

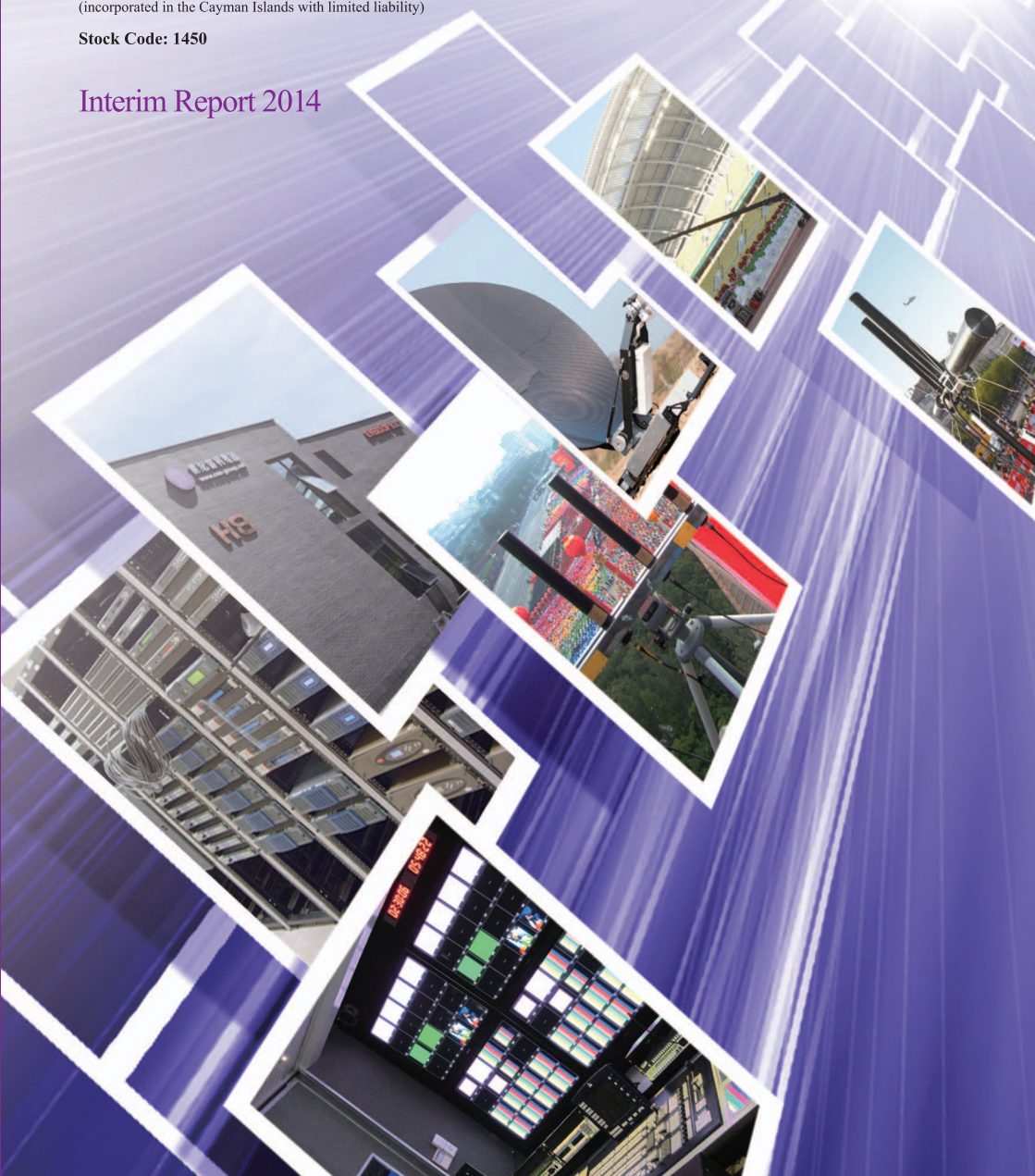


# Century Sage Scientific Holdings Limited 世紀睿科控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1450

Interim Report 2014



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Lo Chi Sum (盧志森)  
Mr. Leung Wing Fai (梁榮輝)  
Mr. Zhou Jue (周珏)  
Mr. Sun Qingjun (孫清君)  
Mr. Huang He (黃河)  
Mr. Geng Liang (耿亮)

