.

We have not encountered any difficulty in renewing our borrowings that had a material adverse effect on us during the Track Record Period.

Our Directors confirm that the amounts due to the related parties will be settled before Listing by our internally generated resources.

FINANCIAL INFORMATION

As at 30 April 2014, being the latest practicable date for determining our indebtedness, we had outstanding bank and other borrowings of approximately RMB41.2 million. As at 30 April 2014, we had a total available banking facilities of approximately RMB58.7 million, of which approximately RMB38.9 million had been utilised.

Certain of the banking facilities of our PRC and Hong Kong subsidiaries contain restrictive covenants, including operating and financial restrictions on such subsidiaries (the “Covenants”). Such Covenants may limit the ability of the borrowing subsidiary that is a party to a particular banking facility to take certain actions, such as to make prepayments, pay dividends, change the borrowing subsidiary’s shareholding structure, incur or guarantee additional indebtedness or list the borrowing subsidiary’s shares on a securities exchange. Among the Covenants are also affirmative requirements that the borrowing subsidiary shall undertake certain actions, such as to apply the proceeds of the loan in accordance with specified uses, maintain a specified minimum amount of deposits in designated accounts at the relevant bank, deposit specified minimum amounts of sales revenue of the borrowing subsidiary in designated accounts at the relevant bank, immediately advise the relevant bank of the borrowing subsidiary’s outstanding structured products upon the relevant bank’s request and notify the relevant bank of changes in the borrowing subsidiary’s directors or amendments to its constitutional documents. Also among the Covenants is a requirement that Evertop (HK) shall maintain a net worth of not less than HK\$30 million. Our Directors confirm that there had been no delay or default in repayment of bank borrowings or material non-compliance with the Covenants contained in our banking facilities throughout the Track Record Period and as at the Latest Practicable Date. Our Directors confirm that should they be unable to get consent from the relevant banks for release from any of the Covenants as and when required, they will repay and cancel the relevant bank facilities prior to proceeding with any actions that may be in contravention of such Covenants.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on 30 April 2014, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, debt securities or other loan capital or bank overdrafts or loans or other similar indebtedness or finance lease commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities.

Our Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of our Group since 30 April 2014 and up to the date of this prospectus.

OPERATING LEASE COMMITMENTS

As at 31 December 2011, 2012 and 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
No later than one year	3,978	1,200	1,242
Later than one year and no later than two years	1,200	288	575
Later than two years and no later than three years	<u>341</u>	<u>53</u>	<u>814</u>
Total	<u>5,519</u>	<u>1,541</u>	<u>2,631</u>

Operating lease commitments as at 31 December 2013 were primarily related to leased properties being used for office premises and warehouses of our Group.

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CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures primarily related to purchase of property, plant and equipment. The following table sets out our historical capital expenditures paid during the Track Record Period:

	For the year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Buildings	34,000	21,651	304
Vehicles and machinery	2,950	3,466	2,622
Furniture fittings and other equipment	<u>1,190</u>	<u>5,447</u>	<u>786</u>
	<u>38,140</u>	<u>30,564</u>	<u>3,712</u>

The capital expenditures we incurred during the Track Record Period were primarily due to the purchase of vehicles and machinery to expand our business and the purchase of our office buildings.

We estimate that the capital expenditures for the year ending 31 December 2014 and 2015 will be approximately RMB116.3 million and RMB32.6 million, respectively. Our planned future capital expenditure mainly include the purchase of additional equipment. We expect to fund these expansion plan with the use of proceeds from the proposed Global Offering. As at the Latest Practicable Date, we have not incurred or committed any planned capital expenditure for the year ending 31 December 2014 and 2015.

CONTINGENT LIABILITIES

As at 30 April 2014, we were not involved in any legal proceedings pending or, to our knowledge, threatened against us which could have a material adverse effect on our business or operations. Our Directors confirm that as at 30 April 2014, we did not have any material contingent liabilities.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set forth in Note 30 of the Accountant's Report in Appendix I to this prospectus, our Directors confirm that each transaction set forth therein were conducted on arm's length basis, on normal commercial terms and in the ordinary course of business.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period, we did not enter into any off-balance sheet arrangements.

FINANCIAL INFORMATION

KEY FINANCIAL RATIO

The following table sets out certain key financial ratios of our Group during the Track Record Period:

	As at/For the year ended 31 December		
	2011	2012	2013
Current ratio ⁽¹⁾	1.0	1.1	1.1
Quick ratio ⁽²⁾	0.3	0.3	0.3
Gearing ratio ⁽³⁾	67.1%	68.0%	61.2%
Net debt to equity ratio ⁽⁴⁾	net cash	22.6%	4.5%
Return on equity ⁽⁵⁾	88.6%	82.5%	81.9%
Return on total assets ⁽⁶⁾	7.1%	12.9%	12.3%
Interest coverage ⁽⁷⁾	31.3	35.0	27.3

Notes:

1. Current ratio represents current assets divided by current liabilities.
2. Quick ratio is calculated as current assets minus inventories and divided by current liabilities.
3. Gearing ratio represents total borrowings divided by total equity multiplied by 100%.
4. Net debt to equity ratio is calculated as net debt (borrowings net of cash and cash equivalents) divided by the total equity as at the respective year end and multiplied by 100%.
5. Return on equity equals profit for the year divided by total equity as at year end.
6. Return on total assets equals profit for the year divided by total assets as at year end.
7. Interest coverage equals profit before interest and tax divided by financial costs for the year.

Current ratio and quick ratio

Our current ratio and quick ratio remained relatively stable during 2011, 2012 and 2013 which is attributable to our commitment to stable and balanced operation.

Gearing ratio

The increase in our gearing ratio for the year ended 31 December 2012 was primarily due to the increase in our total borrowings from RMB27.8 million as at 31 December 2011 to RMB52.5 million as at 31 December 2012 to finance the growth of our Group's businesses, which was partly offset by the increase of total equity from RMB41.5 million as at 31 December 2011 to RMB77.3 million as at 31 December 2012. The decrease in our gearing ratio for the year ended 31 December 2013 was primarily due to an increase in our total equity from RMB77.3 million as at 31 December 2012 to RMB95.0 million as at 31 December 2013, which exceeded the amount of increase of our total borrowings from RMB52.5 million as at 31 December 2012 to RMB58.2 million as at 31 December 2013.

Net debt to equity ratio

We recorded net cash position as at 31 December 2011 as our cash and cash equivalents exceeded our total borrowings by RMB12.8 million. Our debt to equity ratio increased to 22.6% as at 31 December 2012 mainly due to the substantial increase in total borrowing during 2012 while cash

FINANCIAL INFORMATION

equivalents remained relatively stable. Our debt to equity ratio decreased to 4.5% as at 31 December 2013 primarily due to the decrease in net debt as a result of the cash and cash equivalents increased from RMB35.0 million as at 31 December 2012 to RMB53.9 million as at 31 December 2013.

Return on equity

The decrease in our return on equity for the year ended 31 December 2012 was primarily due to the increase of our total equity from RMB41.5 million for the year ended 31 December 2011 to RMB77.3 million for the year ended 31 December 2012 while our net profit for 2012 increased for a lesser extent. Our return on equity remained stable for the year ended 31 December 2013.

Return on total assets

The increase in our return on total assets for the year ended 31 December 2012 was primarily due to the increase in our net profit for 2012 and the decrease in total assets as at 31 December 2012. Our return on total assets remained stable for the year ended 31 December 2013.

Interest coverage

The increase in our interest coverage for the year ended 31 December 2012 was mainly due the increase in profit before interest and tax from RMB47.1 million in 2011 to RMB81.8 million in 2012. The decrease in our interest coverage for the year ended 31 December 2013 was mainly due to the increase in net finance costs from RMB2.2 million in 2012 to RMB3.5 million in 2013 mainly due to increase in bank loans to finance the growth of our Group's businesses.

MARKET RISKS

Foreign exchange risk

Our Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, HK dollar and the British pound sterling. Foreign exchange risk arose from future commercial transactions, recognised assets and liabilities which are denominated in non-RMB. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. Our 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 equipments from all over the world and the management control the payment schedule to reduce the foreign exchange risk. Please refer to Note 3.1(a)(i) to the Accountant's Report set forth in Appendix I to this prospectus for further details.

Interest rate risk

Other than bank balances with variable interest rate, our Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly. Our Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose our Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Our Group has not hedged its cash flow interest rate risks. Please refer to Note 3.1(a)(ii) to the Accountant's Report set forth in Appendix I to this prospectus for further details.

Price risk

Our Group is exposed to equity price risk because of investments held by our Group and classified on the consolidated balance sheet either as available-for-sale financial assets or financial assets through profit or loss. Our Group is not exposed to commodity price risk.

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Our Group's investments in equity would depend on the operation of the invested entity. Post-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale financial assets. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale.

Our Group is not exposed to equity securities price risk. Please refer to Note 3.1(a)(iii) to the Accountant's Report set forth in Appendix I to this prospectus for further details.

Credit risk

Credit risk arises mainly from trade and other receivables and cash at bank. Our Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheets. The credit risk of bank balances is limited because the counterparties are banks with good reputation and most of them are state-owned entities. Please refer to Note 3.1(b) to the Accountant's Report set forth in Appendix I to this prospectus for further details.

Liquidity risk

Our Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and longer term. Management believes there is no significant liquidity risk as our Group has sufficient committed facilities to fund their operations. Please refer to Note 3.1(c) to the Accountant's Report set forth in Appendix I to this prospectus for further details.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma adjusted consolidated net tangible assets of our Group which have been prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Global Offering on our Group's net tangible assets as at 31 December 2013 as if they had taken place on that date.

The unaudited pro forma adjusted consolidated net tangible assets have been prepared for illustrative purpose only and, because of their hypothetical nature, they may not give a true picture of our Group's net tangible assets had the Global Offering been completed as at 31 December 2013 or at any future date.

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The unaudited pro forma statement of adjusted consolidated net tangible assets is based on the net tangible assets of our Group as at 31 December 2013, as derived from our consolidated financial information set forth in the Accountant's Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below:

	Audited consolidated net tangible assets attributable to owners of our Company as at 31 December 2013 RMB'000⁽¹⁾	Estimated net proceeds from the Global Offering RMB'000⁽²⁾	Unaudited pro forma adjusted consolidated net tangible assets 31 December 2013 RMB'000	Unaudited pro forma adjusted consolidated net tangible assets per Share RMB⁽³⁾	Unaudited pro forma adjusted consolidated net tangible assets per Share HK\$⁽⁴⁾
Based on an Offer Price of HK\$1.08 per Share	94,991	175,813	270,804	0.27	0.34
Based on an Offer Price of HK\$1.38 per Share	94,991	235,063	330,054	0.33	0.42

Notes:

- (1) The audited consolidated net tangible assets attributable to owners of our Company as at 31 December 2013 is based on the audited consolidated net tangible assets attributable to owners of our Company of RMB94,991,000 as at 31 December 2013 extracted from the Accountant's Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Shares and the indicative Offer Price of HK\$1.08 and HK\$1.38 per Share after deduction of the underwriting fees and related expenses (excluding listing expenses of approximately RMB6.2 million which have been accounted for prior to 31 December 2013). The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK\$1.00 to RMB0.79.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 1,000,000,000 Shares in issue assuming the Global Offering has been completed on 31 December 2013.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of RMB0.79 to HK\$1.00.

LISTING EXPENSES

We incurred approximately RMB6.2 million of listing expenses during the Track Record Period, which was recorded as expense. We expect to incur approximately an additional RMB25.2 million in listing expenses (excluding underwriting commission) after the Track Record Period, of which approximately RMB19.4 million will be recognised as expenses in the consolidated income statements for the year ending 31 December 2014 and the remaining will be capitalised after Listing.

DIVIDEND AND DIVIDEND POLICY

We currently do not have a dividend policy. The declaration, payment and amount of dividends in the future will be subject to the discretion of the Board and will depend on our results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, certain restrictive covenants under certain of our Group's banking facilities (see "— Indebtedness — Bank Borrowings" in this section of the prospectus), future prospects and other factors that our Directors may consider relevant. Our Shareholders will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares.

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Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

During the three years ended 31 December 2013, our Group declared a dividend of RMB30.4 million, RMB15.6 million and RMB60.0 million, respectively. With respect to the dividend declared for the year ended 31 December 2013, the balance of such dividend will be fully settled prior to Listing. Our Directors believe that our Group currently has sufficient cash and cash equivalents and anticipated cash generated from operations to fully settle such dividend prior to Listing.

DISTRIBUTABLE RESERVES

As at 31 December 2013, we had distributable reserves representing share premium of RMB70.7 million and retained earnings of RMB0.1 million, which is available for distribution to our owners subject to the provision of the Companies Law.

DISCLOSURE UNDER THE HONG KONG LISTING RULES

Our Directors have confirmed that there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

WORKING CAPITAL

We have historically financed our operations through cash from operating activities, bank borrowings and shareholder contributions. In the future, we expect to use funds from a combination of sources to fund our operation and expansion plan, including bank loans, internally generated cash flows, and proceeds from the Global Offering. We had cash and cash equivalents of approximately RMB40.6 million, RMB35.0 million and RMB53.9 million as at 31 December 2011, 2012 and 2013, respectively. From time to time, we may enter into short-term borrowings, and as a result, we may need to allocate a portion of our cash flow to service these obligations.

We expect to finance our working capital requirements for the 12 months following the date of this prospectus with the following sources of funding:

- cash flows generated from our operating activities;
- cash and cash equivalents available, which were RMB53.9 million as at 31 December 2013;
- borrowings of RMB58.2 million as at 31 December 2013;
- net proceeds to be received by our Group from the Global Offering.

Based on the above, our Directors believe that we will have sufficient funds for our present working capital requirements for at least the next 12 months from the date of this prospectus.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, saved as disclosed in the sections headed “— Indebtedness” above, there had been no material adverse change in the financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since 31 December 2013, the date to which the latest audited financial statements of our Group were made up, up to the date of the prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the section headed “Business — Our Strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK\$1.23 per Share (being the mid-point of the indicative Offer Price range of HK\$1.08 to HK\$1.38 per Share), the net proceeds of the Global Offering attributable to us, after deduction of the underwriting fees, commissions and estimated expenses paid and payable by us in connection with the Global Offering, are estimated to be approximately HK\$252.3 million (assuming the Over-allotment Option is not exercised). At present, we intend to apply such net proceeds as follows:

- Approximately HK\$82.2 million, or 32.6% of the total estimated net proceeds, for enhancement of our event broadcast services capabilities. We plan to allocate this portion of the net proceeds towards:
 - (i) approximately HK\$5.5 million, or 2.2% of the total estimated net proceeds, towards expansion of our event broadcast services team (including technical/operating directors and field engineers) and related expenses;
 - (ii) approximately HK\$13.6 million, or 5.4% of the total estimated net proceeds, towards acquisition of equipment related to aerial filming; and
 - (iii) approximately HK\$63.1 million, or 25.0% of the total estimated net proceeds, towards acquisition of specialised equipment for various application scenarios (including stadium-based sports, road racing, cycling, swimming and diving, marathons, concerts and reality television).
- Approximately HK\$47.7 million, or 18.9% of the total estimated net proceeds, for enhancement of our application solutions capabilities. We expect that as of this amount:
 - (i) approximately HK\$6.3 million, or 2.5% of the total estimated net proceeds, towards establishing new sales and support offices across the PRC and in selected overseas locations to expand our geographic coverage;
 - (ii) approximately HK\$19.2 million, or 7.6% of the total estimated net proceeds, towards expanding our application solutions team (including sales personnel, field engineers, back office support and marketing directors) and related expenses;
 - (iii) approximately HK\$13.6 million, or 5.4% of the total estimated net proceeds, towards demonstration and testing equipment and inventories; and
 - (iv) approximately HK\$8.6 million, or 3.4% of the total estimated net proceeds, towards expansion of our existing offices and facilities.
- Approximately HK\$42.9 million, or 17.0% of the total estimated net proceeds, for acquisition of or investment in companies with proprietary know-how or inventions so as to create synergies with our current capabilities, including in the areas of IP video, cloud infrastructure and streaming technologies. For further details, see “Business — Our Strategies — Further strengthening our business and technical know-how through acquisitions”. Our Directors confirmed that we have not identified any specific target for acquisition or investment as at the Latest Practicable Date.

FUTURE PLANS AND USE OF PROCEEDS

- Approximately HK\$25.2 million, or 10.0% of the total estimated net proceeds, for our working capital and general corporate purposes.
- Approximately HK\$19.2 million, or 7.6% of the total estimated net proceeds, for enhancement of our equipment development and sales capabilities. We plan to allocate this portion of the net proceeds towards: (i) acquisition of equipment for research and development purposes; and (ii) expansion of our equipment development and sales team and related expenses.
- Approximately HK\$17.9 million, or 7.1% of the total estimated net proceeds, for enhancement of our system maintenance services capabilities. We plan to allocate this portion of the net proceeds towards: (i) expansion of our system maintenance services team and related expenses; (ii) establishing a service centre at our Beijing headquarters for demonstration, training and nation-wide service management purposes; and (iii) acquisition of testing equipment and spare parts.
- Approximately HK\$17.2 million, or 6.8% of the total estimated net proceeds, to finance project and bid related bonds to support increased business volume.

In the event the Offer Price is set below the indicative price of HK\$1.23 per Share, we intend to reduce the net proceeds to be applied for acquisition of or investment in companies with patented know-how or inventions.

In the event the Offer Price is set above the indicative price of HK\$1.23 per Share, we intend to increase the allocation of the net proceeds to the above purposes on a pro-rata basis.

In the event that the Offer Price is finally determined at the high-end of the indicative Offer Price range, the estimated net proceeds we will receive from the Global Offering will be increased by approximately HK\$37.5 million (assuming the Over-allotment Option is not exercised), or approximately HK\$43.1 million (assuming the Over-allotment Option is exercised in full). In the event that the Offer Price is finally determined at the low-end of the indicative Offer Price range, the estimated net proceeds we will receive from the Global Offering will be decreased by approximately HK\$37.5 million (assuming the Over-allotment Option is not exercised), or increased by approximately HK\$43.1 million (assuming the Over-allotment Option is exercised in full).

UNDERWRITING

HONG KONG UNDERWRITERS

CCB International Capital Limited

First Shanghai Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

We are offering the Hong Kong Public Offer Shares for subscription on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), and to certain other conditions described in the Hong Kong Underwriting Agreement (including the Joint Bookrunners and us agreeing to the Offer Price), the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for the Hong Kong Public Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional in accordance with its terms and not having been terminated in accordance with its terms or otherwise.

Grounds for termination

The Sole Global Coordinator (on behalf of itself and the Hong Kong Underwriters) may in its sole and absolute discretion terminate the Hong Kong Underwriting Agreement with immediate effect by notice in writing to us at any time at or prior to 8:00 a.m. on the Listing Date if:

- (i) there develops, occurs, exists or comes into force:
 - (1) any change or prospective change (whether or not permanent) in the business or in the earnings, operations, financial or trading position or prospects of our Group or any change in capital stock or long-term debt of our Company or any other member of our Group, which (in any such case) is not set forth or contemplated in this prospectus; or
 - (2) any change or development involving a prospective change or development, or any event or series of events resulting or representing or may result in any change or development involving a prospective change or deterioration (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of Hong Kong, the PRC, the BVI, the Cayman Islands, the United States, any member of the European Union, Singapore, Japan or any other jurisdictions where any member of our Group is incorporated or operated or otherwise relevant to any member of our Group (collectively, the “**Relevant Jurisdictions**”); or

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- (3) any new Law (as defined in the Hong Kong Underwriting Agreement) or any change (whether or not forming part of a series of changes) or development involving a prospective change in existing Laws or any change or development involving a prospective change in the interpretation or application thereof by any court or Governmental Authority (as defined in the Hong Kong Underwriting Agreement) in or affecting any of the jurisdictions where any member of our Group is incorporated or operated or otherwise relevant to any member of our Group; or
- (4) a change or development or event involving a prospective change in Taxation (as defined in the Hong Kong Underwriting Agreement) or exchange control (or the implementation of any exchange control) or foreign investment regulations in or affecting any of the jurisdictions where any member of our Group is incorporated or operated or otherwise relevant to any member of our Group; or
- (5) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting any of the Relevant Jurisdictions; or
- (6) any event, act or omission which gives rise to or may give rise to any liability of any of our Company, our Controlling Shareholders and our executive Directors (collectively the “**Warrantors**”) pursuant to the indemnity contained in the Hong Kong Underwriting Agreement; or
- (7) the imposition or declaration of (i) any suspension or restriction on dealings in shares or securities generally on the New York Stock Exchange, the NASDAQ Stock Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange, the Hong Kong Stock Exchange and Singapore Stock Exchange or any other major international stock exchange or any minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or Governmental Authority or (ii) any moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (8) the imposition of economic or political sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions; or
- (9) any event, or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threat of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, flooding, explosion, earthquake, volcanic eruption, epidemic (including but not limited to severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, terrorism, strike or lockout) in or affecting any of the Relevant Jurisdictions; or
- (10) any change or development or event involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” of this prospectus; or
- (11) any change in the system under which the value of the HK dollar or is linked to that of the U.S. dollar or the value of the Renminbi (the lawful currency of the PRC) is determined with reference to a basket of world currencies or a material devaluation of Hong Kong dollars or the Renminbi against any foreign currency; or

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- (12) any valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (13) save as disclosed in this prospectus, a contravention by any member of our Group of the Listing Rules or applicable Laws; or
- (14) a prohibition on our Company for whatever reason from offering, allotting or issuing any of the Shares (including the Over-allotment Shares) pursuant to the terms of the Global Offering; or
- (15) non-compliance of any statement or disclosure of this prospectus or Application Forms or any aspect of the Global Offering with the Listing Rules or any other applicable Law; or
- (16) other than with the prior approval of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) whose approval shall not be unreasonably withheld or delayed, the issue or requirement to issue by our Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription of the Shares) pursuant to the Companies (Miscellaneous) Ordinance or the Listing Rules or any requirement or request of the Hong Kong Stock Exchange and/or the SFC; or
- (17) an order is made or a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (18) any litigation or claim of any third party being threatened or instigated against any member of our Group; or
- (19) a Director being charged with an indictable offence or prohibited by operation of law or is otherwise disqualified from being a director of a company; or
- (20) the chairman or chief executive officer or chief financial officer of our Company vacating his office; or
- (21) the commencement by any governmental, regulatory, political or judicial body or organisation of any action against a Director or any member of our Group or an announcement by any governmental, regulatory, political or judicial body or organisation that it intends to take any such action; or
- (22) our Company withdraws any of the Offer Documents (as defined in the Hong Kong Underwriting Agreement), and/or any other documents used in connection with the contemplated subscription of the Offer Shares; or
- (23) any person (other than any of the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents and/or any other documents used in connection with the contemplated subscription of the Offer Shares, or to the issue of any such documents,

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which, in any such case (whether individually or in the aggregate) in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):

- (a) is or will or may have a Material Adverse Effect (as defined in the Hong Kong Underwriting Agreement) on the business, financial, trading or other condition or prospects of any member of our Group or our Group taken as a whole; or
 - (b) has or will or may have a Material Adverse Effect on the success of the Hong Kong Public Offer, the International Offer or the level of Offer Shares being applied for or accepted or the distribution of the Offer Shares; or
 - (c) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable (i) for any part of the Hong Kong Underwriting Agreement, the International Underwriting Agreement and/or the Global Offering to be performed or implemented as envisaged or (ii) to proceed with or to market the Global Offering on the terms and in the manner contemplated in this prospectus; or
- (ii) any of the Hong Kong Underwriters shall become aware of the fact that, or have cause to believe that:
- (1) any of the warranties or undertakings given by the Warrantors pursuant to the Hong Kong Underwriting Agreement is untrue, inaccurate, misleading or breached in any respect when given or as repeated as determined by the Sole Global Coordinator in its sole and absolute discretion or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable; or
 - (2) any statement contained in the Offer Documents, the formal notice and any announcements issued by our Company in respect of the Global Offering was or is untrue, incorrect or misleading in any respect, or any matter arises or is discovered which would, if the Offer Documents, the formal notice and any announcements issued by our Company in respect of the Global Offering were to be issued at that time, constitute an omission therefrom as determined by the Sole Global Coordinator in its sole and absolute discretion in the context of the Global Offering; or
 - (3) any forecasts, expressions of opinion, intention or expectation expressed in the Offer Documents and/or any announcements issued by our Company in connection with the Hong Kong Public Offer (including any supplement or amendment thereto) are not fair and honest nor based on reasonable assumptions; or
 - (4) there has been a breach on the part of any of the Warrantors of any of the provisions of the Hong Kong Underwriting Agreement or the International Underwriting Agreement as determined by the Sole Global Coordinator in its sole and absolute discretion.

UNDERWRITING

Undertakings

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that our Company will, and each of the Warrantors has undertaken to each of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters to procure that our Company will:

(A) except pursuant to the Global Offering, the Capitalisation Issue, the exercise of the subscription rights attaching to the Over-allotment Option or to the options that may be granted or issue of Shares upon exercise of such options under the Share Option Scheme, during the period commencing from the Listing Date up to and including the date falling six months after the date on which dealings in the Shares commence on the Stock Exchange (the “**Lock-up Period**”), not, and will cause each member of our Group not to, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), and subject always to the provisions of the Listing Rules,

- (1) offer, allot, issue or sell, or agree to offer, allot, issue or sell, hedge, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)), either directly or indirectly, conditionally or unconditionally, any share capital or securities of any member of our Group or any interest therein (including any securities that are convertible into, or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any such capital or securities or any interest therein); or repurchase any share capital or securities of our Company or any interest therein (except in compliance with the Listing Rules and the SFC Code on Share Buy-backs for the case of repurchase of Shares);
- (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or such securities;
- (3) enter into any transaction with the same economic effect as any transaction described in paragraph (1) or (2) above; and
- (4) offer or agree to do any of the foregoing transactions and publicly disclose any intention to effect such transaction,

whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise.

(B) save and except for those mortgage, pledge, charge or other security interest or rights in favour of any person existing or subsisting as at the Listing Date and as disclosed to the Sole Global Coordinator, not at any time during the Lock-up Period, create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over or grant any options, warrants or other rights to subscribe for, directly or indirectly, conditionally or unconditionally, any share capital or securities of any subsidiaries of our Company (the “**Subsidiaries**”) or any interest therein or agree to do any of the foregoing;

UNDERWRITING

- (C) not at any time within the six-month period immediately following the expiry of the Lock-up Period (the “**Second Six Month Period**”) do any of the acts set out in paragraph (A) or (B) above such that any of our Controlling Shareholders, directly or indirectly, would cease to be a controlling shareholder of our Company (within the meaning defined in the Listing Rules); and
- (D) during the Second Six Month Period, in the event that our Company does any of the acts set out in paragraph (A) or (B), as the case may be, take all reasonable steps to ensure that any such act, if done, will not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Undertakings by our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has undertaken to the Sole Sponsor and the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and our Company that:

- (A) except pursuant to the Stock Borrowing Agreement,
 - (1) at any time during the Lock-Up Period, he/it will not, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and will procure that none of its associates (as defined in the Listing Rules) or companies controlled by him/it or any nominee or trustee holding in trust for him/it (together, the “associates, companies, nominees or trustees”) shall, directly or indirectly,
 - (a) offer, pledge, sell, mortgage, assign, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right, or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital or other securities of our Company or any interest therein, (including, without limitation, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of our Company or any interest therein) beneficially owned, directly or indirectly, by any of our Controlling Shareholders or through associates, companies, nominees or trustees as of the Listing Date (the “**Relevant Securities**”);
 - (b) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of subscription or ownership of any Relevant Securities;
 - (c) enter into any transaction with the same economic effect as any transaction described in (a) and (b) above; or
 - (d) offer to or agree to contract to, or publicly announce any intention to enter into, any of the foregoing transactions described in (a) through (c) above whether any of the foregoing transactions described in (a), (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise;
 - (2) he/it will not, and will procure that such associates, companies, nominees or trustees will not, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), dispose of or otherwise create any options, rights, interests or encumbrances in respect of any Relevant Securities at any time

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during the Second Six Month Period, such that immediately following such disposal or upon exercise or enforcement of such options, rights, interests or encumbrances shall result in any of our Controlling Shareholders, directly or indirectly, ceasing to be a controlling shareholder (as defined in the Listing Rules) of our Company ; and in the event that any of our Controlling Shareholders enters into any of the foregoing transactions in (a), (b), (c) or (d) of (1) above during the Second Six Month Period, he/ it shall take all reasonable steps to ensure that any such act, if done, will not create a disorderly or false market for any Relevant Securities.

(B) within the Lock-up Period and the Second Six Month Period he or it shall:

- (1) if and when he or it pledges or charges, directly or indirectly, any Relevant Securities in favour of an authorised institution (as defined in the Banking Ordinance (Cap 155 of the Laws of Hong Kong), immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (2) if and when he or it receives indications, either verbal or written, from such pledgee or chargee that any Relevant Securities pledged or charged by him or it will be disposed of, immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator in writing of such indications.

Our Company shall notify the Stock Exchange as soon as our Company has been informed of such event and shall make a public disclosure by way of announcement in accordance with the Listing Rules.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into our Company's equity securities (whether or not of a class already issued) may be issued by our Company or form the subject of any agreement to such an issue by our Company within six months from the Listing Date (whether or not such issue of Shares or our Company's securities will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that, except pursuant to the Stock Borrowing Agreement or save for exceptions permitted under Note (2) to Rule 10.07(2) of the Listing Rules (the "**Permissible Pledge**") or disposal pursuant to the Permissible Pledge, each of them will not and will procure that its associates or companies controlled by it or its nominees or trustees (as the case may be) will not:

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date ("**R.10.07 First Six Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he or it is shown by this prospectus to be the beneficial owner (whether direct or indirect); and
- (b) in the period of six months immediately after the expiry of the R10.07 First Six Month Period ("**R10.07 Second Six Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of,

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any of the Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would cease to be or cease to deem to be our Controlling Shareholder.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, it will:

- (a) when it pledges or charges any Shares beneficially owned by it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and
- (b) when it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of matters referred in above by any of the Controlling Shareholders and disclose such matters by way of announcement pursuant to the requirements under the Listing Rules as soon as possible.

International Offer

In connection with the International Offer, it is expected that our Company will enter into the International Underwriting Agreement with, among others, the Controlling Shareholders and the International Underwriters, on terms and conditions that are substantially similar to the Hong Kong Underwriting Agreement as described above and on the additional terms described below. Under the International Underwriting Agreement, the International Underwriters will severally agree to subscribe or purchase or procure subscribers for the International Offer Shares being offered pursuant to the International Offer.

Over-allotment Option

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time from the date of the Price Determination Date until 30 days after the last date for the lodging of applications under the Hong Kong Public Offer, to require our Company to allot and issue up to an aggregate of 37,500,000 additional Shares representing 15% of the Offer Shares initially offered under the Global Offering, at the same price per Share under the International Offer to cover over-allocations in the International Offer, if any.

Commissions and Expenses

The Underwriters will receive an underwriting commission at the rate of 3% of the aggregate Offer Price payable for the Offer Shares (including the Shares to be issued pursuant to the Over-allotment Option). The Sponsor is entitled to a sponsor's fee in the amount of HK\$6 million. Furthermore, our Company agrees, at its sole and absolute discretion, to pay to the Underwriters a discretionary incentive fee per Offer Share of up to 2%. The aggregate underwriting commissions, incentive fee (if any), documentation fee, listing fees, Stock Exchange trading fee and transaction levy, legal and other professional fees, and printing and other expenses in relation to the Global Offering are estimated to amount to approximately HK\$55.2 million in total (based on the Offer Price of HK\$1.23 per Share, being the mid-point of the indicative Offer Price range of HK\$1.08 to HK\$1.38 per Share and assuming the Over-allotment Option is not exercised), and are payable by our Company.

UNDERWRITING

UNDERWRITERS' INTERESTS IN OUR COMPANY

The Underwriters will receive an underwriting commission. Particulars of these under underwriting commission and expenses are set out in the paragraph headed “— Commissions and Expenses” in this section for further information.

Our Company has appointed CCBI as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 3A.46 of the Listing Rules in respect of its financial results for the first financial year commencing after such Listing Date, or until the agreement is terminated, whichever is earlier.

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Global Offering.

MINIMUM PUBLIC FLOAT

Our Directors and the Sole Global Coordinator will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

SOLE SPONSOR'S INDEPENDENCE

CCBI is considered to be an independent sponsor pursuant to Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offer as part of the Global Offering. The Global Offering comprises:

- (a) the Hong Kong Public Offer of 25,000,000 Shares (subject to adjustment as mentioned below) for subscription by the public in Hong Kong as described in the section headed “— The Hong Kong Public Offer” below; and
- (b) the International Offer of an aggregate of 225,000,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S.

Investors may apply for Offer Shares under the Hong Kong Public Offer or apply for or indicate an interest for Offer Shares under the International Offer, but may not do both.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offer.

THE HONG KONG PUBLIC OFFER

Number of Shares Initially Offered

We are initially offering 25,000,000 new Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Shares initially available under the Global Offering. Subject to the reallocation of Shares between the International Offer and the Hong Kong Public Offer, the Hong Kong Public Offer Shares will represent 2.5% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offer is subject to the conditions as set out in the section headed “— Conditions of the Global Offering” below.

Allocation

Allocation of Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offer (after taking into account of any reallocation) is to be divided into two pools for allocation purposes: Pool A and Pool B. Accordingly, the maximum number of Hong Kong Public Offer Shares initially in Pool A and Pool B will be 12,500,000 and 12,500,000, respectively. The Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5 million

STRUCTURE OF THE GLOBAL OFFERING

(excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less. The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million and up to a total value of Pool B (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable). Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 12,500,000 Hong Kong Public Offer Shares (being 50% of the 25,000,000 Hong Kong Public Offer Shares initially available under the Hong Kong Public Offer) are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offer and the International Offer is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offer to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offer, then no Offer Shares will be reallocated to the Hong Kong Public Offer from the International Offer, so that the total number of Offer Shares available under the Hong Kong Public Offer will be 25,000,000 Offer Shares, representing approximately 10% of the Offer Shares initially available under the Global Offering prior to the exercise of the Over-allotment Option;
- if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offer, then an additional 50,000,000 Offer Shares will be reallocated to the Hong Kong Public Offer from the International Offer so that the total number of Offer Shares available under the Hong Kong Public Offer will be 75,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering prior to the exercise of the Over-allotment Option;
- if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offer, then the number of Offer Shares to be reallocated to the Hong Kong Public Offer from the International Offer will be increased so that the total number of Offer Shares available under the Hong Kong Public Offer will be 100,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering prior to the exercise of the Over-allotment Option; and
- if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offer, then the number of Offer Shares to be reallocated to the Hong Kong Public Offer from the International Offer will be increased so that the total number of Offer Shares available under the Hong Kong Public Offer will be 125,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering prior to the exercise of the Over-allotment Option.

STRUCTURE OF THE GLOBAL OFFERING

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offer will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offer will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may reallocate Offer Shares from the International Offer to the Hong Kong Public Offer to satisfy valid applications under the Hong Kong Public Offer.

If the Hong Kong Public Offer is not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offer in such proportions as the Sole Global Coordinator deems appropriate.

Applications

Each applicant under the Hong Kong Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offer, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offer.

Applicants under the Hong Kong Public Offer are required to pay, on application, the maximum price of HK\$1.38 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section headed “— Pricing and Allocation” below, is less than the maximum price of HK\$1.38 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed “How to Apply for Hong Kong Public Offer Shares” in this prospectus.

THE INTERNATIONAL OFFER

Number of Offer Shares Offered

The International Offer will consist of an initial offering of 225,000,000 Offer Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering (assuming the Over-allotment is not exercised). The International Offer will be offered by us outside of the United States in reliance on Regulation S.

Allocation

The International Offer will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offer will be effected in accordance with the “book-building” process described in the section headed “— Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and the Shareholders as a whole.

STRUCTURE OF THE GLOBAL OFFERING

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offer, and who has made an application under the Hong Kong Public Offer, to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offer and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offer.

Over-allotment Option

We expect to grant to the International Underwriters, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offer, to require our Company to allot and issue up to an aggregate of 37,500,000 Shares, representing no more than 15% of the initial Offer Shares, at the same price per Offer Share under the International Offer, to cover over-allocations in the International Offer, if any. In the event that the Over-allotment Option is exercised, we will make an announcement.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, CCBI, as the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions in the market or otherwise with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager, its affiliates or any persons acting for it, to conduct any such stabilising action. Such stabilisation action, if commenced, may be discontinued at any time, and is required to be brought to an end after a limited period. Should stabilising transactions be effected in connection with the Global Offering, this will be at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong), as amended, includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it may, in connection with the stabilising action, maintain a long position in the Shares;

STRUCTURE OF THE GLOBAL OFFERING

- there is no certainty regarding the extent to which and the time or period for which the Stabilising Manager, its affiliates or any person acting for it will maintain such a long position;
- liquidation of any such long position by the Stabilising Manager, its affiliates or any person acting for it may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date, and is expected to expire on 27 July 2014, being the 30th day after the date of closing of the application lists under the Hong Kong Public Offer. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Sole Global Coordinator, its affiliates or any person acting for them may cover such over-allocation by, among other methods, using Shares purchased by the Stabilising Manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or through the stock borrowing arrangements mentioned below or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilisation, the Securities and Futures (Price Stabilising) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be sold pursuant to the exercise in full of the Over-allotment Option, being 37,500,000 Shares, representing no more than 15% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to borrow up to 37,500,000 Shares from Cerulean Coast Limited pursuant to the Stock Borrowing Agreement. The stock borrowing arrangements under the Stock Borrowing Agreement will comply with the requirements set out in Rule 10.07(3) of the Listing Rules.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offer. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offer they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offer.

The Offer Price is expected to be fixed by agreement between our Company and the Joint Bookrunners on the Price Determination Date, which is expected to be on or about Friday, 27 June 2014 and in any event no later than Thursday, 3 July 2014.

STRUCTURE OF THE GLOBAL OFFERING

The Offer Price will not be more than HK\$1.38 per Offer Share and is expected to be not less than HK\$1.08 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range below as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company (www.css-group.net) and the website of the Stock Exchange (www.hkexnews.hk) notices of the reduction. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by our Company and the Joint Bookrunners, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offer. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company and the Joint Bookrunners, will under no circumstances be set outside the Offer Price range stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Sole Global Coordinator may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offer and the International Offer, provided that the number of Offer Shares comprised in the Hong Kong Public Offer shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offer and the Offer Shares to be offered in the International Offer may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Global Coordinator.

The final Offer Price, the level of indications of interest in the International Offer, the level of applications in the Hong Kong Public Offer and the basis of and results of allocations of Offer Shares under the Hong Kong Public Offer are expected to be announced on Friday, 4 July 2014 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company (www.css-group.net) and the website of the Stock Exchange (www.hkexnews.hk).

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriter under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Bookrunners agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offer on the Price Determination Date.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarised in the section headed “Underwriting” in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares will be conditional on:

- (a) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (b) the Offer Price having been agreed between our Company and the Joint Bookrunners on or before the Price Determination Date;
- (c) the execution and delivery of the International Underwriting Agreement and the Stock Borrowing Agreement on or before the Price Determination Date; and
- (d) the obligations of the Hong Kong Underwriter under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners on or before Thursday, 3 July 2014, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offer and the International Offer is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offer will be published by our Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Public Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates issued in respect of Hong Kong Public Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on the Listing Date.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme).

STRUCTURE OF THE GLOBAL OFFERING

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares (in issue and to be issued pursuant to the Global Offering) and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 7 July 2014, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, 7 July 2014. The Shares will be traded in board lots of 2,000 Shares.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Public Offer Shares.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any of our subsidiaries;
- are a Director or chief executive officer of our Company and/or any of our subsidiaries;
- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;
- are an associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offer.

3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Which Application Channel to Use

For Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 24 June 2014 to 12:00 noon on Friday, 27 June 2014 from:

- (i) any of the following offices of the Hong Kong Underwriters:

CCB International Capital Limited	12/F., CCB Tower, 3 Connaught Road Central, Central, Hong Kong
First Shanghai Securities Limited	19/F, Wing On House, 71 Des Voeux Road Central, Hong Kong

- (ii) any of the following branches of the receiving banks of the Hong Kong Public Offer:

Industrial and Commercial Bank of China (Asia) Limited

District	Branch Name	Address
Hong Kong Island	Central Branch	1/F, 9 Queen's Road Central
	West Point Branch	242-244 Queen's Road West, Sai Ying Pun
	Wan Chai Road Branch	G/F, Times Media Centre No.133 Wan Chai Road
	Aberdeen Branch	Shop 7A, G/F, Site 1, Aberdeen Centre

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

District	Branch Name	Address
Kowloon	Hung Hom Branch	Shop 2A, G/F, Hung Hom Shopping Mall, 2-34E Tak Man Street, Hung Hom
	Mei Foo Branch	Shop N95A, 1/F, Mount Sterling Mall, Mei Foo Sun Chuen
New Territories	Kwai Chung Branch	Unit G02, Tower A, Regent Centre, 63 Wo Yi Hop Road, Kwai Chung
	Tseung Kwan O Branch	Shop Nos. 2011-2012, Level 2, Metro City, Plaza II, 8 Yan King Road, Tseung Kwan O

Standard Chartered Bank (Hong Kong) Limited

District	Branch	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion, 38-40A Yee Wo Street, Causeway Bay
Kowloon	Tsimshatsui Branch	G/F, 8A-10 Granville Road, Tsimshatsui
	68 Nathan Road Branch	Basement, Shop B1, G/F Golden Crown Court, 66-70 Nathan Road, Tsimshatsui
New Territories	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan
	Tai Po Branch	G/F shop No. 2, 23-25 Kwong Fuk Road, Tai Po Market, Tai Po

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 24 June 2014 until 12:00 noon on Friday, 27 June 2014 from the Depository Counter of HKSCC at 2/F., Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**ICBC (Asia) Nominee Limited — Century Sage Public Offer**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

9:00 a.m. to 5:00 p.m.	—	Tuesday, 24 June 2014
9:00 a.m. to 5:00 p.m.	—	Wednesday, 25 June 2014
9:00 a.m. to 5:00 p.m.	—	Thursday, 26 June 2014
9:00 a.m. to 12:00 noon	—	Friday, 27 June 2014

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 27 June 2014, the last application day or such later time as described in "Effect of Bad Weather Conditions on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or its agents or nominees), as agent of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association of our Company;
- (ii) agree to comply with the Companies Ordinance, the Companies (Miscellaneous) Ordinance and the Articles of Association of our Company;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offer nor participated in the International Offer;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- (viii) agree to disclose to our Company, the Hong Kong Share Registrar, the receiving banks, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “Who can apply” section, may apply through the **HK eIPO White Form** service for the Hong Kong Public Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 24 June 2014 until 11:30 a.m. on Friday, 27 June 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 27 June 2014 or such later time under the “Effects of Bad Weather Conditions on the Opening of the Applications Lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Miscellaneous) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Miscellaneous) Ordinance (as applied by Section 342E of the Companies (Miscellaneous) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and the Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant’s stock account on your behalf or your CCASS Investor Participant’s stock account;
 - agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offer;
 - (if the electronic applications are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person’s benefit and are duly authorised to give those instructions as their agent;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, the Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Miscellaneous) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offer results;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Miscellaneous) Ordinance and the Articles of Association of our Company; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum indicative Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Public Offer Shares. Instructions for more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

9:00 a.m. to 8:30 p.m. ⁽¹⁾	—	Tuesday, 24 June 2014
8:00 a.m. to 8:30 p.m. ⁽¹⁾	—	Wednesday, 25 June 2014
8:00 a.m. to 8:30 p.m. ⁽¹⁾	—	Thursday, 26 June 2014
8:00 a.m. ⁽¹⁾ to 12:00 noon	—	Friday, 27 June 2014

Note (1): These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 24 June 2014 until 12:00 noon on Friday, 27 June 2014 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 27 June 2014, the last application day or such later time as described in “Effect of Bad Weather Conditions on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Miscellaneous) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Miscellaneous) Ordinance (as applied by Section 342E of the Companies (Miscellaneous) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving banks, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor,

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 27 June 2014.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of our Company;
- control more than half of the voting power of our Company; or
- hold more than half of the issued share capital of our Company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum indicative Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 2,000 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering — Pricing and Allocation”.

10. EFFECT OF BAD WEATHER CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 27 June 2014. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 27 June 2014 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offer, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Public Offer Shares on Friday, 4 July 2014 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on our Company’s website at www.css-group.net and the website of the Stock Exchange at www.hkexnews.hk.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.css-group.net and the Stock Exchange's website at www.hkexnews.hk by no later than 8:00 a.m. on Friday, 4 July 2014;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Friday, 4 July 2014 to 12:00 midnight on Thursday, 10 July 2014;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 4 July 2014 to Wednesday, 9 July 2014 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 4 July 2014 to Monday, 7 July 2014 at all the receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Miscellaneous) Ordinance (as applied by Section 342E of the Companies (Miscellaneous) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Public Offer Shares is void:

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offer.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$1.38 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with “Structure of the Global Offering — Conditions of the Global Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Friday, 4 July 2014.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Friday, 4 July 2014. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, 7 July 2014 provided that the Global Offering has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 4 July 2014 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Friday, 4 July 2014, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Friday, 4 July 2014, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, 4 July 2014, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Hong Kong Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 4 July 2014 or any other date as determined by HKSCC or HKSCC Nominees. Immediately

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 4 July 2014, or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/refund monies.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Friday, 4 July 2014 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 4 July 2014, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in the manner specified in "Publication of Results" above on Friday, 4 July 2014. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 4 July 2014 or such other date as determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 4 July 2014. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum indicative Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 4 July 2014.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares (in issue and to be issued pursuant to the Global Offering) and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

24 June 2014

The Directors
Century Sage Scientific Holdings Limited

CCB International Capital Limited

Dear Sirs,

We report on the financial information of Century Sage Scientific Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated balance sheets as at 31 December 2011, 2012 and 2013, the balance sheets of the Company as at 31 December 2012 and 2013, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2011, 2012 and 2013 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 24 June 2014 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong 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. Pursuant to a group reorganisation as described in Note 1.2 of Section II headed "Reorganisation" below, which was completed on 27 December 2012, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1.2 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

No audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The audited financial statements of the other Group companies as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 1.2 of Section II.

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the “HKSAs”) issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

OPINION

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 December 2012 and 2013 and of the state of affairs of the Group as at 31 December 2011, 2012 and 2013 and of the Group's results and cash flows for the Relevant Periods then ended.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2011, 2012 and 2013 and for each of the years ended 31 December 2011, 2012 and 2013 (the "Financial Information"):

Consolidated balance sheets

	<i>Note</i>	As at 31 December		
		2011	2012	2013
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
Non-current assets				
Property, plant and equipment	<i>12</i>	39,923	64,513	59,890
Deferred income tax assets	<i>23</i>	814	1,825	2,595
Available-for-sale financial assets	<i>13</i>	—	—	4,189
Other non-current assets	<i>14</i>	—	1,394	1,376
		<u>40,737</u>	<u>67,732</u>	<u>68,050</u>
Current assets				
Inventories	<i>16</i>	336,154	283,977	386,970
Trade and other receivables	<i>15</i>	97,328	96,487	112,907
Financial assets at fair value through profit or loss		—	828	—
Pledged bank deposits	<i>17</i>	4,091	9,112	9,206
Cash and cash equivalents	<i>18</i>	40,642	35,026	53,878
		<u>478,215</u>	<u>425,430</u>	<u>562,961</u>
Total assets		<u>518,952</u>	<u>493,162</u>	<u>631,011</u>
Equity and liabilities				
Equity attributable to owners of the Company				
Ordinary shares and share premium	<i>19</i>	—	70,675	70,675
Other reserves	<i>20</i>	10,102	(68,702)	(68,729)
Retained earnings	<i>20</i>	27,091	75,290	93,045
		37,193	77,263	94,991
Non-controlling interests	<i>10</i>	4,278	—	—
Total equity		<u>41,471</u>	<u>77,263</u>	<u>94,991</u>

	<i>Note</i>	As at 31 December		
		2011	2012	2013
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Liabilities				
Non-current liabilities				
Borrowings	22	<u>7,771</u>	<u>11,557</u>	<u>4,624</u>
Current liabilities				
Trade and other payables	21	429,801	331,381	435,191
Current income tax liabilities		19,864	32,010	42,661
Borrowings	22	<u>20,045</u>	<u>40,951</u>	<u>53,544</u>
		<u>469,710</u>	<u>404,342</u>	<u>531,396</u>
Total liabilities		<u>477,481</u>	<u>415,899</u>	<u>536,020</u>
Total equity and liabilities		<u>518,952</u>	<u>493,162</u>	<u>631,011</u>
Net current assets		<u>8,505</u>	<u>21,088</u>	<u>31,565</u>
Total assets less current liabilities		<u><u>49,242</u></u>	<u><u>88,820</u></u>	<u><u>99,615</u></u>

Balance sheets — the Company

	<i>Note</i>	As at 31 December	
		2012	2013
		<i>RMB'000</i>	<i>RMB'000</i>
Assets			
Non-current assets			
Investments in subsidiaries	10	<u>70,675</u>	<u>70,675</u>
Current assets			
Trade and other receivables	15	<u>—</u>	<u>60,200</u>
Total assets		<u>70,675</u>	<u>130,875</u>
Equity and liabilities			
Equity attributable to owners of the Company			
Ordinary shares and share premium	19	70,675	70,675
Retained earnings		<u>—</u>	<u>126</u>
Total equity		<u>70,675</u>	<u>70,801</u>
Liabilities			
Current liabilities			
Trade and other payables	21	<u>—</u>	<u>60,074</u>
Total liabilities		<u>—</u>	<u>60,074</u>
Total equity and liabilities		<u>70,675</u>	<u>130,875</u>
Net current assets		<u>—</u>	<u>126</u>
Total assets less current liabilities		<u>70,675</u>	<u>70,801</u>

Consolidated income statements

	Note	Year ended 31 December		
		2011 RMB'000	2012 RMB'000	2013 RMB'000
Revenue	5	468,902	568,065	628,758
Cost of sales	7	<u>(347,287)</u>	<u>(389,557)</u>	<u>(435,198)</u>
Gross profit		121,615	178,508	193,560
Selling expenses	7	(26,596)	(33,809)	(33,356)
Administrative expenses	7	(48,334)	(63,613)	(62,928)
Other income	6	<u>272</u>	<u>588</u>	<u>361</u>
Operating profit		46,957	81,674	97,637
Finance income	9	101	126	84
Finance costs	9	<u>(1,503)</u>	<u>(2,334)</u>	<u>(3,575)</u>
Finance costs — net	9	<u>(1,402)</u>	<u>(2,208)</u>	<u>(3,491)</u>
Profit before income tax		45,555	79,466	94,146
Income tax expense	11	<u>(8,814)</u>	<u>(15,712)</u>	<u>(16,391)</u>
Profit for the year		<u>36,741</u>	<u>63,754</u>	<u>77,755</u>
Profit attributable to:				
Owners of the Company		36,164	63,762	77,755
Non-controlling interests		<u>577</u>	<u>(8)</u>	<u>—</u>
Profit attributable to owners of the Company		<u>36,164</u>	<u>63,762</u>	<u>77,755</u>
Basic and diluted earnings per share (RMB) (note)	24	<u>361.64</u>	<u>637.62</u>	<u>777.55</u>
Dividends	25	<u>30,354</u>	<u>15,563</u>	<u>60,000</u>

Note: The earnings per share presented above has not taken into account the proposed capitalisation issue pursuant to the shareholder resolutions dated 13 June 2014 because the proposed capitalisation issue has not been effected as of the date of this report.

Consolidated statements of comprehensive income

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Profit for the year	<u>36,741</u>	<u>63,754</u>	<u>77,755</u>
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences	<u>14</u>	<u>1</u>	<u>(27)</u>
Other comprehensive income for the year, net of tax	<u>14</u>	<u>1</u>	<u>(27)</u>
Total comprehensive income for the year	<u><u>36,755</u></u>	<u><u>63,755</u></u>	<u><u>77,728</u></u>
Attributable to:			
— Owners of the Company	36,178	63,763	77,728
— Non-controlling interests	<u>577</u>	<u>(8)</u>	<u>—</u>
Total comprehensive income for the year	<u><u>36,755</u></u>	<u><u>63,755</u></u>	<u><u>77,728</u></u>

Consolidated statements of changes in equity

	Note	Attributable to owners of the Company					Total equity RMB'000
		Ordinary share capital and share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	
Balance at 1 January 2011		—	10,088	21,281	31,369	3,701	35,070
Comprehensive income							
Profit for the year		—	—	36,164	36,164	577	36,741
Other comprehensive income		—	14	—	14	—	14
Total comprehensive income		—	14	36,164	36,178	577	36,755
Dividend to the then shareholders	25	—	—	(30,354)	(30,354)	—	(30,354)
Total transaction with owners		—	—	(30,354)	(30,354)	—	(30,354)
Balance at 31 December 2011		—	10,102	27,091	37,193	4,278	41,471
Balance at 1 January 2012		—	10,102	27,091	37,193	4,278	41,471
Comprehensive income							
Profit for the year		—	—	63,762	63,762	(8)	63,754
Other comprehensive income		—	1	—	1	—	1
Total comprehensive income		—	1	63,762	63,763	(8)	63,755
Transactions with owners							
Transaction with non-controlling interests	29	—	1,870	—	1,870	(4,270)	(2,400)
Deemed distribution to the shareholders	1.2(a)	—	(10,000)	—	(10,000)	—	(10,000)
Dividends to the then shareholders	25	—	—	(15,563)	(15,563)	—	(15,563)
Total transactions with owners		—	(8,130)	(15,563)	(23,693)	(4,270)	(27,963)
Issue of new ordinary shares		70,675	(70,675)	—	—	—	—
Balance at 31 December 2012		70,675	(68,702)	75,290	77,263	—	77,263
Balance at 1 January 2013		70,675	(68,702)	75,290	77,263	—	77,263
Comprehensive income							
Profit for the year		—	—	77,755	77,755	—	77,755
Other comprehensive income		—	(27)	—	(27)	—	(27)
Total comprehensive income		—	(27)	77,755	77,728	—	77,728
Dividends to the shareholders		—	—	(60,000)	(60,000)	—	(60,000)
Total transactions with owners		—	—	(60,000)	(60,000)	—	(60,000)
Balance at 31 December 2013		70,675	(68,729)	93,045	94,991	—	94,991

Consolidated statements of cash flows

	Note	Year ended 31 December		
		2011 RMB'000	2012 RMB'000	2013 RMB'000
Cash flows from operating activities				
Cash generated from operations	26	63,306	15,758	45,185
Interest paid		(1,536)	(2,291)	(3,590)
Income tax paid		(2,662)	(4,577)	(6,510)
Net cash generated from operating activities		<u>59,108</u>	<u>8,890</u>	<u>35,085</u>
Cash flows from investing activities				
Purchases of property, plant and equipment		(38,127)	(31,114)	(3,712)
Payment of pledged bank deposits		(68,931)	(49,539)	(98,899)
Collection of pledged bank deposits		77,014	44,518	98,805
Cash advances paid to shareholders/directors		—	—	(14,976)
Cash advances received from shareholders/directors		10,714	15,888	—
Purchase of financial assets at fair value through profit or loss		—	(828)	831
Purchase of available-for-sale financial assets		—	—	(4,189)
Net cash used in investing activities		<u>(19,330)</u>	<u>(21,075)</u>	<u>(22,140)</u>
Cash flows from financing activities				
Payment for the acquisition of non-controlling interests	29	—	(2,400)	—
Proceeds from borrowings		40,190	41,299	68,817
Repayments of borrowings		(32,156)	(16,607)	(63,157)
Dividends paid to the then shareholders		(30,354)	(15,563)	—
Net cash (used in)/generated from financing activities		<u>(22,320)</u>	<u>6,729</u>	<u>5,660</u>
Net increase/(decrease) in cash and cash equivalents				
		17,458	(5,456)	18,605
Cash and cash equivalents at beginning of year	18	23,608	40,642	35,026
Exchange (losses)/gains on cash and cash equivalents		(424)	(160)	247
Cash and cash equivalents at end of year	18	<u><u>40,642</u></u>	<u><u>35,026</u></u>	<u><u>53,878</u></u>

II NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 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 (the "Group") are principally engaged in the provision of (i) content production, broadcasting and transmission application solutions, (ii) event broadcast services, (iii) system maintenance services and (iv) the development and sales of broadcast and transmission equipment, as well as other related services, for the All-Media industry in the PRC (the "Listing Business"). Prior to the reorganisation as set out below, the Listing Business were conducted by Century Sage Scientific International Limited ("CSS International") and its subsidiaries. The shareholders of the Company were Mr. Lo Chi Sum, Mr. Zhou Qi, Mr. Leung Wing Fai, Mr. Sun Qingjun, Mr. Zhou Jue and Mr. Huang He (together, the "Original Shareholders"). CSS International was ultimately beneficially owned by the Original Shareholders (note 1.2 (a)).

On 9 May 2013, an aggregate of 4,400 shares of the Company was transferred from Mr. Zhou Qi, Mr. Zhou Jun, Mr. Huang He and Mr. Sun Qingjun to Mr. Lo Chi Sum at a consideration of HK\$92.4 million. After such transfer, the Company was owned as to 92% by Mr. Lo Chi Sun and 8% by Mr. Leung Wing Fai.

This Financial Information is presented in Renminbi ("RMB"), unless otherwise stated.

1.2 Reorganisation

In preparation for the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"), the following reorganisation (the "Reorganisation") was carried out:

- (i) On 18 December 2012, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 3,800,000 shares of HK\$0.1 each. One ordinary share were issued to Mr. Lo Chi Sum as nil paid.
- (ii) On 27 December 2012, the Company issued and allotted an aggregate of 9,999 ordinary shares of HK\$0.1 each at par to the Original Shareholders and credited the existing 1 nil paid shares in issue as fully paid in exchange for the entire interests of CSS International comprising the 48%, 20%, 8%, 8%, 8% and 8% interests held by Mr. Lo Chi Sum, Mr. Zhou Qi, Mr. Leung Wing Fai, Mr. Huang He, Mr. Zhou Jue, Mr. Sun Qingjun respectively.

Upon completion of the Reorganisation on 27 December 2012, the Company has become the holding company of the other companies comprising the Group.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Company name	Place of incorporation/ establishment	Date of incorporation/ establishment	Registered/Issued and paid-up capital	Equity interest held			The date of this report	Principal activities or place of operation	Statutory auditors		
				31 December 2011	31 December 2012	31 December 2013			2011	2012	2013
Directly held:											
Century Sage Scientific International Limited ("CSS International")	British virgin islands ("BVI")/Limited liability company	10 January 2007	10,000 ordinary shares of USD1 each	100%	100%	100%	100%	Investment holding company	(i)	(i)	(i)
Indirectly held:											
Cortesia Limited ("Cortesia")	BVI/Limited liability company	31 March 2010	100 ordinary shares of USD1 each	100%	100%	100%	100%	Investment holding company	(i)	(i)	(i)
Century Sage Scientific Group Ltd ("CSS Group Ltd")	BVI/Limited liability company	10 January 2007	1 ordinary shares of HKD50 each	100%	100%	100%	100%	TV broadcast application solutions industry/The PRC	(i)	(i)	(i)

Company name	Place of incorporation/ establishment	Date of incorporation/ establishment	Registered/Issued and paid-up capital	Equity interest held			The date of this report	Principal activities or place of operation	Statutory auditors		
				2011	2012	2013			2011	2012	2013
北京世紀睿科系統技術有限公司 (Beijing Century Sage Scientific System and Technology Company Limited) ("CSS Beijing") (a)	The PRC/Limited liability company	27 April 2007	20,000,000 ordinary Shares of RMB1 each	100%	100%	100%	100%	TV broadcast application solutions industry/ The PRC	(ii)	(ii)	(ii)
北京世紀睿科工程技術有限公司 (Beijing Century Sage Scientific Engineering and Technology Company Limited) ("CSS Engineering")	The PRC/Limited liability company	15 April 2010	500,000 ordinary Shares of RMB1 each	100%	100%	100%	100%	TV broadcast application solutions industry/ The PRC	(iv)	(v)	(v)
Times Sage Tech Ltd	BVI/Limited liability company	20 October 2009	1 ordinary Shares of USD1 each	100%	100%	100%	100%	TV broadcast application solutions industry/ The PRC	(i)	(i)	(i)
時代華睿(北京)科技有限公司 (Times Sage (Beijing) Tech Company Limited) ("TST Beijing")	The PRC/Limited liability company	28 October 2009	12,000,000 ordinary Shares of RMB1 each	80%	100%	100%	100%	TV broadcast application solutions industry/ The PRC	(iv)	(v)	(v)
EverTop Technology (Int'l) Limited	Hong Kong ("HK")/ Limited liability company	29 June 2010	2 ordinary Shares of HKD1 each	100%	100%	100%	100%	TV broadcast application solutions industry/ Hong Kong	(vi)	(vi)	(vi)
北京永達天恒國際數碼科技有限公司 (Beijing Yongda Tianheng International Digital and Technology Co., Ltd)	The PRC/Limited liability company	18 May 2011	12,000,000 ordinary Shares of RMB1 each	100%	100%	100%	100%	TV broadcast application solutions industry/ The PRC	(iv)	(v)	(v)
CGT Technologies Limited (formerly known as Cogent Tech Limited)	BVI/Limited liability company	26 May 2010	1 ordinary shares of USD1 each	100%	100%	100%	100%	TV broadcast application solutions industry/ The PRC	(i)	(i)	(i)
CGT Technologies (Asia) Limited	HK/Limited liability company	3 March 2011	1 ordinary Shares of HKD1 each	100%	100%	100%	100%	Investment Holding Company/Hong Kong	(vi)	(vi)	(vi)
高駿(北京)科技有限公司 (Gao Jun (Beijing) Technology Company Limited) ("CTL Beijing")	The PRC/Limited liability company	15 July 2011	11,000,000 ordinary Shares of RMB1 each	100%	100%	100%	100%	TV broadcast application solutions industry/ The PRC	(iv)	(v)	(v)
Cogent Technologies LLC	United States/Limited liability company	2 May 2011	1 ordinary Shares of USD1 each	100%	100%	100%	0%	Investment Holding Company/ United States	(vii)	(vii)	(vii)
Cogent Technologies Limited	United Kingdom/Limited liability company	22 June 2011	1 ordinary Shares of GBP1 each	100%	100%	100%	0%	Investment Holding Company/ United Kingdom	(vii)	(vii)	(vii)
Times Sage Tech Limited	HK/Limited liability company	3 November 2009	10,000 ordinary shares of HKD1 each	100%	100%	100%	100%	Inactive/Hong Kong	(vi)	(vi)	(vi)

Company name	Place of incorporation/ establishment	Date of incorporation/ establishment	Registered/Issued and paid-up capital	Equity interest held			The date of this report	Principal activities or place of operation	Statutory auditors		
				31 December 2011	2012	2013			2011	2012	2013
Fineone International Limited	BVI/Limited liability company	6 March 2009	1 ordinary Shares of USD1 each	100%	100%	100%	100%	Equipment trading/ The PRC	(i)	(i)	(i)
Viz China Limited (“VCL”, formerly know as Vislink China Limited)	HK/Limited liability company	25 August 2010	10,000 ordinary shares of HKD1 each	90%	100%	liquidation	liquidation	Equipment trading/ The PRC	(vi)	(vi)	(vi)
TV Logic Technology Limited	BVI/Limited liability company	8 July 2009	1 ordinary Shares of USD1 each	100%	100%	100%	100%	Equipment trading/ The PRC	(i)	(i)	(i)
Era Far East Ltd	HK/Limited liability company	1 April 2008	1 ordinary shares of HKD1 each	100%	100%	liquidation	liquidation	Equipment trading/ The PRC	(vi)	(vi)	(vi)
TVU China Ltd	BVI/Limited liability company	5 January 2010	1 ordinary Shares of USD1 each	100%	100%	liquidation	liquidation	Equipment trading/ The PRC	(i)	(i)	(i)
NI Systems Limited	BVI/Limited liability company	3 July 2012	1 ordinary Shares of USD1 each	N/A	100%	100%	100%	Equipment trading/ The PRC	N/A	(i)	(i)
天維通達(北京)數碼科技有限公司 (Tianwei Tongda (Beijing) Digital Technology Company Limited)	The PRC/Limited liability company	19 February 2013	6,000,000 ordinary Shares of RMB1 each	N/A	N/A	100%	100%	TV broadcast application solutions industry/ The PRC	N/A	N/A	N/A

- (a) Upon incorporation in 2008, 20% equity interests of CSS Beijing were held by CSS Group Ltd., a wholly owned subsidiary of CSS International, and 80% on trust via an entity incorporated in the PRC (the “Trust Shareholder”) on behalf of Original Shareholders. The initial capital contribution to CSS Beijing upon its incorporation included RMB4,000,000 cash contribution from CSS Group Ltd., and RMB16,000,000 cash contribution from the Original Shareholders via the Trust Shareholder and CSS Beijing was treated as a subsidiary of the Group since incorporation. On 27 March 2008 and 7 February 2012, 30% and 50% equity interest of CSS Beijing were transferred to CSS Group Ltd from Original Shareholders through the Trust Shareholder at cash consideration of RMB6,000,000 and RMB10,000,000 respectively. As the Original Shareholders’ economic interest of CSS Beijing, collectively or individually, remained unchanged throughout the Relevant Periods, the Financial Information has been prepared as if CSS Beijing has been a wholly owned subsidiary of the Group since the date of incorporation. The initial cash contribution from the Original Shareholders has been recorded as part of the equity, and the consideration subsequently paid by the CSS Group Ltd. to the Original Shareholders to acquire the equity interests of CSS Beijing has been deemed as distribution to the Original Shareholders and been deducted from the equity.

Notes:

- (i) No statutory audited financial statements have been prepared as the companies were established in the BVI.
- (ii) The statutory financial statements were audited by 北京中澤永誠會計師事務所 (Beijing Nakazawa Yongcheng CPA Limited).
- (iii) The statutory financial statements were audited by 北京中稅橋會計師事務所 (Beijing Zhongshuiqiao CPA Limited).
- (iv) The statutory financial statements were audited by 中青瑞會計師事務所 (China Riche CPA Limited).
- (v) The statutory financial statements were audited by 北京金海藍天會計師事務所 (Beijing JHLT CPA Limited).
- (vi) The statutory financial statements were audited by LKY China Certified Public Accountants.
- (vii) No statutory audited financial statements have been prepared as there have not been any significant business transactions entered into since their respective dates of incorporation.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business has been conducted through CSS International and its subsidiaries. Pursuant to the Reorganisation, CSS International and the Listing Business are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business. Accordingly, the Financial Information of the Group is presented using the carrying values of the Listing Business under CSS International for all periods presented. The consolidated balance sheets, consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows of the Group for the Relevant Periods have been prepared as if the current group structure had been in existence throughout the Relevant Periods.

Intercompany transactions, balances and unrealised gain/losses on transactions between group companies are eliminated on consolidation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to the Relevant Periods, unless otherwise stated.

2.1 Basis of preparation

The Financial Information of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and are set out below. The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss.

The preparation of Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4.

2.2 Changes in accounting policy and disclosures

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these Financial Information.

	Effective for annual periods beginning on or after
HKAS 32 (Amendment) 'Financial instruments: Presentation' — Offsetting asset and liability — Amendment	1 January 2014
HKFRS 10, 12 and 27 'Consolidated financial statements' — Amendment	1 January 2014
HKAS 36 'Impairment of assets', on recoverable amount disclosures — Amendment	1 January 2014
HKAS 39 'Financial Instruments: Recognition and Measurement' — novation of derivatives — Amendment	1 January 2014
HKFRIC 21 'Levies'	1 January 2014
Amendment to HKAS19 regarding defined benefit plans	1 July 2014
Annual improvements 2012	1 July 2014
Annual improvements 2013	1 July 2014
HKFRS 9 'Financial Instruments'	1 January 2015
HKFRS 7 and HKFRS 9 'Mandatory effective date and transition disclosures' — Amendment	1 January 2015
HKFRS 14 Regulatory Deferral Accounts	1 January 2016

Management does not anticipate that the application of the revised standards will result in a material impact on the Group's consolidated financial statements.

2.3 Subsidiaries

2.3.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2.3.2 Business combinations

Except for the Reorganisation, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2.3.3 Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.3.4 Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3.5 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

2.5 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'administrative expenses'.

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in the available-for-sale revaluation reserve in other comprehensive income.

(c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (3) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.6 Property, plant and equipment

Buildings comprise mainly offices. Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

— Buildings	20–40 years
— Vehicles and machinery	3–5 years
— Furniture, fittings and equipment	3–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains-net' in the consolidated income statement.

2.7 Research and development expenditure and development costs

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new and improved products) or expenditures incurred in the development related to the application and infrastructure development are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the product so that it will be available for use;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;
- it can be demonstrated how the product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- the expenditure attributable to the product during its development can be reliably measured.

Directly attributable costs that are capitalised include the development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense is not recognised as an asset in a subsequent period.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life — for example, goodwill or intangible assets not ready to use — are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets**(a) Classification**

The Group classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(1) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (notes 2.12 and 2.13).

(3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other gains-net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other gains when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other gains. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other gains when the Group's right to receive payments is established.

2.10 Impairment of financial assets

(a) *Asset carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) *Assets classified as available for sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost comprises acquisition cost purchased from third parties includes purchase price, related taxes, transportation cost and insurance cost but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for goods sold and services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks. In the consolidated and entity balance sheet are shown within borrowings in current liabilities.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.15 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. The tax penalty and associated interests are accounted for as current income tax.

The Group recognises tax liabilities for anticipated tax audit issues based on a single best estimate of the most likely outcome approach. Estimated settlement cost such as penalty, where applicable, are recognised under current income tax liabilities in the consolidated statement of financial position and income tax expense in the consolidated income statement.

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill and the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) *Offsetting*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. The Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

2.19 Employee benefits

(a) *Retirement benefits*

The Group provides defined contribution retirement plans based on local laws and regulations. The plans cover full-time employees and provide for contributions at certain percentage of salary as determined by the respective local government authorities. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) *Profit-sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after elimination of sales made within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Group's turnover includes, separately or in combination, the sales of application solutions services with equipments, the provision of consultancy services, professional services, maintenance services, customer support services, extended warranty and other services.

(a) *Sales of equipments and products*

Sales of standard equipments and related products are recognised when the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) *Application solutions services*

The Group uses the 'percentage of completion method' to determine the appropriate amount of revenue to recognise in a given period for the application solutions services. The stage of completion is measured by reference to the costs incurred up to the balance sheet date as a percentage of total estimated costs.

When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, revenue is recognised as services are provided. When it is probable that total costs to service the contract will exceed total revenue allocated to application solutions service, the expected loss is recognised as an expense immediately. When the outcome of a application solutions service contract cannot be estimated reliably, revenue is recognised only to the extent of costs incurred that are likely to be recoverable.

Application solutions services are normally accompanied with sale of certain equipment and products. Under such contracts, 30% deposit will be paid upon signing of the contract, 30% to 40% when key components of the equipments and products are transferred to the site and initial inspection is completed, 30% to 40% upon the final inspection and acceptance by customer, and 5% to 10% upon the maturity of the warranty period.

The Group recognise a liability upon the receipt in advance of the consideration of revenue recognition.

Progress billings not yet paid by customers are included within 'trade and other receivables'.

(c) *Consultancy services and professional services*

Consultancy services and professional services are provided in the form of fixed-price contracts. Sales of these services are recognised in the period the services are provided.

(d) *Maintenance, extended warranty, training, and other supporting services*

Maintenance, extended warranty, training and other supporting services are provided in the form of fixed-price contracts. Sales of these services are recognised in the period the services are provided, using a straight-line basis over the term of the contract.

(e) *Multiple element arrangements*

The Group offers certain arrangements whereby a customer can purchase equipments together with certain of the related application solutions service or other services. When such multiple element arrangements exist, the total arrangement consideration is allocated to each element based on their relative fair values, as determined based on the current market price of each of the elements when sold separately.

Where the Group is unable to determine the fair value of each of the elements in an arrangement, it uses the residual value method. Under this method, the Group determines the fair value of the delivered element by deducting the fair value of the undelivered element from the total contract consideration.

To the extent that there is a discount on the arrangement, such discount is allocated between the elements of the contract in such a manner as to reflect the fair value of the elements.

(f) *Rental income*

Rental income from operating lease of equipments is recognised in the income statement on a straight-line basis over the term of the lease.

2.21 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

2.22 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's Financial Information in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk, liquidity risk and concentration risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Group treasury identifies and evaluates in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, non-derivative financial instrument and investment of excess liquidity.

(a) *Market risk*

(i) *Foreign exchange risk*

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, HK dollar and the GBP. Foreign exchange risk arose from future commercial transactions, recognised assets and liabilities which are denominated in non-RMB.

Management has set up a policy to require 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 equipments from all over the world and the management control the payment schedule to reduce the foreign exchange risk.

At 31 December 2011, 2012 and 2013, if USD had weakened/strengthened by 5% against the RMB with all other variables held constant, post-tax profit for the year would have been RMB432,000, RMB110,000 and RMB818,000 higher/lower, mainly as a result of foreign exchange gains/losses on translation of USD denominated cash and cash equivalents, trade and other receivables, trade and other payables.

At 31 December 2011, 2012 and 2013, if HKD had weakened/strengthened by 5% against the RMB with all other variables held constant, post-tax profit for the year would have been RMB228,000, RMB870,000 and RMB456,000 lower/higher, mainly as a result of foreign exchange gains/losses on translation of HKD denominated cash and cash equivalents, trade and other receivables, trade and other payables and borrowings.

At 31 December 2011, 2012 and 2013, if GBP had weakened/strengthened by 5% against the RMB with all other variables held constant, post-tax profit for the year would have been RMB23,000, RMB339,000 and RMB438,000 lower/higher, mainly as a result of foreign exchange gains/losses on translation of GBD denominated cash and cash equivalents, trade and other receivables, trade and other payables and borrowings.

(ii) Interest rate risk

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

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

As at 31 December 2011, 2012 and 2013, if the interest rate on all borrowings had been 10% higher/lower with all other variables held constant, the Group's profit after tax for the year would have been decreased/increased by approximately RMB150,000 and RMB233,000 and RMB358,000 respectively, mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

(iii) Price risk

The Group is exposed to equity price risk because of investments financial assets held by the Group and classified on the consolidated balance sheet either as available-for-sale financial assets or at fair value through profit or loss. The Group is not exposed to commodity price risk.

The Group's investments in equity would depend on the operation of the invested entity. Post-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale.

The Group is not exposed to equity securities price risk.

(b) Credit risk

Credit risk arises mainly from trade and other receivables and cash at bank. The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheets.

The credit risk of bank balances is limited because the counterparties are banks with good reputation and most of them are the state-owned banks.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure the follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balance at the end of each reporting periods to ensure adequate impairment losses are made for irrecoverable amounts. Given the constant repayment history, the directors are of the view that the risk of default by these counterparties is low.

As at 31 December 2011, 2012 and 2013, there were three, four and two customers which individually contributed over 10% of the Group's trade and other receivables as at each year end date. The aggregate amount of trade and other receivables from these customers amounted to 79%, 62% and 64% of the Group's total trade and other receivables, respectively.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and longer term. Management believes there is no significant liquidity risk as the Group has sufficient committed facilities to fund their operations.

The following table details the remaining contractual maturities at each of the reporting dates during the Relevant Periods of Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the year end dates during the Relevant Periods) and the earliest date the Group may be required to pay.

Group

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000
At 31 December 2011			
Trade and other payables (excluding non-financial liability)	95,104	—	—
Borrowings	<u>21,177</u>	<u>5,825</u>	<u>2,327</u>
At 31 December 2012			
Trade and other payables (excluding non-financial liability)	117,684	—	—
Borrowings	<u>42,802</u>	<u>7,238</u>	<u>4,873</u>
At 31 December 2013			
Trade and other payables (excluding non-financial liability)	195,582	—	—
Borrowings	<u>55,084</u>	<u>3,320</u>	<u>1,447</u>

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Total borrowings include 'current and non-current borrowings' as shown in the consolidated balance sheets. Total capital is calculated as 'equity' as shown in the consolidated balance sheets plus net debt. Management considers the gearing ratio not applicable when the net debt is below zero.

	As at 31 December		
	2011 RMB'000	2012 RMB'000	2013 RMB'000
Total borrowings	27,816	52,508	58,168
Total equity	<u>41,471</u>	<u>77,263</u>	<u>94,991</u>
Total capital	<u>69,287</u>	<u>129,771</u>	<u>153,159</u>
Gearing ratio	<u>40%</u>	<u>40%</u>	<u>38%</u>

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Financial assets and liabilities are measured and recognized at fair value on a recurring basis and classified under the appropriate level of the fair value hierarchy.

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 31 December 2013.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Available-for-sale financial assets	<u>—</u>	<u>—</u>	<u>4,189</u>

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 31 December 2012.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Financial assets at fair value through profit or loss	<u>828</u>	<u>—</u>	<u>—</u>

The Group have no financial assets and liabilities that are measured at fair value as at 31 December 2011.

There were no transfers between level 1 and level 2 during Relevant Periods.

(a) *Financial instruments in level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise commodity futures contracts.

(b) *Financial instruments in level 2*

The fair value of financial instruments that are not traded in an active market (for example, foreign exchange forward contracts) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(c) *Financial instruments in level 3*

The following table presents the changes in level 3 instruments for the year ended 31 December 2013:

	2013 RMB'000
At 1 January 2013	—
Addition	4,189
Net gains transfer to equity	<u>—</u>
At 31 December 2013	<u>4,189</u>

Valuation has been performed by independent qualified professional valuers based on cash flows discounted using a rate based on the market interest and risk premium specific to the equity instrument.

If the fair value of equity investment shifted by 10%, the impact on the net gains transferred to equity would be RMB419,000.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) *Impairment of trade and other receivables*

Management reviews its trade and other receivables for objective evidence of impairment. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered as objective evidence that a receivable is impaired. In determining this, management makes judgments as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect on the market and economic environment in which the debtor operates in. Where there is objective evidence of impairment, management makes judgments as to whether an impairment loss should be recorded as an expense.

Provision for impairment of trade and other receivables of the Group for the years ended 31 December 2011, 2012 and 2013 are RMB148,000, RMB296,000 and RMB342,000 respectively.

(b) *Recognition of income tax*

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There may be transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(c) *Revenue recognition*

The Group uses the percentage-of-completion method in accounting for its contracts to deliver application solutions services. The stage of completion is measured by reference to the services performed to date compared to the estimated total costs for the contract. Significant assumptions are required to estimate the total contract costs and in making these estimates, management has relied on past experience and industry knowledge. Management monitors the progress of the contracts and reviews periodically the estimated total costs for each contract as the contract progresses. If the actual costs differ from management's estimates, the revenue, cost of sales and provision for foreseeable losses would be adjusted.

As discussed in note 2.21(e), for arrangements where multiple elements are provided to a customer, the Group would allocate the total arrangement consideration to each element. The margin allocated to service and equipment component would be determined with reference to the fair value of service only application solutions contract and equipment sales contract respectively. In determining this, management uses estimates by referring to the relative fair value. Given that the different element's revenue recognition time is different, the difference in the allocation of the price of each element would have impact to the amount of the revenue recognised in the each period.

(d) *Impairment of inventories*

Inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value when there is an objective evidence that the cost of inventories may not be recoverable. The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also be not recoverable if the estimated costs to be incurred to make the sale have increased. The amount written off to the income statement is the difference between the carrying value and net realisable value of the inventories. In determining whether the cost of inventories can be recoverable, significant judgement is required. In making this judgement, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

(e) Impairment of available-for-sale equity investments

The Group follows the guidance of HKAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

5 SEGMENT INFORMATION

The chief operating decision-maker (“CODM”) mainly include the board of directors, 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 for the Relevant periods:

- Application solutions (including “Production and broadcast” and “Transmission”)
- Event broadcast services
- System maintenance services
- Equipment development and sales

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

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

	Year ended 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue			
Application solutions			
— Production and broadcast	268,185	349,401	365,396
— Transmission	<u>157,794</u>	<u>170,728</u>	<u>176,089</u>
Subtotal	425,979	520,129	541,485
Event broadcast services	27,960	25,009	48,836
System maintenance services	6,159	9,180	10,326
Equipment development and sales	<u>8,804</u>	<u>13,747</u>	<u>28,111</u>
Total	<u><u>468,902</u></u>	<u><u>568,065</u></u>	<u><u>628,758</u></u>
Segment cost			
Application solutions			
— Production and broadcast	(215,897)	(252,223)	(273,698)
— Transmission	<u>(112,965)</u>	<u>(115,094)</u>	<u>(120,240)</u>
Subtotal	(328,862)	(367,317)	(393,938)
Event broadcast services	(12,856)	(13,712)	(26,101)
System maintenance services	(3,086)	(4,147)	(5,141)
Equipment development and sales	<u>(2,483)</u>	<u>(4,381)</u>	<u>(10,018)</u>
Total	<u><u>(347,287)</u></u>	<u><u>(389,557)</u></u>	<u><u>(435,198)</u></u>

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Segment gross profit			
Application solutions			
— Production and broadcast	52,288	97,178	91,698
— Transmission	44,829	55,634	55,849
Subtotal	97,117	152,812	147,547
Event broadcast services	15,104	11,297	22,735
System maintenance services	3,073	5,033	5,185
Equipment development and sales	6,321	9,366	18,093
Total	121,615	178,508	193,560
Depreciation			
Application solutions			
— Production and broadcast	1,079	3,674	4,844
— Transmission	635	1,795	2,334
Subtotal	1,714	5,469	7,178
Event broadcast services	112	263	647
System maintenance services	25	97	137
Equipment development and sales	35	145	373
Total	1,886	5,974	8,335

During the Relevant Periods, two customers which are located in the PRC, accounted for greater than 10% of the Group's total revenues:

	Year ended 31 December					
	2011		2012		2013	
	Amount RMB'000	% of total revenue	Amount RMB'000	% of total revenue	Amount RMB'000	% of total revenue
Customer A	86,121	18%	192,928	34%	240,377	38%
Customer B	48,376	10%	20,964	4%	11,226	2%
	134,497	28%	213,892	38%	251,603	40%

Substantial amount of revenues of the Group were 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:

Revenue	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Mainland China	458,258	558,114	577,776
Macau	2,758	2,381	28,483
Hong Kong	7,886	7,570	22,499
	468,902	568,065	628,758

Total of non-current assets other than deferred tax assets and available-for-sales financial assets	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Mainland China	39,644	64,346	60,847
Hong Kong	279	1,561	419
	<u>39,923</u>	<u>65,907</u>	<u>61,266</u>

Breakdown of the revenue from all services is as follows:

Revenue	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Sales of goods	432,638	518,875	548,689
Revenue from services	<u>36,264</u>	<u>49,190</u>	<u>80,069</u>
	<u>468,902</u>	<u>568,065</u>	<u>628,758</u>

Turnover consists of revenue of application solutions in respect of production and broadcast as well as transmission, event broadcast services, system maintenance services and equipment development and sales, which are RMB468,902,000, RMB568,065,000 and RMB628,758,000 for the years ended 31 December 2011, 2012 and 2013 respectively.

6 OTHER INCOME

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Insurance reimbursement	119	404	129
Others	<u>153</u>	<u>184</u>	<u>232</u>
	<u>272</u>	<u>588</u>	<u>361</u>

7 EXPENSES BY NATURE

Cost of sales	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Equipment costs	316,084	346,521	370,054
Servicing and agency costs	13,178	14,731	29,914
Employee benefit expenses (note 8)	6,658	11,090	18,750
Transportation costs	3,801	8,275	8,954
Business tax and other transaction taxes	3,810	2,834	2,529
Depreciation expense (note 12)	930	1,519	1,519
Others	<u>2,826</u>	<u>4,587</u>	<u>3,478</u>
	<u>347,287</u>	<u>389,557</u>	<u>435,198</u>

Selling expenses	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Business development	7,395	13,605	10,291
Travelling and transportation expenses	8,646	10,218	12,389
Employee benefit expenses (note 8)	6,412	5,931	5,797
Exhibition and conference	2,256	2,280	3,273
Advertising costs	1,689	1,299	1,453
Insurance	<u>198</u>	<u>476</u>	<u>153</u>
	<u>26,596</u>	<u>33,809</u>	<u>33,356</u>

Administrative expenses	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Employee benefit expenses (note 8)	31,334	28,575	27,889
Research and development	1,419	5,893	5,275
Auditor's remuneration	238	267	1,173
Legal fee and professional charges	4,253	8,984	8,875
Operating lease rentals	3,969	4,200	3,386
Office expenses	3,782	4,386	4,429
Depreciation (note 12)	956	4,461	6,833
Provision for inventory obsolescence (note 16)	679	1,553	88
Provision for bad debts (note 15)	148	148	46
Bank charges	720	1,500	744
Donations	—	456	400
Other taxes	385	851	994
Others	451	2,339	2,796
	<u>48,334</u>	<u>63,613</u>	<u>62,928</u>

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Wages and salaries	24,821	29,659	35,242
Bonus	15,736	10,102	9,959
Welfare and other allowance	2,274	3,344	4,154
Pension costs — defined contribution plans	<u>1,573</u>	<u>2,491</u>	<u>3,081</u>
	<u>44,404</u>	<u>45,596</u>	<u>52,436</u>

(a) Pension costs — defined contribution plans

Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on fixed percentage of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefit of the employees for the Relevant Periods.

(b) Directors' emoluments

The emoluments of every director of the Company and the chief executive of the Group paid/payable by companies of the Group during the Relevant Periods are set out below:

Year ended 31 December 2011

Name	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Other benefits RMB'000	Employer's	Total RMB'000
					contribution to pension scheme RMB'000	
Executive director						
Mr. Zhou Jue	—	174	18	13	9	214
Mr. Huang He	—	174	18	13	8	213
Mr. Sun Qingjun	—	174	18	13	9	214
Mr. Leung Wing Fai	—	374	—	—	12	386
Chairman, chief executive officer and executive director						
Mr. Lo Chi Sum	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Year ended 31 December 2012

Name	Fees <i>RMB'000</i>	Salary <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Other benefits <i>RMB'000</i>	Employer's contribution to pension scheme	Total <i>RMB'000</i>
					<i>RMB'000</i>	
Executive director						
Mr. Zhou Jue	—	179	—	15	10	204
Mr. Huang He	—	144	—	13	8	165
Mr. Sun Qingjun	—	179	—	15	10	204
Mr. Leung Wing Fai	—	183	—	—	12	195
Chairman, chief executive officer and executive director						
Mr. Lo Chi Sum	—	—	—	—	—	—

Year ended 31 December 2013

Name	Fees <i>RMB'000</i>	Salary <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Other benefits <i>RMB'000</i>	Employer's contribution to pension scheme	Total <i>RMB'000</i>
					<i>RMB'000</i>	
Executive director						
Mr. Zhou Jue	—	647	—	6	59	712
Mr. Huang He	—	562	—	5	36	603
Mr. Sun Qingjun	—	647	—	6	59	712
Mr. Leung Wing Fai	—	1,128	—	4	2	1,134
Mr. Geng Liang	—	708	—	—	12	720
Chairman, chief executive officer and executive director						
Mr. Lo Chi Sum	—	—	—	—	—	—

On 13 June 2014, Mr. Ng Chi Yeung, Mr. Ma Guoli and Mr. Hung Muk Ming were appointed as the independent non-executive directors of the Company.

(c) Five highest paid individuals

For the year ended 31 December 2011, 2012 and 2013, the five individuals whose emoluments were the highest in the Group include nil, nil and 1 director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 5, 5 and 4 individuals during the Relevant Periods are as follows:

	Year ended 31 December		
	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>
Basic salaries and allowances	3,518	3,428	4,265
Pension costs — defined contribution plans	70	48	39
	<u>3,588</u>	<u>3,476</u>	<u>4,304</u>

The emoluments of these remaining individuals fell within the following bands:

Emolument bands (<i>in HKD</i>)	Number of individuals Year ended 31 December		
	2011	2012	2013
Nil to HK\$1,000,000	5	5	1
HK\$1,000,001 to HK\$1,500,000	—	—	2

During the Relevant Periods, none of the directors of the Company and the five highest paid individuals of the Group (i) received any emolument from the Group as an inducement to join or upon joining the Group; (ii) received any compensation for loss of office as a director or management of any member of the Group; or (iii) waived or has agreed to waive any emoluments.

9 FINANCE INCOME AND COSTS

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Finance costs:			
— Bank borrowings wholly repayable within 5 years	<u>(1,503)</u>	<u>(2,334)</u>	<u>(3,575)</u>
Finance income:			
— Interest income on short-term bank deposits	<u>101</u>	<u>126</u>	<u>84</u>
Net finance costs	<u><u>(1,402)</u></u>	<u><u>(2,208)</u></u>	<u><u>(3,491)</u></u>

10 INVESTMENTS IN SUBSIDIARIES — THE COMPANY

(a) Investment in subsidiaries

	At	At
	31 December 2012	31 December 2013
	RMB'000	RMB'000
Investments, at cost:		
Unlisted shares	<u>70,675</u>	<u>70,675</u>

Details of the principal subsidiaries are set out in note 1.2.

(b) Subsidiaries with material non-controlling interests

The total non-controlling interest as at 31 December 2011 is RMB4,278,000. There are no non-controlling interests as at 31 December 2012 and 2013.

Significant restrictions

Cash and cash equivalents of RMB11,964,000 as at 31 December 2011 are held by TST Beijing and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

Summarised balance sheet

	TST Beijing 2011	VCL 2011
	<i>RMB'000</i>	<i>RMB'000</i>
Current		
Assets	159,628	5,937
Liabilities	<u>(142,949)</u>	<u>(4,837)</u>
Total current net assets	<u>16,679</u>	<u>1,100</u>
Non-current		
Assets	4,149	19
Liabilities	<u>—</u>	<u>—</u>
Total non-current net assets	<u>4,149</u>	<u>19</u>
Net assets	<u>20,828</u>	<u>1,119</u>

Summarised income statement

	TST Beijing 2011	VCL 2011
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	(95,099)	(23,790)
Profit before income tax	(3,290)	(1,251)
Income tax	940	181
Profit and total comprehensive income for the year	<u>2,350</u>	<u>1,070</u>
Total comprehensive income allocated to non-controlling interests	<u>470</u>	<u>107</u>

Summarised cash flows

	TST Beijing 2011	VCL 2011
	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities		
Cash generated from operations	14,235	(525)
Income tax paid	<u>(247)</u>	<u>—</u>
Net cash generated from operating activities	13,988	(525)
Net cash used in investing activities	(2,561)	(25)
Net cash used in financing activities	<u>(147)</u>	<u>—</u>
Net increase in cash and cash equivalents	11,280	(550)
Cash and cash equivalents at beginning of year	<u>684</u>	<u>905</u>
Cash and cash equivalents at end of year	<u>11,964</u>	<u>355</u>

The information above is the amount before inter-company eliminations.

11 TAXATION

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Current income tax			
— PRC enterprise income tax	8,438	16,723	17,161
Deferred income tax (<i>note 23</i>)	<u>376</u>	<u>(1,011)</u>	<u>(770)</u>
Income tax expense	<u>8,814</u>	<u>15,712</u>	<u>16,391</u>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Profit before income tax	<u>45,555</u>	<u>79,466</u>	<u>94,146</u>
Tax calculated at statutory tax rates of 25% applicable to profits in the respective companies	11,389	19,867	23,537
Tax effects of			
— Expenses not deductible for tax purpose	1,853	3,650	533
— Effect of preferential tax rate	<u>(4,428)</u>	<u>(7,805)</u>	<u>(7,679)</u>
Income tax expense	<u>8,814</u>	<u>15,712</u>	<u>16,391</u>

There is no tax relating to components of other comprehensive income.

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.

BVI income tax

The Company's subsidiary in the British Virgin Islands was incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, is exempted from the British Virgin Islands income tax.

Hong Kong profits tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate at 16.5% for the years ended 31 December 2011, 2012 and 2013 on the estimated assessable profit for the year. 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 Relevant Periods.

PRC enterprise income tax ("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 enterprise income tax rate of 25%, except for enterprises who are allowed to enjoy the preferential policies and provisions as discussed below:

CSS Beijing and TST Beijing have obtained the High and New Technology Enterprise ("HNTE") qualification, in which the applicable income tax rate during the approved period is 15%. Details of the HNTE qualification are summarised as follows:

Entities	HNTE Certification Period
CSS Beijing	From 25 November 2009 to 25 November 2012
CSS Beijing	From 30 October 2012 to 30 October 2015
TST Beijing	From 24 December 2010 to 24 December 2013
TST Beijing	From 5 December 2013 to 5 December 2016

CTL Beijing obtained a "Software Production Enterprise" qualification in 2012. According to the law on corporate income tax Caishui201227 and Guofa20114, CTL Beijing is entitled to enjoy the preferential taxation policy of "two year exemptions and three year 50% reduction on EIT". Hence, the applicable EIT tax rate for CTL Beijing is 0% for the years ended 31 December 2012 and 2013, and 12.5% for the years ending 31 December 2014, 2015 and 2016.

PRC withholding tax

In addition, according to the EIT Law, dividends, interests, rent, royalties and gains on transfers of property received by a foreign enterprise, i.e. a non China tax resident enterprise, will be subject to PRC withholding tax at 10% or a reduced treaty rate depending on provisions of tax treaty entered between the PRC and the jurisdiction where the foreign enterprise incorporated. The withholding tax rate is 5% for the parent company in Hong Kong if 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.

For the year ended 31 December 2012 and 2013, no withholding tax has been provided for the earnings of approximately RMB2,741,000 and RMB24,955,000 respectively which are expected to be retained by the PRC subsidiaries of the Group and not to be remitted out of the PRC in the foreseeable future based on management's estimated requirement for funding outside the PRC.

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB'000</i>	Vehicles and machinery <i>RMB'000</i>	Furniture, fittings and other equipment <i>RMB'000</i>	Total <i>RMB'000</i>
Cost				
At 1 January 2011	—	2,950	2,684	5,634
Additions	<u>34,000</u>	<u>2,950</u>	<u>1,190</u>	<u>38,140</u>
At 31 December 2011	<u>34,000</u>	<u>5,900</u>	<u>3,874</u>	<u>43,774</u>
Accumulated depreciation				
At 1 January 2011	—	(695)	(1,270)	(1,965)
Charge for the year (<i>note 7</i>)	<u>—</u>	<u>(994)</u>	<u>(892)</u>	<u>(1,886)</u>
At 31 December 2011	<u>—</u>	<u>(1,689)</u>	<u>(2,162)</u>	<u>(3,851)</u>
Net book value				
At 31 December 2011	<u>34,000</u>	<u>4,211</u>	<u>1,712</u>	<u>39,923</u>
Cost				
At 1 January 2012	34,000	5,900	3,874	43,774
Additions	<u>21,651</u>	<u>3,466</u>	<u>5,447</u>	<u>30,564</u>
At 31 December 2012	<u>55,651</u>	<u>9,366</u>	<u>9,321</u>	<u>74,338</u>
Accumulated depreciation				
At 1 January 2012	—	(1,689)	(2,162)	(3,851)
Charge for the year (<i>note 7</i>)	<u>(2,773)</u>	<u>(1,398)</u>	<u>(1,803)</u>	<u>(5,974)</u>
At 31 December 2012	<u>(2,773)</u>	<u>(3,087)</u>	<u>(3,965)</u>	<u>(9,825)</u>
Net book value				
At 31 December 2012	<u>52,878</u>	<u>6,279</u>	<u>5,356</u>	<u>64,513</u>
Cost				
At 1 January 2013	55,651	9,366	9,321	74,338
Additions	<u>304</u>	<u>2,622</u>	<u>786</u>	<u>3,712</u>
At 31 December 2013	<u>55,955</u>	<u>11,988</u>	<u>10,107</u>	<u>78,050</u>
Accumulated depreciation				
At 1 January 2013	(2,773)	(3,087)	(3,965)	(9,825)
Charge for the year (<i>note 7</i>)	<u>(3,742)</u>	<u>(2,583)</u>	<u>(2,010)</u>	<u>(8,335)</u>
At 31 December 2013	<u>(6,515)</u>	<u>(5,670)</u>	<u>(5,975)</u>	<u>(18,160)</u>
Net book value				
At 31 December 2013	<u>49,440</u>	<u>6,318</u>	<u>4,132</u>	<u>59,890</u>

The Group's buildings are located in the mainland China.

Depreciation expense of RMB956,000, RMB4,455,000 and RMB6,816,000 for the years ended 31 December 2011, 2012 and 2013 has been charged in administrative expenses.

Depreciation expense of RMB930,000, RMB1,519,000 and RMB1,519,000 for the years ended 31 December 2011, 2012 and 2013 has been charged in cost of sales.

As at 31 December 2011, 2012 and 2013, the buildings with the cost amounting to RMB34,000,000, RMB51,722,000 and RMB51,722,000 have been pledged to Industrial and Commercial Bank of China for a mortgage loan of RMB13,566,000, RMB14,628,000 and RMB6,400,000 (note 22).

As at 31 December 2013, the ownership certificate of the buildings of the Group is still pending for issuance, which is obtained subsequently in February 2014.

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2013 <i>RMB'000</i>
At 1 January 2013	—
Addition	4,189
Net gains transferred to equity	—
	<u>—</u>
At 31 December 2013	<u><u>4,189</u></u>

The available-for-sale financial assets represent the equity interests in an unlisted company, which has been engaged in the research and development of TV broadcasting and multi-media production as well as audio/video processing technologies and products. The registered capital of this company is RMB4,500,000, and the Group acquired 16% equity interest in December 2013.

The fair value of the available-for-sale financial assets as at 31 December 2013 was RMB4,189,000, as estimated by the directors of the Company. It falls under level 3 in the fair value hierarchy. Valuation has been performed by independent qualified professional valuers based on cash flows discounted using a rate based on the market interest and risk premium specific to this company.

14 OTHER NON-CURRENT ASSETS

Other non-current assets represents the prepaid rental for car parks for a rental period of 46 years.

15 TRADE AND OTHER RECEIVABLES

Trade and other receivables — Group

	As at 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables			
Trade receivables	30,934	32,564	42,416
Less: provision for impairment of trade receivables	<u>(148)</u>	<u>(296)</u>	<u>(342)</u>
Trade receivables — net	30,786	32,268	42,074
Other receivables			
Amount due from customers for contract work (a)	310	145	472
Deposit for guarantee certificate over tendering and performance (b)	10,690	13,277	14,631
Amounts due from a former related party (note 30(c))	10,000	10,000	7,000
Amounts due from shareholders/directors (note 30(d))	4,292	113	3,390
Prepayments	18,940	18,079	26,615
Value-added tax receivables	11,107	8,793	5,556
Cash advance to staff	1,154	3,105	4,975
Others	<u>10,049</u>	<u>10,707</u>	<u>8,194</u>
	<u><u>97,328</u></u>	<u><u>96,487</u></u>	<u><u>112,907</u></u>

As of 31 December 2011, 2012 and 2013, the fair values of trade and other receivables of the Group approximate their carrying amounts.

- (a) Amount due from customers for contract work represented the balance of aggregate cost incurred and recognised profits for the service component of the application solution services which recognised based on percentage of completion method. The net balance sheet position for ongoing contracts is as the following:

	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The aggregate costs incurred and recognised profits to date	310	145	472
Less: Progress billings	(843)	(595)	(514)
Net balance sheet position for ongoing contracts	(533)	(450)	(42)

- (b) Deposits for guarantee certificate over tendering and performance are placed with third parties for performing the contracts and the deposits are interest free and will be returned when the contracts complete.

Invoices issued to our customers 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 within 3 months based on the historical record. The Group have put in place control measures such that our accounting and finance department will keep regular tracking of outstanding receivables, and our head of sale department would supervise our sale personnel to closely monitor and follow up with our customers on settlement of the outstanding receivables. At 31 December 2011, 2012 and 2013, the ageing analysis of the trade receivables based on revenue recognition date is as follows:

	As at 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	14,859	12,583	20,588
3 to 6 months	13,723	12,941	14,124
6 months to 1 year	846	797	871
1 to 2 years	243	5,710	6,232
2 to 3 years	1,115	237	259
Over 3 years	148	296	342
	<u>30,934</u>	<u>32,564</u>	<u>42,416</u>

As of 31 December 2011, 2012, and 2013, trade and other receivables of RMB15,927,000, RMB19,685,000 and RMB21,486,000 were over 3 months but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	As at 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
3 to 6 months	13,723	12,941	14,124
6 months to 1 year	846	797	871
1 to 2 years	243	5,710	6,232
2 to 3 years	1,115	237	259
	<u>15,927</u>	<u>19,685</u>	<u>21,486</u>

As of 31 December 2011, 2012 and 2013, trade and other receivables of RMB148,000, RMB296,000 and RMB342,000 were impaired. The amount of the provision was RMB148,000, RMB296,000 and RMB342,000 as of 31 December 2011, 2012 and 2013. The impaired receivables mainly relate to customers which are in unexpected financial difficulties. The ageing of these receivables is as follows:

	As at 31 December		
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Over 3 years	148	296	342

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December		
	2011 RMB'000	2012 RMB'000	2013 RMB'000
Trade receivables			
RMB	23,238	21,899	34,135
United State Dollar ("USD")	7,548	10,257	5,719
Hong Kong Dollar ("HKD")	—	112	2,220
	<u>30,786</u>	<u>32,268</u>	<u>42,074</u>
Other receivables			
RMB	63,573	61,366	67,214
Hong Kong Dollar ("HKD")	1,598	1,774	1,648
United State Dollar ("USD")	361	335	1,223
Euro ("EUR")	612	624	631
British Sterling ("GBP")	398	120	117
	<u>66,542</u>	<u>64,219</u>	<u>70,833</u>
	<u>97,328</u>	<u>96,487</u>	<u>112,907</u>

Movements on the Group provision for impairment of trade receivables are as follows:

	As at 31 December		
	2011 RMB'000	2012 RMB'000	2013 RMB'000
At beginning of the year	—	(148)	(296)
Provision for impairment	<u>(148)</u>	<u>(148)</u>	<u>(46)</u>
At end of the year	<u>(148)</u>	<u>(296)</u>	<u>(342)</u>

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

As of 31 December 2011, 2012 and 2013, the trade receivables amounting to RMB26,546,000, RMB20,930,000 and RMB35,339,000 were pledged to for a secured bank loan of RMB14,250,000, RMB19,000,000, and RMB22,100,000 respectively (note 22).

Trade and other receivables — Company

	As at 31 December		
	2011 RMB'000	2012 RMB'000	2013 RMB'000
Dividend receivable	<u>—</u>	<u>—</u>	<u>60,200</u>

16 INVENTORIES

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Equipments and parts	37,001	52,715	52,076
Work in progress	299,832	233,494	337,214
Provision for inventory	(679)	(2,232)	(2,320)
	<u>336,154</u>	<u>283,977</u>	<u>386,970</u>

The cost of inventories recognised as expense and included in 'cost of sales' amounted to RMB316,084,000, RMB346,521,000 and RMB370,054,000 for the years ended 31 December 2011, 2012 and 2013.

17 PLEDGED BANK DEPOSITS

The amounts represent deposits placed in banks for guarantees issued for trade finance facilities used by the Group. The deposits have a maturity period within one year and carry interest rate range from 0.35% to 0.5% per annum for the years ended 31 December 2011, 2012 and 2013.

18 CASH AND CASH EQUIVALENTS

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cash on hand	221	87	126
Cash at banks	<u>40,421</u>	<u>34,939</u>	<u>53,752</u>
Cash and cash equivalents	<u>40,642</u>	<u>35,026</u>	<u>53,878</u>
Maximum exposure to credit risk	<u>40,421</u>	<u>34,939</u>	<u>53,752</u>

The carrying amount of the cash and cash equivalents are denominated in the following currencies:

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
RMB	22,072	18,331	45,146
HKD	569	9,314	3,456
USD	15,125	5,225	5,187
GBP	2,875	1,985	75
Others	<u>1</u>	<u>171</u>	<u>14</u>
	<u>40,642</u>	<u>35,026</u>	<u>53,878</u>

The conversion of RMB into foreign currencies for the purpose of dividends is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The effective interest rate on cash deposits ranged from 0.35% to 0.5% per annum for the years ended 31 December 2011, 2012 and 2013.

19 SHARE CAPITAL AND PREMIUM — GROUP AND COMPANY

Share capital

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares <i>RMB'000</i>
Authorised:			
Ordinary share of HK\$0.1 each at 18 December 2012 (date of incorporation), 31 December 2012 and 2013	<u>3,800,000</u>	<u>HK\$380,000</u>	<u>308</u>
Issued and fully paid:			
At 18 December 2012 (date of incorporation)	—	—	—
Issue of ordinary shares (<i>Note 1.2(i)(ii)</i>)	<u>10,000</u>	<u>HK\$1,000</u>	<u>1</u>
Ordinary share of HK\$0.1 each at 31 December 2012 and 2013	<u>10,000</u>	<u>HK\$1,000</u>	<u>1</u>

(a) Sub-division of shares

On 13 June 2014, each issued and unissued ordinary share of our Company of HK\$0.10 each was sub-divided into ten Shares of HK\$0.01 each and following the sub-division of share capital of our Company, the number of issued shares of our Company was increased from 10,000 to 100,000.

(b) Capitalisation issue

By a shareholder's resolution dated 13 June 2014 and conditional on the share premium account of the Company being credited as a result of the issuance of new shares pursuant to the proposed offering of the Company's shares, the Company will issue additional 749,900,000 shares, credited as fully paid, to the existing shareholder of the Company.

Share premium

	Share premium <i>RMB'000</i>
At 1 January 2012	—
Issue of ordinary shares	<u>70,674</u>
At 31 December 2012 and 2013	<u>70,674</u>

20 RESERVES AND RETAINED EARNINGS

	Other reserves				Total RMB'000
	Merger reserve RMB'000 (note 1.2 (a)(i))	Translation reserve RMB'000	Capital reserve RMB'000 (ii)	Retained earnings RMB'000	
Balance at 1 January 2011	10,063	25	—	21,281	31,369
Profit for the year	—	—	—	36,164	36,164
Dividends paid relating to 2010	—	—	—	(30,354)	(30,354)
Currency translation difference	—	14	—	—	14
Balance at 31 December 2011 and 1 January 2012	10,063	39	—	27,091	37,193
Profit for the year	—	—	—	63,762	63,762
Dividends relating to 2012	—	—	—	(15,563)	(15,563)
Transaction with non-controlling interests (note 29)	—	—	1,870	—	1,870
Deemed distribution to the shareholders (note 1.2 (a))	(10,000)	—	—	—	(10,000)
Currency translation difference	—	1	—	—	1
Issue of new ordinary shares	(70,675)	—	—	—	(70,675)
Balance at 31 December 2012	(70,612)	40	1,870	75,290	6,588
Balance at 31 December 2012 and 1 January 2013	(70,612)	40	1,870	75,290	6,588
Profit for the year	—	—	—	77,755	77,755
Dividends relating to 2013	—	—	—	(60,000)	(60,000)
Currency translation difference	—	(27)	—	—	(27)
Balance at 31 December 2013	(70,612)	13	1,870	93,045	24,316

(i) The merger reserve of the Group represents the difference between the nominal value of the shares of the then holding company of the Listing Business, acquired pursuant to the Group reorganisation on 27 December 2012 (note 1.2), over the nominal value of the Company's shares issued in exchange thereof.

(ii) Capital reserves mainly represents the differences between the considerations paid and the carrying value of the net assets of the non-controlling interest acquired.

21 TRADE AND OTHER PAYABLES

Trade and other payables — Group

	As at 31 December		
	2011 RMB'000	2012 RMB'000	2013 RMB'000
Trade payables	57,954	66,476	93,420
Amounts due to customers for contract work	843	595	514
Advances from customers	333,944	213,102	239,095
Employee benefits payable	6,886	7,247	11,011
Other taxes payable	19,588	19,747	20,860
Amounts due to shareholders/directors (note 30(e))	6	11,715	16
Dividends payable	—	—	60,000
Accrual for professional service fee	3,398	6,796	2,400
Others	7,182	5,703	7,875
	<u>429,801</u>	<u>331,381</u>	<u>435,191</u>

At 31 December 2011, 2012 and 2013 the ageing analysis of the trade payables based on invoice date is follows:

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Up to 3 months	48,126	49,387	76,764
3 to 6 months	2,690	10,906	5,099
6 months to 1 year	786	3,011	4,020
1 to 2 years	5,017	1,037	5,705
2 to 3 years	1,335	2,018	501
Over 3 years	—	117	1,331
	<u>57,954</u>	<u>66,476</u>	<u>93,420</u>

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
RMB	54,814	58,915	81,036
USD	2,341	5,822	9,212
GBP	695	1,053	2,592
HKD	104	686	580
	<u>57,954</u>	<u>66,476</u>	<u>93,420</u>

Trade and other payables — Company

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Dividends payable	—	—	60,000
Others	—	—	74
	<u>—</u>	<u>—</u>	<u>60,074</u>

22 BORROWINGS

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Non-current			
Bank borrowings	7,771	11,557	4,624
Current			
Bank borrowings	<u>20,045</u>	<u>40,951</u>	<u>53,544</u>
Total borrowings	<u>27,816</u>	<u>52,508</u>	<u>58,168</u>

Bank borrowings bear effective interest rate of 6.74%, 6.88% and 6.50% annually for the year ended 31 December 2011, 2012 and 2013 respectively.

As at 31 December 2011, 2012 and 2013, the scheduled repayment dates of the Group's bank borrowing, as set out in the loan arrangements and without considering the effect of any repayment on demand clause, are as follows:

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within 1 year	20,045	40,951	53,544
Between 1 and 2 years	5,486	6,831	3,199
Between 2 and 5 years	2,285	4,726	1,425
	<u>27,816</u>	<u>52,508</u>	<u>58,168</u>

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Wholly repayable within 5 years	<u>27,816</u>	<u>52,508</u>	<u>58,168</u>

As at 31 December 2011, 2012 and 2013, bank borrowings of RMB27,816,000, RMB33,628,000 and RMB28,499,000 are secured by the buildings of the Group, cost of which amounting to RMB34,000,000, RMB51,722,000 and RMB51,722,000 (note 12); trade receivables of RMB26,546,000, RMB20,930,000 and RMB35,339,000 (note 15), respectively.

As at 31 December 2011, 2012 and 2013, bank borrowings of RMB14,250,000, RMB37,879,000 and RMB41,019,000 were guaranteed by Mr. Leung Wing Fai, a shareholder of the Company. The personal guarantees will be released before or upon listing.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates are as follows:

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
6 months or less	27,816	31,128	27,815
6–12 months	—	14,500	25,354
	<u>27,816</u>	<u>45,628</u>	<u>53,169</u>

The carrying amount of bank borrowings approximates their fair value, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing's effective interest rate and are within level 2 the fair value hierarchy.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
HKD	—	6,879	4,999
RMB	<u>27,816</u>	<u>45,629</u>	<u>53,169</u>
	<u>27,816</u>	<u>52,508</u>	<u>58,168</u>

23 DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities are as follows:

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Deferred tax assets:			
— Deferred tax asset to be recovered after more than 12 months	<u>814</u>	<u>1,825</u>	<u>2,595</u>

The gross movement on the deferred income tax account and the movement in deferred income tax assets and liabilities during the Relevant Periods are as follows:

	Year ended 31 December				
	2011 RMB'000	2012 RMB'000	2013 RMB'000		
At 1 January	1,190	814	1,825		
(Charged)/credited to the income statement (<i>note 11</i>)	<u>(376)</u>	<u>1,011</u>	<u>770</u>		
At 31 December	<u>814</u>	<u>1,825</u>	<u>2,595</u>		
	Provision for impairment loss on trade and other receivables RMB'000	Provision for inventory obsolescence RMB'000	Accrued payroll expenses RMB'000	Tax losses RMB'000	Total RMB'000
Deferred tax assets					
At 1 January 2011	—	—	380	810	1,190
Credited to the income statement	<u>22</u>	<u>81</u>	<u>169</u>	<u>(648)</u>	<u>(376)</u>
At 31 December 2011	22	81	549	162	814
Credited to the income statement	<u>22</u>	<u>144</u>	<u>252</u>	<u>593</u>	<u>1,011</u>
At 31 December 2012	44	225	801	755	1,825
(Charged)/credited to the income statement	<u>(3)</u>	<u>(24)</u>	<u>484</u>	<u>313</u>	<u>770</u>
At 31 December 2013	<u>41</u>	<u>201</u>	<u>1,285</u>	<u>1,068</u>	<u>2,595</u>

24 EARNINGS PER SHARE

For the purpose of computing basic and diluted earnings per share, ordinary shares were assumed to have been issued and allocated on 1 January 2011 as if the Company has been established by then.

Basic earnings per share for the Relevant Periods 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:

	Year ended 31 December		
	2011	2012	2013
Profit attributable to owners of the Company (<i>in RMB'000</i>)	36,164	63,762	77,755
Weighted average number of ordinary shares in issue (<i>note a</i>)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Basic earnings per share (<i>RMB</i>)	<u>361.64</u>	<u>637.62</u>	<u>777.55</u>

- (a) As disclosed in note 19 (a), the number of issued shares of our Company was increased from 10,000 to 100,000 as a result of the sub-division of shares. The calculation of basic earnings per share was adjusted retrospectively.

The Company did not have any potential dilutive shares for the years ended 31 December 2011, 2012 and 2013. Accordingly, diluted earnings per share are the same as basic earnings per share.

The proposed and diluted earnings per share as presented above have not taken into account the proposed capitalisation issued as described in note 19(b).

25 DIVIDENDS

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Dividends declared or paid	30,354	15,563	60,000

For the years ended 31 December 2011 and 2012, a subsidiary of the Group declared and paid dividend of RMB8,720,000 and RMB37,197,000 to the shareholders respectively.

For the year ended 31 December 2013, the Company declared a dividend of RMB60,000,000 to the shareholders.

The rate of dividend and the number of shares ranking for dividend is not presented as such information is not meaningful having regard to the purpose of this report.

26 CASH GENERATED FROM OPERATIONS

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Profit before income tax	45,555	79,466	94,146
Adjustments for:			
— Provision for bad debts	148	148	46
— Provision for inventory obsolescence	679	1,553	88
— Amortisation of other non-current assets	—	6	17
— Depreciation of property, plant and equipment (<i>note 12</i>)	1,886	5,974	8,335
— Finance costs	424	160	(247)
— (Increase)/decrease in inventories	(77,028)	50,624	(103,081)
— Decrease/(increase) in trade and other receivables	16	983	(16,374)
— Increase/(decrease) in trade and other payables	91,626	(123,156)	62,255
Cash generated from operations	63,306	15,758	45,185

27 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB126,000 for the year ended 31 December 2013.

28 COMMITMENTS

(a) Operating lease commitments — group company as lessee

The Group leases various offices and warehouses under both cancellable and non-cancellable operating lease agreements. The non-cancellable lease terms are between 1 and 5 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. The Group is required to give at least a month notice for the termination of these agreements. The lease expenditure and related management fee, water and electricity (if necessary) charged to the income statement during the year is disclosed in note 7.

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

Group	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
No later than 1 year	3,978	1,200	1,242
Later than 1 year and no later than 2 years	1,200	288	575
Later than 2 year and no later than 3 years	341	53	814
	5,519	1,541	2,631

29 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Acquisition of additional interest in subsidiaries

- (a) On 20 June 2012, the Group acquired an additional 20% of the issued shares of TST Beijing for a cash consideration of RMB2,400,000. The carrying amount of the non-controlling interests in the Group on the date of acquisition was RMB4,184,000. The Group recognised a decrease in non-controlling interests of RMB4,184,000 and an increase in equity attributable to owners of the Company of RMB4,184,000. The effect of changes in the ownership interest of the Group on the equity attributable to the owners of the Company during the year is summarised as follows:

	<i>RMB'000</i>
Carrying amount of non-controlling interests acquired	4,184
Consideration paid to non-controlling interests	<u>(2,400)</u>
Excess of non-controlling interests acquired over consideration paid recognised within equity	<u>1,784</u>

- (b) On 18 April 2012, the Group acquired an additional 10% of the issued shares of Viz (China) Limited for nil consideration. The carrying amount of the non-controlling interests in the Group on the date of acquisition was RMB86,000. The Group recognised a decrease in non-controlling interests and an increase in equity attributable to the owners of the Company of RMB86,000, respectively. The effect of changes in the ownership interest of the Group on the equity attributable to owners of the Company during the year is summarised as follows:

	<i>RMB'000</i>
Carrying amount of non-controlling interests acquired	86
Consideration paid to non-controlling interests	<u>—</u>
Excess of non-controlling interests acquired over consideration paid recognised within equity	<u>86</u>

30 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

- (a) During the years ended 31 December 2011, 2012 and 2013, the related parties that had transactions with the Group were as follows

Name of related parties	Relationship with the Group
Mr. Lo Chi Sum	Individual shareholder/director
Mr. Leung Wing Fai	Individual shareholder/director
Mr. Zhou Jue	Individual shareholder/director (i)
Mr. Huang He	Individual shareholder/director (i)
Mr. Sun Qingjun	Individual shareholder/director (i)
Mr. Zhou Qi	Individual shareholder (ii)
Shanghai Sincerity Import & Export Co., Ltd.	Controlled by Mr. Zhou Qi (ii)

- (i) Mr. Zhou Jue, Mr. Huang He, Mr. Sun Qingjun transferred their total equity interests of the Company to Lo Chi Sum on 9 May 2013. As a result, they were no longer the shareholder of the company after the share transfer.
- (ii) As Mr. Zhou Qi transferred his total equity interest of the Company to Mr. Lo Chi Sum on 9 May 2013, Mr. Zhou Qi and Shanghai Sincerity Import & Export Co., Ltd. was no longer the related party of the Group after the share transfer.

(b) Key management compensation

Key management includes directors and senior managements. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Salaries and other allowance	3,687	3,906	8,943
Pension costs — defined contribution plans	71	52	293
	<u>3,758</u>	<u>3,958</u>	<u>9,236</u>

(c) Guarantee provided by a shareholder (note 22)

	At 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Mr. Leung Wing Fai	<u>14,250</u>	<u>37,879</u>	<u>41,019</u>

(d) Amount due from a former related party

	At 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Shanghai Sincerity Import & Export Co., Ltd. (note 30(a)(ii))	<u>10,000</u>	<u>10,000</u>	<u>N/A</u>

(e) Amounts due from shareholders/directors

	At 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Mr. Leung Wing Fai	—	—	856
Mr. Zhou Jue	196	—	325
Mr. Huang He	103	—	—
Mr. Lo Chi Sum	3,865	—	274
Mr. Sun Qingjun	128	113	1,935
	<u>4,292</u>	<u>113</u>	<u>3,390</u>

The maximum outstanding of amount due form shareholders/directors during the year is as follows:

	At 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Mr. Leung Wing Fai	—	—	856
Mr. Zhou Jue	196	196	325
Mr. Huang He	103	103	—
Mr. Lo Chi Sum	3,865	3,865	274
Mr. Sun Qingjun	128	128	1,935
	<u>4,292</u>	<u>4,292</u>	<u>3,390</u>

(f) Amounts due to shareholders/directors

	At 31 December		
	2011 RMB'000	2012 RMB'000	2013 RMB'000
Mr. Leung Wing Fai	6	3,436	—
Mr. Zhou Jue	—	434	—
Mr. Huang He	—	707	16
Mr. Lo Chi Sum	—	4,138	—
Mr. Zhou Qi	—	3,000	—
	<u>6</u>	<u>11,715</u>	<u>16</u>

The balances due from/to related parties are denominated in RMB, unsecured, interest free and are repayable on demand, and will be settled before listing.

No balance due from related companies is past due or impaired.

31 CONTINGENCIES

The Group did not have any material contingent liabilities as at 31 December 2011, 2012 and 2013.

32 SUBSEQUENT EVENTS

Save as disclosed elsewhere in this report, the following significant event took place subsequent to 31 December 2013:

(a) Sub-division of shares and capitalisation issue

Please refer to note 19 (a) and (b) for details.

(b) Share option scheme and share award plan

The Company has conditionally adopted a share option scheme and share award plan, under which employees of the Group including executive directors and other eligible participants may be granted options to subscribe for shares of the Company and may be awarded shares of the Company.

(c) Legal dispute

In March 2014, one of the subsidiaries of the Group was involved in a contractual dispute with a supplier of television broadcasting systems (the "Claimant"). The Claimant supplied certain television broadcasting systems to this subsidiary, who provided the application solution services for the systems to a client in Hunan ("Client"), the end-user of the systems. The contractual claim amounting RMB6.77 million was brought by the Claimant against this subsidiary and the Client in relation to the outstanding amount payable for the sale of the systems. In light of the quality problems in the systems supplied by the Claimant, and the Client is the end user of the system and bear the ultimate obligation to settle payments, the directors consider that the ultimate outcome of the Legal Dispute will not have a material adverse effect on the Financial Information and therefore no provision has been made for the year ended 31 December 2011, 2012 and 2013.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies of the Group in respect of any period subsequent to 31 December 2013 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2013.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
 Hong Kong

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to owners of the Company as of 31 December 2013 as if the Global Offering had taken place on 31 December 2013 assuming the over-allotment is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 December 2013 or at any future dates following the Global Offering. It is prepared based on the consolidated net tangible assets of the Group as at 31 December 2013 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2013 (Note 1) RMB'000	Estimated net proceeds from the Global Offering (Note 2) RMB'000	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company as at 31 December 2013 RMB'000	Unaudited pro forma adjusted net tangible assets per Share (Note 3) RMB HK\$	
Based on an Offer Price of HK\$1.08 per Share	<u>94,991</u>	<u>175,813</u>	<u>270,804</u>	<u>0.27</u>	<u>0.34</u>
Based on an Offer Price of HK\$1.38 per Share	<u>94,991</u>	<u>235,063</u>	<u>330,054</u>	<u>0.33</u>	<u>0.42</u>

Notes:

- (1) The audited consolidated net tangible assets attributable to owners of the Company as at 31 December 2013 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2013 of RMB94,991,000.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$1.08 and HK\$1.38 per Share after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB6.2 million which have been accounted for prior to 31 December 2013) and takes no account of any shares which may fall to be issued upon the exercise of the Over-allotment Option and any Shares which may be issued upon the exercise of the options granted under the share option scheme or which may be issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate, respectively.
- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,000,000,000 Shares were in issue assuming that the Global Offering has been completed on 31 December 2013 but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Share which may be issued upon the exercise of the options granted under share option scheme or which may be issued or repurchased by the Company pursuant to the General Mandate or the Repurchase Mandate as described in the section headed "Share Capital" in this prospectus.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2013.

- (5) For the purpose of this unaudited pro forma adjusted net tangible assets statement, the balances stated in Renminbi are converted into Hong Kong dollars at the PBOC rate of HK\$1.00 to RMB0.79 prevailing on the Latest Practicable Date.

B. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS**TO THE DIRECTORS OF CENTURY SAGE SCIENTIFIC HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Century Sage Scientific Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 December 2013, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 24 June 2014, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 31 December 2013 as if the proposed initial public offering had taken place at 31 December 2013. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the year ended 31 December 2013, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

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We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus”, issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 December 2013 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant’s judgment, having regard to the reporting accountant’s understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 24 June 2014

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the memorandum and articles of association of our Company and of certain aspects of Cayman Islands company law.

1. MEMORANDUM OF ASSOCIATION

The memorandum of association provides that our Company's objects are unrestricted. The objects of our Company are set out in Clause 3 of the memorandum of association which is available for inspection at the address and during the period specified in the paragraph headed "Documents available for inspection" specified in Appendix V to this prospectus. As an exempted company, our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The articles of association of our Company (the "Articles") were adopted on 13 June 2014. The following is a summary of certain provisions of the Articles.

(a) Directors

(i) *Power to allot and issue shares*

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as our Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as our Directors may determine) and any preference shares may be issued on terms that they are liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of our Company or at the option of the holder. Our Directors may issue warrants to subscribe for any class of shares or securities of our Company on such terms as they may from time to time determine.

All unissued shares in our Company shall be at the disposal of our Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms they shall in their absolute discretion think fit, but so that no shares shall be issued at a discount.

(ii) *Power to dispose of the assets of our Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of our subsidiaries although our Directors may exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or relevant statutes of the Cayman Islands to be exercised or done by our Company in general meeting.

(iii) *Compensation or payments for loss of office*

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which our Director is contractually entitled) must be approved by our Company in general meeting.

(iv) Loans and the giving of security for loans to Directors

Where the shares of our Company remain listed on the Stock Exchange or on a stock exchange in such other territory as our Directors may from time to time decide, our Company may not make, without the approval of, or ratification by, our Company in general meeting, any loans to, or provide any guarantee, indemnity or security in respect of any loan to a Director or any of his associates, provided that the Articles do not prohibit the granting of any loan or the provision of any guarantee, indemnity or security (i) to be applied for, or in respect of a liability incurred for any business of our Company, (ii) for the purchase by a Director (or the repayment of a loan for his purchase) of a residence where the amount of the loan, the liability under the guarantee or indemnity or the value of the security does not exceed 80 per cent. of the fair market value of such residence nor 5 per cent. of the consolidated net asset value of our Company as shown in our Company's latest audited accounts; provided that any such loan is on normal commercial terms and is secured by a legal charge over the residence; or, (iii) of any amount to, or in respect of a liability of, a company in which our Company has an equity interest, and the amount of such loan, or the liability assumed by our Company under such guarantee, indemnity or security, does not exceed its proportional interest in such company.

(v) Financial assistance to purchase shares of our Company or our holding company

There are no provisions in the Articles relating to the giving by our Company of financial assistance for the purchase, subscription or other acquisition of shares of our Company or of our holding company. The law on this area is summarised in paragraph 4(b) below.

(vi) Disclosure of interests in contracts with our Company or any of our subsidiaries

A Director may hold any other office or place of profit with our Company (except that of an auditor) in conjunction with his office of Director for such period and upon such terms as our Directors may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as our Directors may determine. A Director may be or become a director or other officer of, or be otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. Our Directors may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing our Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of our Directors concerning his own appointment or the appointment of any of his associates as the holder of any office or place of profit with our Company or any other company in which our Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any contract with regard thereto or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. If to the knowledge of a Director, he or any of his associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company, he must declare the nature of his or, as the case may be, his associate(s)' interest at the meeting of our Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his associates then exists, or in any other case at the first meeting of our Directors after he knows that he or his associate(s) is or has become so interested.

Save as otherwise provided by the Articles, a Director may not vote (nor be counted in the quorum for the voting) on any resolution of our Directors approving any contract or arrangement in which he or any of his close associate(s) (as defined in the Articles) is to his knowledge materially interested, and if he does so his vote will not be counted, but this prohibition will not apply to any of the following matters, namely:

- (aa) any contract or arrangement for the giving to our Director or his close associate(s) of any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him for the benefit of our Company;
- (bb) any contract or arrangement for the giving by our Company of any security to a third party in respect of a debt or obligation of our Company or any company in which our Company has an interest for which our Director or his close associate(s) has himself/themselves guaranteed or secured in whole or in part;
- (cc) any contract or arrangement by a Director or his close associate(s) to subscribe for shares or debentures or other securities of our Company to be issued pursuant to any offer or invitation to the members or debenture or other securities holders or to the public which does not provide our Director and his close associate(s) any privilege not accorded to any other members or debenture or other securities holders or to the public;
- (dd) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by our Company for subscription or purchase where our Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;
- (ee) any contract or arrangement in which our Director or his close associate(s) is/are interested by virtue only of his/their interest in shares or debentures or other securities of our Company and/or his/their being the offeror or one of the offerors or is interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;
- (ff) any proposal or arrangement for the benefit of employees of our Company or our subsidiaries including a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his close associate(s) and employees of our Company or of any of our subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant tax authorities for taxation purposes or relates to Directors, close associate(s) of Directors and employees of our Company or any of our subsidiaries and does not

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
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give our Director or his close associate(s) any privilege not accorded to the relevant class of officers of which our Director is a member and to whom such scheme or fund relates;

- (gg) any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by our Company to, or for the benefit of, the employees of our Company or our subsidiaries under which our Director or his close associate(s) may benefit; and
- (hh) any contract, agreement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his close associate(s), officer or employee pursuant to the Articles.

(vii) Remuneration

Our Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as is from time to time determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst our Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in our Company except in the case of sums paid in respect of Directors' fees. Our Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from Directors' meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of our Company or in the discharge of their duties as Directors.

Our Directors may grant special remuneration to any Director who performs any special or extra services to or at the request of our Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of the managing director, joint managing director, deputy managing director or an executive Director or a Director appointed to any other office in the management of our Company may be fixed from time to time by our Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as our Directors may from time to time decide. Such remuneration is in addition to his ordinary remuneration as a Director.

Our Directors also have power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of our Company, or of any company which is a subsidiary of our Company, or is allied or associated with our Company or with any such subsidiary company, or who are or were at any time directors or officers of our Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in our Company or such other company, and the spouses, widows, widowers, families and dependants of any such

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persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(viii) Retirement, appointment and removal

At each annual general meeting, one-third of our Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. Our Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

A Director is not required to retire upon reaching any particular age.

Our Directors are entitled to attend and speak at all general meetings.

The number of Directors shall not be fewer than one. A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and our Company). Subject to the statutes and the provisions of the Articles, our Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. In addition, our Directors may appoint any person to be a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election at the meeting.

Our Directors may from time to time entrust to and confer upon the chairman, deputy chairman, managing director, joint managing director, deputy managing director or executive director of our Company all or any of the powers of our Directors that they may think fit, provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as our Directors may from time to time make and impose. Our Directors may delegate any of their powers to committees consisting of such member or members of their body and such other persons as they think fit, and they may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by our Directors.

(ix) Borrowing powers

Our Directors may from time to time at their discretion exercise all the powers of our Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of our Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. Our Directors may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular, but subject to the provisions of the Companies Law, by the issue of debentures, debenture stock, bonds or other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

Note: The provisions summarised above, in common with the Articles in general, may be varied with the sanction of a special resolution of our Company.

(x) *Qualification shares*

Directors of our Company are not required under the Articles to hold any qualification shares.

(xi) *Indemnity to Directors*

The Articles contain provisions that provide indemnity to, among other persons, our Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

(b) Alterations to constitutive documents

The memorandum of association of our Company may be altered by our Company in general meeting. The Articles may also be amended by our Company in general meeting. As more fully described in paragraph 3 below, the Articles provide that, subject to certain exceptions, a special resolution is required to alter the memorandum of association, to approve any alteration to the Articles and to change the name of our Company.

(c) Alterations of capital

Our Company may from time to time by ordinary resolution:

- (i) increase its share capital;
- (ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into a consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by our Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to our Company for our Company's benefit;
- (iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
- (iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;

- (v) sub-divide its shares or any of them into shares of smaller amount than is fixed by the memorandum of association, subject nevertheless to the Companies Law, and so that the resolution whereby any shares are sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares;
- (vi) change the currency of denomination of its share capital; and
- (vii) make provision for the issue and allotment of shares which do not carry any voting rights.

Our Company may by special resolution reduce its issued share capital, any capital redemption reserve fund or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law. Our Company may apply its share premium account in any manner permitted by law.

(d) Variation of rights of existing shares or classes of shares

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, save as to the provisions regarding the quorum of meetings, as to which see paragraph 2(s) below.

(e) Special resolutions — majority required

For so long as any part of the issued capital of our Company remains listed on the Stock Exchange, a special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives, or by proxy, at a general meeting of which notice of not less than 21 clear days' and not less than ten (10) clear business days, specifying the intention to propose the resolution as a special resolution, has been duly given. However, at all times while any part of the issued capital of our Company remains listed on the Stock Exchange, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right, (or, in the case of an annual general meeting, by all members) a resolution may be proposed and passed as a special resolution at a meeting of which notice of not less than 21 clear days' and not less than ten (10) clear business days has been given.

(f) Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or instalments is treated for the foregoing purposes as paid on the share). So long as the shares are

listed on the Stock Exchange, where any member is, under the Listing Rules (as defined in the Articles), required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member (whether by way of proxy or, as the case may be, corporate representative) in contravention of such requirement or restriction shall not be counted. On a poll, a member entitled to more than one vote need not use all his votes or cast all his votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

Where a shareholder is a clearing house (as defined in the Articles) or a nominee of a clearing house, it may authorise such persons as it thinks fit to act as its representatives at any meeting of our Company or at any meeting of any class of shareholders provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of the Articles shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of our Company held by the clearing house (or its nominees) in respect of the number and class of shares specified in the relevant authorisation including, where a show of hands is allowed, the right to vote individually on a show of hands.

(g) Requirements for annual general meetings

For so long as any part of the issued capital of our Company remains listed on the Stock Exchange, an annual general meeting must be held once in every year and within not more than 15 months after the last preceding annual general meeting or such longer period as is permissible or not prohibited under the rules of the Stock Exchange on which any securities of our Company are listed with the permission of our Company.

(h) Accounts and audit

Our Directors shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by law or are necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions.

The books of accounts are to be kept at the principal office of our Company or at such other place as our Directors think fit and shall always be open to the inspection of our Directors. No member (not being a Director) or other person has any right to inspect any account or book or document of our Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by our Directors or by our Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

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Our Directors shall from time to time cause to be prepared and laid before our Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports and so long as any shares in our Company are listed on the Stock Exchange, the accounts of our Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong or the International Financial Reporting Standards or such other standards as the Stock Exchange may permit. Every balance sheet of our Company shall be signed on behalf of our Directors by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before our Company at its annual general meeting, together with a copy of our Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting, be sent to every member of, and every holder of debentures of, our Company and every other person entitled to receive notices of general meetings of our Company under the Companies Law or of the Articles. Subject to due compliance with the Companies Law and the rules of the Stock Exchange, and to obtaining all necessary consents, if any, required thereunder and such consents being in full force and effect, such requirements shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Companies Law and instead of such copies, a summary financial statement derived from our Company's annual financial statements and the directors' report thereon, which shall be in the form and containing the information required by applicable laws and regulation, provided that any person who is otherwise entitled to the annual financial statements of our Company and the directors' report thereon may, if he so requires by notice in writing served on our Company, demand that our Company sends to him, in addition to a summary financial statement, a complete printed copy of our Company's annual financial statement and the directors' report thereon. If all or any of the shares or debentures of our Company are for the time being (with the consent of our Company) listed or dealt in on any stock exchange, there shall be forwarded to such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Articles. Save as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of our Company at each annual general meeting, but in respect of any particular year, our Company in general meeting may delegate the fixing of such remuneration to our Directors.

(i) Notices of meetings and business to be conducted thereat

For so long as any part of the issued capital of our Company remains listed on the Stock Exchange, an annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which the passing of a special resolution is to be considered shall be called by notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings may be called by notice of not less than fourteen (14) clear days and not less than ten (10) clear business days. The notice shall specify the place, the day and the hour of meeting and particulars of resolutions to be considered at the meeting and, in case of special business, the general nature of that business.

(j) Transfer of shares

All transfers of shares must be effected by transfer in writing in the usual or common form or so long as any shares in our Company are listed on the Stock Exchange, such standard form prescribed by the Stock Exchange or in any other form acceptable to the Board and may be under hand only or, if the transferor or transferee is a clearing house or its nominee(s), by hand, by machine imprinted signature or by such other means of execution as our Directors may approve from time to time; and an instrument of transfer must be executed by or on behalf of the transferor

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and by or on behalf of the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof, provided that our Directors may in their absolute discretion dispense with the requirement for the production of a transfer in writing before registering a transfer of a share, and may accept mechanically executed transfers in any case.

Our Directors may, in their absolute discretion, at any time and from time to time transfer or agree to transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless our Directors otherwise agree, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office for that register.

Our Directors may in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom they do not approve and they may refuse to register the transfer of any shares (not being fully paid shares) on which our Company has a lien. Our Directors may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly or any share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby shall subsist, or where the transfer is to an infant or a person of unsound mind or under other legal disability. If our Directors refuse to register a transfer, they must within two months after the date on which the transfer was lodged with our Company send to the transferor and transferee notice of the refusal and (if the shares concerned are fully paid shares) the reasons(s) for such refusal.

Our Directors may, if applicable, decline to recognise an instrument of transfer unless the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as they may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may, on giving notice by advertisement in one English and one Chinese newspaper circulating in Hong Kong, be suspended at such times and for such periods as our Directors may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(k) Power for our Company to purchase its own shares

The Articles provide that the power of our Company to purchase or otherwise acquire its shares is exercisable by our Directors upon such terms and conditions as they think fit subject to the conditions prescribed by the Companies Law and the rules of the Stock Exchange.

(l) Power of any subsidiary to own securities in our Company

There are no provisions in the Articles relating to ownership of securities in our Company by a subsidiary.

(m) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency but no dividend may exceed the amount recommended by our Directors. Our Company may also make a distribution out of share premium account subject to the provisions of the Companies Law.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls will for this purpose be treated as paid on the shares. Our Directors may retain any dividends or other moneys payable on or in respect of a share upon which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. Our Directors may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

Whenever our Directors or our Company in general meeting have resolved that a dividend be paid or declared on the share capital of our Company, our Directors may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as our Directors may think fit.

Our Company may also upon the recommendation of our Directors by an ordinary resolution resolve in respect of any particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever our Directors or our Company in general meeting have resolved that a dividend be paid or declared our Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

Subject to the rules of the Stock Exchange, all dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by our Directors for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions or proceeds as aforesaid unclaimed for six years after having been declared may be forfeited by our Directors and, upon such forfeiture, shall revert to our Company and, in the case where any of the same are securities in our Company, may be re-allotted or re-issued for such consideration as our Directors think fit.

(n) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company or a meeting of the holders of any class of shares in our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him to vote on his behalf at a general meeting of our Company or at a class meeting. At any general meeting, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy. Proxies need not be members of our Company.

A proxy shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member.

(o) Corporate representatives

A corporate member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint any person or persons as its representative to attend and vote on its behalf. A corporate member represented by its representative is deemed to be present in person at the relevant meeting and its representative may vote on a poll on any resolution put at such meeting.

(p) Calls on shares and forfeiture of shares

Our Directors may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as our Directors shall fix from the day appointed for the payment thereof to the time of actual payment, but our Directors may waive payment of such interest wholly or in part. Our Directors may, if they think fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced our Company may pay interest at such rate (if any) not exceeding 20 per cent. per annum as our Directors may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, our Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of our Directors to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all moneys which, at the date of forfeiture, were payable by him to our Company in respect of the shares together with (if our Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent. per annum as the Board may prescribe.

(q) Inspection of register of members

For so long as any part of the share capital is listed on the Stock Exchange, any member may inspect the principal or branch register of our Company maintained in Hong Kong without charge and require the provision to him of copies or extracts thereof in all respect as if our Company were incorporated under and is subject to the Companies Ordinance (Cap. 622) of the laws of Hong Kong.

(r) Inspection of register of Directors

There are no provisions in the Articles relating to the inspection of the register of Directors and Officers of our Company, since the register is not open to inspection (as to which see paragraph 4(k) below).

(s) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person and entitled to vote (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy one-third in nominal value of the issued shares of that class and, where such meeting is adjourned for want of quorum, the quorum for the adjourned meeting shall be any two members present in person and entitled to vote or by proxy (whatever the number of shares held by them).

(t) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of our Company under Cayman Islands company law as summarised in paragraph 4(e) below.

(u) Procedures on liquidation

A resolution for a court or voluntary winding up of our Company must be passed by way of a special resolution.

If our Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If our Company shall be wound up (whether the liquidation is voluntary or by the court), the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of our Company and whether the assets consist of property of one kind or properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the

like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

(v) Untraceable members

Our Company may sell the shares of any member if: (i) dividends or other distributions have been declared by our Company on at least three occasions during a period of 12 years and these dividends or distributions have been unclaimed on such shares; (ii) our Company has published an advertisement of its intention to sell such shares in English and in Chinese in one leading English and (unless unavailable) one leading Chinese newspaper circulating in the territory of the stock exchange on which the ordinary share capital of our Company is listed and a period of three months has elapsed since the date of the first publication of such notice; (iii) our Company has not at any time during the said periods of 12 years and three months received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operations of law; and (iv) our Company has notified the stock exchange on which the ordinary share capital of our Company is listed of its intention to sell such shares. The net proceeds of any such sale will belong to our Company and upon the receipt of such net proceeds by our Company, our Company will become indebted to the former holder of such shares for an amount equal to the amount of such net proceeds.

(w) Stock

Our Company may by ordinary resolution convert any fully paid shares into stock, and may from time to time by like resolution reconvert any stock into fully paid shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but our Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or prohibit the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such privilege of our Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Articles as are applicable to paid up shares shall apply to stock, and the words “share” and “shareholder” and “member” therein shall include “stock” and “stockholder”.

(x) Other provisions

The Articles provide that, to the extent that it is not prohibited by and is in compliance with the Companies Law, if any rights attaching to any warrants which our Company may issue after the date of this prospectus shall remain exercisable and our Company does any act which would result in the subscription price under such warrants being reduced below the par value of a Share, a subscription right reserve shall be established and applied in paying up the shortfall between the subscription price and the par value of a Share on any exercise of the warrants.

3. VARIATION OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Subject to the rights of our Company set out in paragraph 2(c) above to amend its capital by ordinary resolution, the memorandum of association of our Company may be altered by our Company by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the memorandum of association (subject as provided above) or the Articles or to change the name of our Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of our Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than 21 clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of not less than 21 clear days' notice and not less than ten (10) clear business days notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

4. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

- (i) in paying distributions or dividends to members;
- (ii) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (iii) in redeeming or purchasing its shares as provided in the Companies Law; or
- (iv) in writing off
 - (aa) the preliminary expenses of the company; or
 - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Companies Law does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

(b) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the circumstances be legitimate for the directors to authorise the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

(c) Redemption and Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its articles of associations issue redeemable shares and, purchase its own shares, including any redeemable shares and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. Purchases and redemptions may only be effected out of the profits of the company or the share premium account of the company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any purchase by a company of its own shares may be authorised by its directors or otherwise by or in accordance with the provisions of its articles. A payment out of capital for a redemption or purchase of a company's own shares is not lawful unless immediately following the date of the proposed payment the company is able to pay its debts as they fall due in the ordinary course of business. Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own subscription warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its articles of association.

(d) Dividends and distributions

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

(e) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal (b) an act which constitutes a fraud against the minority and the wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company shall be wound up.

Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the memorandum and articles of association of the company.

(f) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary is required, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(g) Accounting and auditing requirements

The Companies Law requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(h) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(i) Taxation

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. As an exempted company, our Company has received from the Governor-in-Cabinet of the Cayman Islands pursuant to the Tax Concessions Law (2011 Revision) of the Cayman Islands, an undertaking that in the event of any change to the foregoing, our Company, for a period of 20 years from the date of the grant of the undertaking, will not be chargeable to tax in the Cayman Islands on its income or its capital gains arising in the Cayman Islands or elsewhere and that dividends of our Company will be payable without deductions of Cayman Islands tax. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

(j) Stamp duty

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

(k) Inspection of corporate records

Neither the members of a company nor the general public have the right to inspect the register of directors and officers, the minutes, accounts or, in the case of any exempted company, the register of members. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands. The register of mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

The location of the registered office of a company is available to the general public upon request to the Registrar of Companies.

(l) Winding up

A company may be wound up by the Cayman Islands court on application presented by the company itself, its creditors or its contributors. The Cayman Islands court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Islands court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles of association expires, or the event occurs on the occurrence of which the memorandum or articles of association provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where a resolution has been passed for the voluntary winding up of a company, the court may make an order that the winding up should continue subject to the supervision of the court with such liberty to creditors, contributors or others to apply to the court as the court may think fit.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purposes of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice called by Public Notice in the Cayman Islands or otherwise as the Registrar of Companies may direct.

5. GENERAL

Conyers Dill & Pearman (Cayman) Limited, our Company's legal advisers on Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 18 December 2012 with an authorised share capital of HK\$380,000 divided into 3,800,000 shares of HK\$0.1 each. On 18 December 2012, our Company allotted and issued one nil-paid share to Codan Trust Company (Cayman) Limited, which was transferred to Mr. Lo on the same date.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant laws and regulations of the Cayman Islands and our constitution which comprises the Memorandum and the Articles. A summary of the relevant laws and regulations of the Cayman Islands and of our constitution is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

At the date of incorporation of our Company, the authorised share capital of our Company was HK\$380,000 divided into 3,800,000 shares of HK\$0.1 each.

(a) Sub-division of shares

On 13 June 2014, each issued and unissued ordinary share of our Company of HK\$0.10 each was sub-divided into ten Shares of HK\$0.01 each and following the sub-division of share capital of our Company, the number of issued shares of our Company was increased from 10,000 to 100,000.

(b) Increase in authorised share capital

The authorised share capital of our Company was increased from HK\$380,000 to HK\$50,000,000 by the creation of 4,962,000,000 new Shares pursuant to a resolution passed by our Shareholders referred to in paragraph 3 below.

Immediately following completion of the Global Offering and the Capitalisation Issue (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), our authorised share capital will be HK\$50,000,000 divided into 5,000,000,000 Shares, of which 1,000,000,000 Shares will be issued fully paid or credited as fully paid, and 4,000,000,000 Shares will remain unissued. Other than pursuant to the exercise of the options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this paragraph and in the paragraphs headed “1. Incorporation of our Company”, “3. Resolutions in writing of our Shareholders passed on 13 June 2014” and “4. Group reorganisation” of this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

(c) Founder shares

Our Company has no founder shares, management shares or deferred shares.

3. Resolutions in writing of our Shareholders passed on 13 June 2014

By resolutions in writing of our Shareholders passed on 13 June 2014:

- (a) we approved and adopted the Articles;
- (b) the authorised share capital of our Company was increased from HK\$380,000 to HK\$50,000,000 by the creation of 4,962,000,000 new Shares;
- (c) conditional on (aa) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, (bb) the Offer Price having been determined; (cc) the execution and delivery of the Underwriting Agreements on or before the date as mentioned in this prospectus; and (dd) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:
 - (i) the Global Offering was approved and our Directors were authorised to (aa) allot and issue the Offer Shares pursuant to the Global Offering; (bb) implement the Global Offering and the listing of Shares on the Main Board of the Stock Exchange; and (cc) do all things and execute all documents in connection with or incidental to the Global Offering and the Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;
 - (ii) the rules of the Share Option Scheme, a summary of the principal terms of which is set out in the paragraph headed “Other information — 16. Share Option Scheme” of this Appendix, were approved and conditionally adopted and our Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;
 - (iii) conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise HK\$7,499,000 standing to the credit of the share premium account of our Company by applying that sum in paying up in full at par 749,900,000 Shares for allotment and issue to the holder of Shares whose name appear on the register of members of our Company at the close of business on 13 June 2014 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be allotted and issued) to its then existing shareholding in our Company and so that the Shares be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares and our Directors were authorised to give effect to such capitalisation;
 - (iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles, or upon the exercise of any options which may be granted under the Share Option Scheme or under the Global Offering or the Capitalisation Issue, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued

pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme; and (bb) the nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by Shareholders revoking or varying the authority given to our Directors, whichever occurs first;

- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme; until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by Shareholders revoking or varying the authority given to our Directors, whichever occurs first; and
- (vi) the extension of the general mandate to allot, issue and deal with Shares pursuant to paragraph (iv) above to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (v) above;
- (d) the form and substance of each of the service agreements made between our executive Directors and our Company, and the form and substance of each of the appointment letters made between each of our independent non-executive Directors with our Company were approved and ratified.

4. Group reorganisation

The companies comprising our Group underwent a Reorganisation to rationalise our Group’s structure in preparation for the listing of the Shares on the Stock Exchange, and steps of our Reorganisation are set out in the section headed “History and Development” in this prospectus.

5. Changes in share capital of our subsidiaries

Our subsidiaries are listed in the Accountant’s report set out in Appendix I to this prospectus.

Save for the alterations described in paragraph 7 and 8 below and the section headed “History and Development” in this prospectus, there is no alteration in the share capital of our subsidiaries which took place within the two years immediately preceding the date of this prospectus.

6. Further information about our Group's PRC establishments

Our Group has interest in the registered capital of six companies established in the PRC. A summary of the corporate information of these enterprises as at the Latest Practicable Date is set out as follows:

	1. CSS (Beijing)	2. TST (Beijing)	3. CSS Engineering	4. Evertop (Beijing)	5. CTL (Beijing)	6. Tongda
(i) Full name of company	北京世紀睿科系統技術有限公司	時代華睿(北京)科技有限公司	北京世紀睿科工程技術有限公司	北京永達天恒國際數碼科技有限公司	高駿(北京)科技有限公司	天維通達(北京)數碼科技有限公司
(ii) Date of establishment	27 April 2007	28 October 2009	15 April 2010	18 May 2011	15 July 2011	19 February 2013
(iii) Economic nature	Limited liability company (Wholly foreign-owned enterprise)	Limited liability company	Limited liability company	Limited liability company (Wholly foreign-owned enterprise)	Limited liability company (Wholly foreign-owned enterprise)	Limited liability company
(iv) Registered holder(s)	CSS Group Ltd	Evertop (Beijing)	CSS (Beijing)	Evertop (HK)	CTL (HK)	CSS (Beijing)
(v) Total investment amount	RMB20 million	N/A	N/A	RMB12 million	RMB11 million	N/A
(vi) Registered capital	RMB20 million	RMB12 million	RMB500,000	RMB12 million	RMB11 million	RMB6 million
(vii) Percentage equity interest attributable to our Group	100%	100%	100%	100%	100%	100%
(viii) Expiry of operation period	26 April 2027	27 October 2029	14 April 2030	17 May 2041	14 July 2041	18 February 2033

The scope of business as recorded in the business licences of the respective PRC subsidiaries of our Group as at the Latest Practicable Date is set out below:

1. CSS (Beijing) System integration; system technology development, consulting, provision of services, and transfer; wholesale of TV operation vehicles; import and export services, technology import and export (save as state-regulated trade products, and products subject to quota and licencing would be regulated by the relevant PRC laws and regulations)
2. TST (Beijing) Technology marketing services; general contracting; professional contracting; communications equipment rental; wholesale of computer hardware and software, passenger cars and commercial vehicles of over nine seats, communications equipment, electronic products; import and export of goods; import and export of technology; import and export agency services
3. CSS Engineering Technology development, technology promotion, technology consulting, technology transfer; computer systems integration; development and sales of computer software; leasing of telecommunications equipment; conference services; exhibition contractors activities

4. Evertop (Beijing) Computer systems integration; design, installation, maintenance of communication and computer systems; technical consulting, technical services, technical promotion services; wholesale of computers and auxiliary equipment, import and export of technology, import and export of goods, import and export of agency services (save as state-regulated trade products, and products subject to quota and licencing would be regulated by the relevant PRC laws and regulations)
5. CTL (Beijing) Technological development of radio and television equipment, technical services, technical advice; wholesale of electronic products, communications equipment, radio and television equipment; import and export of goods (products subject to quota and licencing would be regulated by the relevant PRC laws and regulations); enterprise management consulting services; economic and trade consulting services
6. Tongda Assembly and manufacture of news transmission system equipment; technology promotion; computer systems integration; sales of radio and television equipment (other than a facility to receive terrestrial broadcast), communications equipment and computer software; rental of radio and television equipment (other than a facility to receive terrestrial broadcast), communications equipment and computer software; import and export of goods, import and export of technology; import and export agency services

7 Other subsidiaries of our Group during the Track Record Period

FIL

On 6 March 2009, FIL was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, of which one share was issued at par to Mr. So Yun Wah, a senior management of our Group, on 30 April 2009, and such share was held on trust for CSS Group Ltd. FIL was incorporated originally to carry out import services to the PRC, but it currently mainly engages in acting as the import hub for other members of our Group.

As confirmed by our Directors, the trust arrangement was set up for commercial reasons as they did not want competitors to know about details of the business direction and expansion plan of our Group at the relevant time. As advised by our Hong Kong Legal Counsel, the trust arrangement was not in contravention with the laws of Hong Kong.

On 6 March 2014, the one share was transferred back at par from Mr. So Yun Wah to CSS Group Ltd. FIL had been a wholly-owned subsidiary of CSS Group Ltd since its incorporation up to the Latest Practicable Date.

TVL

On 8 July 2009, TVL was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, of which one share was issued at par to Apex Info International Limited, a company wholly-owned by Mr. Leung, at par upon incorporation, and such share was held on trust for CSS Group Ltd. TVL was incorporated to carry out distribution of products, including professional and broadcast grade video monitors, of one of our suppliers in the PRC.

As confirmed by our Directors, the trust arrangement was set up for commercial reasons as they did not want competitors to know about details of the business direction and expansion plan of our Group at the relevant time. As advised by our Hong Kong Legal Counsel, the trust arrangement was not in contravention with the laws of Hong Kong.

On 6 March 2014, the one share was transferred back at par from Apex Info International Limited to CSS Group Ltd. TVL had been a wholly-owned subsidiary of CSS Group Ltd since incorporation and up to the Latest Practicable Date.

TST (HK)

On 3 November 2009, TST (HK) was incorporated in Hong Kong with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, which one share was issued at par to TST (BVI) upon incorporation. TST (HK) had not been carrying out any operation since its incorporation. TST (HK) had been a wholly-owned subsidiary of TST (BVI) since its incorporation up to the Latest Practicable Date.

CSS Engineering

On 15 April 2010, CSS Engineering was established by CSS (Beijing) in the PRC with an approved registered capital of RMB500,000. CSS Engineering was incorporated to provide maintenance services for television stations. CSS Engineering had been a wholly-owned subsidiary of CSS (Beijing) since its incorporation and up to the Latest Practicable Date.

Tongda

On 19 February 2013, Tongda was established by CSS (Beijing) in the PRC with an approved registered capital of RMB6,000,000. Tongda was established to carry out distribution of products of one of our clients in the PRC. Tongda had been a wholly-owned subsidiary of CSS (Beijing) since its incorporation and up to the Latest Practicable Date.

For further information regarding the principal subsidiaries of our Group, please refer to the section headed “History and Development” of this prospectus.

8. Subsidiaries wound up or in the process of winding up

Era Far East Limited (年代遠東有限公司) (“EFE”)

On 1 April 2008, EFE was incorporated in Hong Kong with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which one share was issued at par to Company Kit Secretarial Services Limited, an Independent Third Party, as an initial subscriber upon incorporation. On 2 June 2008, one share was transferred to Mr. Leung at par and such share was held on trust for CSS Group Ltd. EFE was originally incorporated with the intention to engage in the business of logistics and import and export services. As the original intended functions of EFE was subsequently taken over by Evertop (HK) from early 2013 onwards, EFE’s business operations were subsequently wound down and has been dormant since early 2013.

As confirmed by our Directors, the trust arrangement was set up for commercial reasons as they did not want competitors to know about details of the business direction and expansion plan of our Group at the relevant time. As advised by our Hong Kong Legal Counsel, the trust arrangement was not in contravention with the laws of Hong Kong.

As EFE's business operations had been wound down since early 2013, on 7 March 2013, the one share in EFE was transferred from Mr. Leung to Yorkhill Limited, an Independent Third Party and a secretarial company, for winding up purposes, in order to streamline the structure of our Group. Our Directors confirm that there are no material contingent liabilities during the winding-up process. As at the Latest Practicable Date, EFE was in the process of winding up.

TVU China Ltd (“TVU (China)”)

On 5 January 2010, TVU (China) was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, which one share was issued at par to Apex Info International Limited, a company wholly-owned by Mr. Leung, upon incorporation, and such share was held on trust in favour of CSS Group Ltd. TVU (China) was incorporated with the intention to engage in the business of trading of broadcast and transmission equipment products of one of our clients.

As confirmed by our Directors, the trust arrangement was set up for commercial reasons as they did not want competitors to know about details of the business direction and expansion plan of our Group at the relevant time. As advised by our Hong Kong Legal Counsel, the trust arrangement was not in contravention with the laws of Hong Kong.

On 7 March 2013, one share was transferred from Apex Info International Limited to Yorkhill Limited, an Independent Third Party and a secretarial company, for winding up purposes, in order to streamline the structure of our Group. TVU (China) was dissolved on 23 May 2013. The business of TVU (China) was wound down prior to the transfer of its share to Yorkhill Limited for winding up purpose as the broadcast and transmission equipment products previously sold by TVU (China) are now sold through Tongda, another wholly-owned subsidiary of our Group.

Viz China Limited (“VCL”)

On 25 August 2010, VCL was incorporated in Hong Kong with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, which one share was allotted to Company Kit Secretarial Services Limited, an Independent Third Party, as initial subscriber. On 9 September 2010, one share was transferred from Company Kit Secretarial Services Limited to Tech Sky Limited, a company wholly-owned by Mr. Leung, at par, and such share was held on trust in favour of CSS Group Ltd. VCL was incorporated with the intention to engage in the business of trading of broadcast and transmission equipment products.

On 27 July 2011, 8,999 shares and 1,000 shares were allotted to Tech Sky Limited and a company (“**Singapore Co**”) respectively pursuant to a joint venture agreement between CSS Group Ltd., Singapore Co and its holding company (“**Holdco**”), both being Independent Third Parties, dated 21 August 2010. Pursuant to the joint venture agreement, VCL would be set up to distribute products for Holdco in the PRC. After the allotment of shares, the 9,000 shares continued to be held by Tech Sky Limited on trust in favour of CSS Group Ltd.

Pursuant to a termination agreement (“**Termination Agreement**”) dated 18 April 2012, on 20 June 2012, 1,000 shares were transferred from Singapore Co to Tech Sky Limited at a consideration of HK\$1, as Holdco did not require the services of VCL anymore. After the transfer of shares, the 10,000 shares continued to be held by Tech Sky Limited on trust in favour of CSS Group Ltd.

As confirmed by our Directors, all the trust arrangements above were set up for commercial reasons as they did not want competitors to know about details of the business direction and expansion plan of our Group at the relevant time. As advised by our Hong Kong Legal Counsel, the trust arrangements were not in contravention with the laws of Hong Kong.

Given the execution of the Termination Agreement and VCL ceased to engage in any business since mid-2012, on 7 March 2013, the entire issued share capital of VCL was transferred from Tech Sky Limited to Yorkhill Limited, an Independent Third Party and a secretarial company, for winding up purposes, in order to streamline the structure of our Group as VCL was no longer necessary for distribution of products for Holdco in the PRC. Our Directors confirm that there are no material contingent liabilities during the winding-up process. As at the Latest Practicable Date, VCL was in the process of winding up.

Cogent Technologies LLC (“CTL (US)”)

On 2 May 2011, CTL (US) was incorporated in the US, of which 100 shares were issued at par to Cortesia upon incorporation. CTL (US) was incorporated with the intention to broaden our business scope to engage in the business of research and trading of broadcast and transmission equipment products in the US.

On 2 May 2013, 100 shares were transferred from Cortesia to Yorkhill Limited, an Independent Third Party and a secretarial company, for winding up purposes, in order to streamline the structure of our Group as our Group no longer target to expand our business of directly marketing and selling broadcast and transmission equipment products in the US at the relevant time. The marketing and sales of broadcast and transmission equipment products in the US are intended to be carried out through our service providers in the US. CTL (US) was dissolved on 16 May 2013.

Cogent Technologies Limited (“CTL (UK)”)

On 22 June 2011, CTL (UK) was incorporated in the UK, of which one share was issued at par to Cortesia upon incorporation. CTL (UK) was incorporated with the intention to broaden our business scope to engage in the business of trading of broadcast and transmission equipment products in the UK.

On 30 May 2013, one share was transferred from Cortesia to Yorkhill Limited, an Independent Third Party and a secretarial company, for winding up purposes, in order to streamline the structure of our Group as our Group no longer target to expand our business of directly marketing and selling broadcast and transmission equipment products in the UK at the relevant time. The marketing and sales of broadcast and transmission equipment products in the UK are intended to be carried out through our service providers in the UK. CTL (UK) was dissolved on 26 November 2013.

9. Repurchase by our Company of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by us of our own securities.

(a) Shareholders’ approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholder, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to a resolution in writing passed by all Shareholders on 13 June 2014, the Repurchase Mandate was given to our Directors authorising any repurchase by our Company of Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme, such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(b) *Source of funds*

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Cayman Islands laws, any repurchases by us may be made out of our profits, out of our share premium account, or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles and subject to the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be repurchased must be provided for out of our profits or from sums standing to the credit of our share premium account or, if authorised by the Articles and subject to the Companies Law, out of capital.

(c) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and the Shareholders.

(d) *Funding of repurchases*

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(e) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person of our Company has notified us that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

10. Registration under Part 16 of the Companies Ordinance

Our Company has established our head office and a principal place of business in Hong Kong for the purpose of registration under Part 16 of the Companies Ordinance at Unit 901–902, 9th Floor, Tins Enterprises Centre, 777 Lai Chi Kok Road, Kowloon. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance. Ms. Ngai Kit Fong, our Company secretary, has been appointed as authorised representative of our Company for the acceptance of service of any process in Hong Kong.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

11. Summary of material contracts



The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) a share purchase agreement entered into between Mr. Lo, Mr. Leung, Mr. Zhou Q, Mr. Huang, Mr. Sun and Mr. Zhou J as vendors and our Company as purchaser dated 27 December 2012 pursuant to which Mr. Lo, Mr. Leung, Mr. Zhou Q, Mr. Huang, Mr. Sun and Mr. Zhou J transferred an aggregate of 10,000 shares in CSS International, representing its entire issued share capital, to our Company, in exchange for which our Company (a) issued and allotted 4,799, 800, 2,000, 800, 800, and 800 shares to Mr. Lo, Mr. Leung, Mr. Zhou Q, Mr. Huang, Mr. Sun, and Mr. Zhou J respectively, credited as fully paid; and (b) credited as fully paid at par the one nil-paid share which was then registered in the name of Mr. Lo;
- (b) a deed of indemnity dated 13 June 2014 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for our subsidiaries) containing the indemnities more particularly referred to in the paragraph headed "Estate duty, tax and other indemnities" of this Appendix; and
- (c) the Hong Kong Underwriting Agreement.

12. Intellectual property rights of our Group

Trademarks

As at the Latest Practicable Date, the following material trademarks had been registered by our Group:

No.	Trademark	Registered owner	Place of Registration	Class(es)	Registration Number
1.	 世紀睿科 Century Sage Scientific	CSS (Beijing)	Hong Kong	9, 37, 38, 42	302457892
2.	 世紀睿科 Century Sage Scientific	CSS (Beijing)	Hong Kong	35	302457900
3.	 世紀睿科	CSS (Beijing)	Hong Kong	35	302457919
4.	 时代华睿 TIMES SAGE	TST (Beijing)	Hong Kong	9, 35, 37, 38, 42	302457928
5.	 永达 LIVE	Evertop (Beijing)	Hong Kong	9, 38, 42	302457937AB
6.	 EVERTOP	Evertop (Beijing)	Hong Kong	35, 37	302457946AA
7.	 EVERTOP	Evertop (Beijing)	Hong Kong	42	302457946AB
8.	 高骏科技	CTL (Beijing)	Hong Kong	35, 38, 42	302457955
9.	 NanoSat	CTL (Beijing)	United Kingdom	9	2604790
10.	 NanoSat	CTL (Beijing)	PRC	9	10303650

Patents

As at the Latest Practicable Date, our Group had the exclusive right to use, among others, the following patents which are the major intellectual properties used in our business operations:

No.	Patent	Registered owner	Place of registration	Registration number	Duration of validity
1.	一種演播室系統 (broadcast room system*)	CSS (Beijing)	PRC	ZL 2011 2 0188571.4	7 June 2011 to 6 June 2021
2.	一種轉播車系統 (broadcast truck system*)	CSS (Beijing)	PRC	ZL 2011 2 0189128.9	7 June 2011 to 6 June 2021
3.	一種電視台節目的播出系統 (television broadcast system*)	CSS (Beijing)	PRC	ZL 2011 2 0188544.7	7 June 2011 to 6 June 2021
4.	一種演播室顯示系統 (broadcast display system*)	CSS (Beijing)	PRC	ZL 2011 2 0189181.9	7 June 2011 to 6 June 2021
5.	一種總控調度系統 (master control system*)	CSS (Beijing)	PRC	ZL 2011 2 0188698.6	7 June 2011 to 6 June 2021
6.	一種電視台通話系統 (television communication system*)	CSS (Beijing)	PRC	ZL 2011 2 0188696.7	7 June 2011 to 6 June 2021

No.	Patent	Registered owner	Place of registration	Registration number	Duration of validity
7.	碳纖維衛星系統裝置 (Carbon fibre satellite system device*)	CTL (Beijing)	PRC	ZL 2013 3 0087686.9	28 March 2013 to 27 March 2023
8.	無線攝像機收發設備 (Wireless camera transceiver*)	CTL (Beijing)	PRC	ZL 2013 3 0098945.8	3 April 2013 to 2 April 2023

Software Copyrights

As at the Latest Practicable Date, our Group had the following material computer software copyrights in possession in the PRC, all of which have been granted the registration certificates of computer software copyright:

No.	Name of Software	Copyright holder	Registration number	Date of initial publication
1.	高駿微波信號控制軟件 V1.0 (Gaojun microwave signal control software V1.0*)	CTL (Beijing)	2012SR080294	24 December 2011
2.	高駿發射機控制軟件 V1.0 (Gaojun emission control software V1.0*)	CTL (Beijing)	2012SR080289	30 November 2011
3.	指南者尋星控制系統軟件 V2.1.0 (Compass IOS Control V.2.1.0)	CTL (Beijing)	2012SR052257	9 January 2012
4.	指南者衛星預設系統軟件 V1.0 (Compass Preset PDA V1.0)	CTL (Beijing)	2012SR052260	30 December 2011
5.	指南者衛星數據系統軟件 V2.0 (Compass Data Windows V2.0)	CTL (Beijing)	2012SR052265	11 December 2011

Domain names

As at the Latest Practicable Date, our Group had registered the following principal domain name:

No.	Domain name	Registrant	Date of registration	Expiry date
1.	www.css-group.net	CSS (Beijing)	16 April 2007	16 April 2019

FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS

13. Directors

(a) Disclosure of interests of Directors

- (i) Mr. Lo, Mr. Leung, Mr. Sun, Mr. Zhou J, and Mr. Huang are interested in our Reorganisation.
- (ii) Save as disclosed in the “Financial Information” section of this prospectus, none of our Directors or their associates was engaged in any dealings with our Group during the two years preceding the date of this prospectus.

*(b) Particulars of Directors' service contracts**Executive Directors*

Each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from 1 March 2014, until terminated by not less than three months' notice in writing served by either party. After the expiry of the initial term, the executive Director may continue to be appointed by our Company as an executive Director, subject to terms and conditions to be agreed between the parties.

Each of our executive Directors is entitled to a basic salary as set out below, subject to such increase as the Board (or, if the relevant authority has been so delegated, the Remuneration Committee) may, subject to compliance with the provisions of the Articles for the time being in force, determine from time to time in its absolute discretion. The amount of the salary will not be increased for periods prior to 31 December 2014 but will be reviewed by our Company in or around December each year during the term. In addition, each of the executive Directors is also entitled to a discretionary management bonus in respect of each financial year of our Company during the term in an amount to be determined by our Board (or if the relevant authority has been so delegated, the Remuneration Committee) in its absolute discretion. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus paid to him. The current basic annual salaries of our executive Directors are as follows:

Name	Annual Salary (HK\$)
Mr. Lo	2,400,000
Mr. Leung	1,200,000
Mr. Zhou J	1,200,000
Mr. Sun	1,200,000
Mr. Huang	1,200,000
Mr. Geng	1,200,000

Independent non-executive Directors

- (i) Each of our independent non-executive Directors has been appointed for an initial term of two years commencing from 13 June 2014 renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term of appointment, unless terminated by not less than three months' notice in writing served by either our independent non-executive Director or our Company expiring at the end of the initial term or at any time thereafter. Each of our independent non-executive Directors is entitled to a director's fee of HK\$300,000 per annum.

Save for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as disclosed aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) Remuneration of Directors

- (i) The aggregate emoluments paid and benefits in kind granted by our Group to our Directors in respect of the three financial years ended 31 December 2013 were approximately RMB1.03 million, RMB0.77 million and RMB3.88 million respectively.
- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including our independent non-executive Directors) for the year ending 31 December 2014, are expected to be approximately HK\$9.2 million.
- (iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 31 December 2013 as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 December 2013.

(d) Interests and short positions of our Directors in the Shares, underlying Shares or debentures of our Company and our associated corporations following the Global Offering

Immediately following completion of the Global Offering and the Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, the interests or short positions of our Directors in the Shares, underlying Shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our 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 under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to notify our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

Name of Director	Name of Group member/associated corporation	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Mr. Lo	Our Company	Interest of controlled corporation (Note 2)	667,500,000 Shares (L)	66.75%
Mr. Lo	Cerulean Coast Limited	Beneficial owner	1 share	100%
Mr. Leung	Our Company	Interest of controlled corporation (Note 3)	60,000,000 Shares (L)	6%
Mr. Leung	Future Miracle Limited	Beneficial owner	1 share	100%

Notes:

1. The letter “L” denotes our Directors’ long position in the shares of our Company or the relevant associated corporation.
2. These Shares were held by Cerulean Coast Limited, which was wholly-owned by Mr. Lo. Mr. Lo is deemed or taken to be interested in the Shares held by Cerulean Coast Limited under the SFO.
3. These Shares were held by Future Miracle Limited, which was wholly-owned by Mr. Leung. Mr. Leung is deemed or taken to be interested in the Shares held by Future Miracle Limited under the SFO.

14. Interest discloseable under the SFO and substantial shareholders

So far as our Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue (but without taking into account of any Shares which may be taken up under the Global Offering and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option), other than a Director or chief executive of our Company whose interests are disclosed under the sub-paragraph headed “Interests and short positions of our Directors in the Shares, underlying Shares or debentures of our Company and our associated corporations following the Global Offering” above, the following persons will have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and who will be expected, directly or indirectly, to be interested in 10% or more of the Shares:

Name of Shareholders	Capacity/nature of interest	Number and class of securities <i>(Note 1)</i>	Approximate percentage of shareholding
Cerulean Coast Limited	Beneficial owner <i>(Note 2)</i>	667,500,000 Shares (L)	66.75%
Future Miracle Limited	Beneficial owner <i>(Note 3)</i>	60,000,000 Shares (L)	6%
Wang Hui <i>(Note 4)</i>	Interest of spouse	60,000,000 Shares (L)	6%

Notes:

1. The letter “L” denotes long position in the shares of our Company.
2. These Shares were held by Cerulean Coast Limited, which was wholly-owned by Mr. Lo.
3. These Shares were held by Future Miracle Limited, which was wholly-owned by Mr. Leung.
4. Wang Hui is the spouse of Mr. Leung. She is deemed or taken to be interested in the Shares of which Mr. Leung is interested in under the SFO.

15. Disclaimers

Save as disclosed in this prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Global Offering or upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the

completion of the Global Offering and the Capitalisation Issue, have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of us;

- (b) none of our Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;
- (c) none of our Directors nor any of the parties listed in the paragraph 24 below has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any other member of us nor will any Director apply for the Offer Shares either in his/her own name or in the name of a nominee;
- (d) none of our Directors nor any of the parties listed in paragraph 24 below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of us; and
- (e) save in connection with the Underwriting Agreements, none of the parties listed in paragraph 24 below:
 - (i) is interested legally or beneficially in any securities of any member of us; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of us.

OTHER INFORMATION

16. Share option scheme

(a) Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by all Shareholders on 13 June 2014:

(i) Purposes of the scheme

The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to us. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable us to reward our employees, our Directors and other selected participants for their contributions to us. Given that our Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the

price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to our development so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(ii) *Who may join*

Our Directors (which expression shall, for the purpose of this paragraph, include a duly authorised committee thereof) may, at its absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (aa) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity (the “**Invested Entity**”) in which any member of our Group holds an equity interest;
- (bb) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of our Group or any Invested Entity;
- (dd) any customer of any member of our Group or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to our Group or any member of any Invested Entity;
- (ff) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our 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 our Group or any 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 the development and growth of our 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. For avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who fall within any of the above classes of participants shall not, by itself, unless our Directors otherwise determined, be construed as a grant of option under the Share Option Scheme.

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 our Directors’ opinion as to his contribution to the development and growth of our Group.

(iii) Maximum number of Shares

- (aa) 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 adopted by our Group must not in aggregate exceed 30% of the issued share capital of our Company from time to time.
- (bb) The total number of Shares which may be allotted and issued upon 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 scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue at the time dealings in the Shares first commence on the Main Board (the “**General Scheme Limit**”).
- (cc) Subject to (aa) above but without prejudice to (dd) below, our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit and for the purpose of calculating the refreshed limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to the Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.
- (dd) Subject to (aa) above and without prejudice to (cc) above, our Company may seek separate Shareholders’ approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in (cc) above to participants specifically identified by our Company before such approval is sought,

and, for the purpose of seeking the approval of our Shareholders under (cc) and (dd) above, our Company must send a circular to our Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company 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 shall be subject to the issue of a circular to the Shareholders and the Shareholders’ approval in general meeting of our Company with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be

fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) *Grant of options to connected persons*

- (aa) Any grant of options under the Share Option Scheme to a director, chief executive or substantial shareholder of our Company or any of their respective associates (as defined under the Listing Rules) must be approved by the independent non-executive Directors of our Company (excluding any independent non-executive Director who or whose associates is/are the grantee(s) of the options).
- (bb) Where any grant of options to a substantial shareholder of our Company or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
 - (i) representing in aggregate over 0.1% of the Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million;

such further grant of options must be approved by the Shareholders in general meeting. For the purpose of seeking such approval, our Company must send a circular to the Shareholders. All connected persons of our Company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder of our Company or an independent non-executive Director or any of their respective associates must be approved by the Shareholders in general meeting.

(vi) *Time of acceptance and exercise of option*

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our 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. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) *Performance targets*

Unless our Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for Shares and consideration for the option

The subscription price for Shares under the Share Option Scheme will be a price determined by our Directors, but shall not be less than the higher of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(ix) Ranking of Shares

(aa) Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted upon the exercise of an option shall not carry voting rights until the completion of the registration of the grantee on the register of members of our Company as the holder thereof.

(bb) Unless the context otherwise requires, references to “Shares” in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or reduction of the share capital of our Company from time to time.

(x) Restrictions on the time of grant of options

No offer for grant of options shall be made after inside information has come to the knowledge of our Company until we have announced the inside information in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the meeting of our Directors for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (bb) the last date on which our Company must publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the announcement of the results, no option may be granted.

Our Directors may not grant any option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or for one or more grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not.

Eligible Employee means any employee (whether full time or part time employee, including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any Invested Entity.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation which date shall be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as our Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If our Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and any member of our Group or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option scheme shall lapse as a result of (1), (2) or (3) above.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to the Shareholders, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time before the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes or the relevant record date for entitlements under the scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) Grantee being a company wholly-owned by eligible participants

If the grantee is a company wholly-owned by one or more eligible participants:

- (i) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, mutatis mutandis, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and
- (ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly-owned by the relevant eligible participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares, the subject matter of the Share Option Scheme and the option so far as unexercised and/or the option price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (ii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; and (iii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. In addition, in respect of any such adjustments, other than any made on a capitalisation issue, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of our Directors.

When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant to sub-paragraphs (iii) (cc) and (dd) above.

(xxi) Termination of the Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the period referred to in paragraph (vi); and
- (bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii).

(xxiv) Others

- (aa) The Share Option Scheme is conditional upon the Listing Committee granting the listing of and permission to deal in, such number of Shares representing General Scheme Limit to be allotted and issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme.
- (bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the shareholders in general meeting.
- (cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (ee) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the Shareholders in general meeting.

*(b) Present status of the Share Option Scheme**(i) Approval of the Listing Committee required*

The Share Option Scheme is conditional on the Listing Committee granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) Application for approval

Application has been made to the Listing Committee for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) Grant of option

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of

options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

17. Share award plan

(a) Summary of terms

The following is a summary of the principal terms of the Share Award Plan adopted on 24 March 2014:

(i) Purposes of the plan

The purpose of the Share Award Plan is to recognise and reward the contribution of certain selected participants to the growth and development of our Group, to give incentives thereto in order to retain them for the continual operation and development of our Group and to attract suitable personnel for further development of our Group through an award of Shares.

(ii) Who may join

The Share Award Plan shall be subject to the administration of the Board, or such committee or such sub-committee or person(s) delegated with the power and authority by the Board to administer the Plan. 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 our Company, any of our subsidiaries or any entity (“**Share Award Plan Invested Entity**”) in which any member of us holds an equity interest (“**Share Award Plan Eligible Employee**”);
- (bb) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Share Award Plan Invested Entity;
- (cc) any supplier of goods or services to any member of us or any Share Award Plan Invested Entity;
- (dd) any customer of any member of us or any Share Award Plan Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of us or any Share Award Plan Invested Entity;
- (ff) any shareholder of any member of us or any Invested Entity or any holder of any securities issued by any member of us or any Share Award Plan Invested Entity;
- (gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of us or any Share Award Plan Invested Entity; and
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to our development and growth;

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

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

(iii) Award of Shares and pool of awarded Shares

The Board shall notify 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 our 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 our Group) by way of gift, but subject to the limitations set out in paragraph (v) below;
- (bb) such Shares as may be purchased by the Share Award Plan Trustee on the Stock Exchange by utilising the funds allocated by the Board out of our resources ("**Group Contribution**"), but subject to the limitations set out in paragraph (v) below;
- (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 (v) 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 at the relevant time. Our Company will comply with the applicable provisions of Chapter 14A of the Listing Rules or otherwise in compliance with the requirements of the Listing Rules when making awards to connected persons.

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

(iv) 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 our 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 our Directors to allot and issue new Shares to the Share Award Plan Trustee, subject to the limitations set out in paragraph (v) 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 us to the Share Award Plan Trustee pursuant to the Share Award Plan.

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

In any given financial year of our Company, the maximum number of Shares (“**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.

(vi) *Vesting of the awarded Shares*

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

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

(vii) *Restrictions on the time of making awards, subscription, purchase and/or vesting*

- (aa) An award or, as the case may be, any instruction of the Board to the Share Award Plan Trustee to acquire Shares for purpose of increase the Shares in the pool of Shares may not be made when inside information has come to our Company’s knowledge until such inside information has been published in accordance with the SFO. In particular, during the period preceding the publication of financial results in which our Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by us and up to the date of publication of the relevant financial results, no award may be made.
- (bb) The Board may not make an award to a Share Award Plan Eligible Employee who is a connected person during the periods or times in which our Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

- (cc) During the periods referred to in paragraphs (aa) and (bb) above, no purchases and/or vesting of Shares can be effected by the Share Award Plan Trustee.
- (dd) No award shall be made during the first six months after the Listing Date.

(viii) Voting rights of the Shares in the Shares pool

The Share Award Plan Trustee shall not exercise the voting rights in respect of any Shares held under the trust. The Selected Participants shall not have any right to receive any awarded Shares set aside for them unless and until the Share Award Plan Trustee have transferred and vested the legal and beneficial ownership of such awarded Shares to and in the Selected Participants in accordance with the terms of the Share Award Plan.

(ix) Rights on distributions and equity offers

During the vesting period of awards,

- (aa) any dividends and other distributions (“**Other Distributions**”) declared and made in respect of any awarded Shares shall be held by the Share Award Plan Trustee for the benefit of, and shall only be payable or transferable (as the case may be) to the relevant Selected Participant when such awarded Shares are vested in such Selected Participant in accordance with the Share Award Plan;
- (bb) if our Company offers to Shareholders new Shares or other securities for subscription by way of rights, options or warrants and no amount is required to be payable by the Shareholders for such rights, options or warrants, the Share Award Plan Trustee may (after consulting and taking into account the views of the Board and the resources which the Share Award Plan Trustee has in respect of the Share Award Plan) (i) sell any nil-paid rights, options or warrants allocated to it in respect of the awarded Shares held by the Share Award Plan Trustee if there is an open market for such rights, options or warrants, or (ii) take steps to exercise such nil-paid rights, options or warrants by applying the Group Contributions in the form of cash then held by the Share Award Plan Trustee. The net proceeds of such sale (if so sold) shall be applied to subscription for and/or purchase of Shares for the purpose of satisfying any further awards by the Board in accordance with the Share Award Plan and, upon termination of the Share Award Plan, shall be treated and dealt with as income of the trust fund generally. For the avoidance of doubt, no Selected Participants shall have any right to, or interest in, any nil-paid rights, options or warrants (or the underlying Shares, or the proceeds of sale of any such nil-paid rights, options or warrants) allocated under such offer, or any Shares arising from the exercise of such nil-paid rights, options or warrants;
- (cc) if our Company offers to the Shareholders new shares or other securities for subscription by way of rights, options, warrants or other open or preferential offer and consideration is required to be paid for the taking up and/or the exercise of such rights, options, warrants or open or preferential offer, the Share Award Plan Trustee may (after consulting and taking into account the views of the Board and the resources which the Share Award Plan Trustee has in respect of the Share Award Plan) (i) decline to take up, purchase and/or subscribe for such rights, options, warrants or open or preferential offer, or (ii) take steps to take up, purchase and/or subscribe (in whole or in part) for such rights, options, warrants or open or preferential offer by applying the Group Contributions in the form of cash then held by the Share Award Plan Trustee. For the avoidance of doubt, no Selected Participants shall have any right to, or interest in, any such offer;

- (dd) without prejudice to sub-paragraph (aa) above, with respect to any dividends declared by our Company and in connection with which our Company allows its Shareholders to elect to receive Shares in lieu of cash (as provided for in the relevant announcement and/or circular of our Company), then in respect of the awarded Shares provisionally set aside for any Selected Participant which have not vested, the Share Award Plan Trustee (after consulting the Board) shall have the right to determine whether it shall elect to receive Shares in lieu of cash or cash in respect of such dividends, and any such scrip dividend or cash dividend so elected and received by the Share Award Plan Trustee shall be treated as and constitute Other Distributions;
- (ee) if a general or partial offer, whether by way of takeover offer, share repurchase offer or scheme of arrangement or otherwise in like manner is made to all the Shareholders (or all Shareholders other than the offeror, any persons controlled by the offeror and any persons acting in association or concert with the offeror), and such offer becomes or is declared unconditional prior to the vesting of the awarded Shares in the relevant Selected Participants pursuant to the Share Award Plan, the Board shall have the right in their absolute discretion to determine whether the Share Award Plan Trustee shall elect to accept such offer (or any revised offer) and, if applicable, shall direct the Share Award Plan Trustee in writing to accept such offer accordingly. In the event that the offer (or revised offer) is so elected to be accepted, all proceeds in respect of the awarded Shares paid or payable to the Share Award Plan Trustee by reason of such acceptance shall be treated as and constitute Other Distributions.

(x) *Period of the Share Award Plan*

The Share Award Plan will remain in force for a period of 10 years commencing on the date on which the Share Award Plan is adopted.

(xi) *Rights on death or retirement*

- (aa) In respect of a Selected Participant, at any time prior to the vesting date:
 - (1) died; or
 - (2) retired at his normal retirement date (in the case of a Share Award Plan Eligible Employee); or
 - (3) retired at an earlier retirement date (with prior written agreement given by us or the Share Award Plan Invested Entity) (in the case of a Share Award Plan Eligible Employee),

all his awarded shares and the other distributions attributable thereto shall be deemed to be vested (a) on the day immediately prior to his death or retirement; or (b) on the day immediately after the six months after the Listing Date, whichever is the later.

- (bb) In the event of the death of a Selected Participant, the Share Award Plan Trustee shall hold the vested awarded shares and the Other Distributions upon trust and to transfer the same to the legal personal representatives of the Selected Participant on and subject to the rules of the Share Award Plan. If such vested awarded shares and the Other Distributions would otherwise become *bona vacantia*, they shall be forfeited and cease to be transferrable.

(xii) Lapse of awards

In the event that any Selected Participant who is a Share Award Plan Eligible Employee ceases to be a Share Award Plan Eligible Employee by virtue of a corporate reorganisation of our Group or the Share Award Plan Invested Entity, any award made to such Selected Participant shall forthwith lapse and be cancelled.

In the event (i) a Selected Participant ceases to be a Share Award Plan Eligible Employee (excluding cessation caused by the circumstances as set out in paragraph (xi)(aa) above, or (ii) the subsidiary by which a Selected Participant is employed ceases to be a subsidiary of our Company (or of a member of our Group), or (iii) our Directors shall at their absolute discretion determine in respect of a Selected Participant (other than a Share Award Plan Eligible Employee) that (a) the Selected Participant or his associate has committed any breach of any contract entered into between the Selected Participant or his associate on the one part and any member of our Group or any Share Award Plan Invested Entity on the other part as our Directors may at their absolute discretion determine; or (b) the Selected Participant has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally or (c) the Selected Participant could no longer make any contribution to the growth and development of any member of our Group by reason of the cessation of its relations with our Group or by any other reason whatsoever; or (iv) an order for the winding-up of our Company is made or a resolution is passed for the voluntary winding-up of our Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of our Company pass to a successor company), the award shall automatically lapse forthwith and all the awarded Shares and Other Distributions attributable thereto shall not vest on the relevant vesting date but shall become returned Shares for the purposes of the Share Award Plan.

In the event (i) a Selected Participant is found to be any person who is resident in a place where the award of the awarded Shares and/or the award of the returned Shares and/or the vesting and transfer of Shares pursuant to the terms of the Share Award Plan is not permitted under the laws and regulations of such place or where in the view of the Board or the Share Award Plan Trustee (as the case may be) compliance with applicable laws and regulations in such place make it necessary or expedient to exclude such person or (ii) a Selected Participant fails to return duly executed transfer documents prescribed by the Share Award Plan Trustee (or such later date as may be determined by the Share Award Plan Trustee at its sole and absolute discretion having to all relevant circumstances) for the relevant awarded Shares within the stipulated period, the relevant part of an award made to such Selected Participant shall automatically lapse forthwith and the relevant awarded Shares and Other Distribution attributable thereto shall not vest on the relevant vesting date but shall become returned Shares for the purposes of the Share Award Plan.

(xiv) Termination of the Share Award Plan

The Plan shall terminate on the earlier of:

- (aa) the 10th anniversary date of the adoption date; and
- (bb) such date of early termination as determined by the Board, provided that such termination shall not affect any subsisting rights of any Selected Participant.

(xv) *Rights are personal to the Selected Participants*

An award shall be personal to the Selected Participant and shall not be transferable or assignable.

(b) *Present status of the Share Award Plan*

As of the Latest Practicable Date, no awards have been granted or agreed to be granted under the Share Award Plan, and Teeroy Limited was appointed as the Share Award Plan Trustee for the administration of the Shares and other trust fund under the Share Award Plan. Among the 9,200 shares in our Company then held by Mr. Lo through Cerulean Coast Limited, 300 shares had been gifted by him and transferred to the Share Award Plan Trustee to be held on trust for the Share Award Plan on 24 March 2014.

As the Share Award Plan does not involve the grant of options over new Shares or other new securities of our Group, the Share Award Plan is not subject to the provisions of Chapter 17 of the Listing Rules.

18. Estate duty, tax and other indemnities

Our Controlling Shareholders (together, the “**Indemnifiers**”) have entered into a Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of our present subsidiaries) (being a material contract referred to in paragraph 11 above) to provide indemnities on a joint and several basis in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group on or before the Listing Date; and
- (b) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 31 December 2013;
- (b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 1 January 2014 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily effected by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or after 1 January 2014; or

- (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 31 December 2013 or pursuant to any statement of intention made in the prospectus; or
- (c) to the extent that such taxation liabilities or claim arises or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or the taxation authority of the PRC or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect; or
- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 31 December 2013 and which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Our Controlling Shareholders will also provide indemnities in favour of us on a joint and several basis in respect of, among others, all claims, payments, suits, damages, settlements, payments and any associated costs and expenses which would be incurred or suffered by our Group as a result of any litigation, arbitration and/or legal proceedings against any member of our Group which was issued and/or accrued and/or arising from any act, non-performance, omission or otherwise of any member of our Group on or before the Listing Date.

19. Litigation

Save as disclosed in this prospectus, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on our results of operations or financial condition of our Group.

20. Preliminary expenses

The preliminary expenses of our Company are approximately HK\$90,000 and are paid by our Company.

21. Promoter

- (a) Our Company does not have any promoter.
- (b) Within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to any promoters of our Company in connection with the Global Offering or the related transactions described in this prospectus.

22. Agency fees or commissions received

The Underwriters will receive an underwriting commission at the rate of 3% of the aggregate Offer Price payable for the Offer Shares (including the Shares to be issued pursuant to the Over-allotment Option). The Sponsor is entitled to a sponsor's fee in the amount of HK\$6 million. Furthermore, our Company agrees, at its sole and absolute discretion, to pay to the Underwriters a discretionary incentive fee per Offer Share of up to 2%. The aggregate underwriting commissions, incentive fee (if any), documentation fee, listing fees, Stock Exchange trading fee and transaction levy, legal and other professional fees, and printing and other expenses in relation to the Global Offering are estimated to amount to approximately HK\$55.2 million in total (based on the Offer Price of HK\$1.23 per Share, being the mid-point of the indicative Offer Price range of HK\$1.08 to HK\$1.38 per Share and assuming the Over-allotment Option is not exercised), and are payable by our Company.

23. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme, being 10% of the Shares in issue on the Listing Date, on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules.

The Sponsor's fees payable by us in respect of the Sole Sponsor's services as sponsor for the Listing is HK\$6 million.

24. Qualifications of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualification
CCB International Capital Limited	A corporation licenced under the SFO and permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities (as defined in the SFO)
PricewaterhouseCoopers	Certified Public Accountants
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
Commerce & Finance Law Offices	Qualified PRC lawyers
CCID Consulting Company Limited	Independent industry consultants
George T.Y. Hui	Barrister-at-law in Hong Kong

25. Consents of experts

Each of the experts as set out in paragraph 24 above has given and has not withdrawn their respective written consent to the issue of this prospectus with the inclusion of their report and/or letter and/or legal opinion (as the case may be) and the references to their names or summaries of opinions included herein in the form and context in which they respectively appear.

26. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Miscellaneous) Ordinance so far as applicable.

27. Taxation of holders of Shares

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

28. Miscellaneous

- (a) Save as disclosed in this prospectus:
 - (i) within two years preceding the date of this prospectus:
 - (aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and
 - (bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
 - (cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries; and
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (b) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2013 (being the date to which the latest audited consolidated financial statements of our Group were made up); and
- (c) our Directors confirm that there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

29. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses for Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE**, **YELLOW** and **GREEN** application forms, the written consents referred to in the paragraph headed “25. Consents of experts” of the section headed “Statutory and General Information” in Appendix IV to this prospectus, and copies of the material contracts referred to in the paragraph headed “11. Summary of material contracts” of the section headed “Statutory and General Information” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Chiu & Partners, 40th Floor, Jardine House, 1 Connaught Place, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of our Company;
- (b) the Accountant’s Report of our Group from PricewaterhouseCoopers, the text of which is set out in the section headed “Accountant’s Report” in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information from PricewaterhouseCoopers, the text of which is set out in the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Group for the three financial years ended 31 December 2013;
- (e) the rules of the Share Option Scheme and Share Award Plan;
- (f) the letters of advice prepared by Conyers Dill & Pearman (Cayman) Limited summarising certain aspects of the Cayman Islands company law;
- (g) the Cayman Islands Companies Law;
- (h) the PRC legal opinions prepared by the PRC Legal Advisers;
- (i) the legal opinion issued by our Hong Kong Legal Counsel;
- (j) the CCID Report;
- (k) the service contracts referred to in the paragraph headed “13. Directors” in the section headed “Statutory and General Information” in Appendix IV to this prospectus;
- (l) the material contracts referred to in the paragraph headed “11. Summary of material contracts” in the section headed “Statutory and General Information” in Appendix IV to this prospectus; and
- (m) the written consents referred to in the paragraph headed “25. Consents of experts” in the section headed “Statutory and General Information” in Appendix IV to this prospectus.



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