#### Independent non-executive Directors

Mr. Ma Guoli (馬國力)  
Dr. Ng Chi Yeung, Simon (吳志揚)  
Mr. Hung Muk Ming (洪木明)

### AUTHORISED REPRESENTATIVES

Mr. Leung Wing Fai  
Ms. Ngai Kit Fong

### AUDIT COMMITTEE

Mr. Hung Muk Ming (*Chairman*)  
Mr. Ma Guoli  
Dr. Ng Chi Yeung, Simon

### REMUNERATION COMMITTEE

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

### NOMINATION COMMITTEE

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

### COMPANY SECRETARY

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

### REGISTERED OFFICE

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

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Building H8, Privy Council  
No. 10 Jiachuang Road  
Opto-Mechatronics Industrial Park  
Tongzhou District  
Beijing 101111  
the PRC

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 901-902  
9th Floor  
Tins Enterprises Centre  
777 Lai Chi Kok Road  
Kowloon  
Hong Kong

### AUDITORS

PricewaterhouseCoopers

### COMPLIANCE ADVISER

CCB International Capital Limited

### 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

### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

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

### **PRINCIPAL BANKERS**

The Hongkong and Shanghai Banking Corporation Limited  
Industrial and Commercial Bank of China (Asia) Limited  
Nanyang Commercial Bank, Limited

### **STOCK CODE**

1450

### **WEBSITE AND CONTACT**

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# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

Due to the sustained demand in the market and the increase in completion of services and projects rendered to the customers of Century Sage Scientific Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”), the Group’s revenue increased from RMB179.7 million for the six months ended 30 June 2013 (the “**Corresponding Period**”) to RMB252.8 million for the six months ended 30 June 2014 (the “**Interim Period**”).

The Group is a leading China-based one-stop provider of high-end all-media application solutions in the PRC. The Group provides television stations, internet service providers, and other media content providers with the infrastructure or avenues to facilitate the completion of their content sourcing, production and broadcast. The Group’s business is made up of four main business segments: (1) application solutions; (2) event broadcast services; (3) equipment development and sales; and (4) system maintenance services.

Riding on (i) the Group’s comprehensive range of high quality services and products; (ii) strong technical expertise to support the design of customised application solutions; and (iii) the research and development of new products and services, the Group ranked number one, in terms of revenue in 2012, among the providers of all-media application solutions that facilitate content production, broadcast and transmission in the all-media industry in the PRC. The Group continued to achieve remarkable growth in its financial performance during the Interim Period. Due to the sustained demand in the market and the increase in completion of services and projects rendered to the Group’s customers, such as major broadcasters and internet services providers, the Group’s revenue increased significantly by 40.7% from RMB179.7 million for the Corresponding Period to RMB252.8 million for the Interim Period. The Group’s profit also increased significantly by 50.9% from RMB8.4 million for the Corresponding Period to RMB12.7 million for the Interim Period.

The directors of the Company (the “**Directors**”) believe that the Group’s financial performance follows the seasonal factors in the industry. Due to budgetary and planning processes of most of the state-owned enterprises in the first half of the year, the Group is expected to experience a higher amount of revenue recognition in the second half of the year. For instance, the revenue and net profit for the six months ended 30 June 2013 were approximately 28.6% and 10.8% of that for the year ended 31 December 2013, respectively. The Directors are of the view that this seasonal trend will continue in the future.

## MANAGEMENT DISCUSSION AND ANALYSIS

Benefiting from Three-Networks Convergence (三網融合), high definition (“HD”) migration and the next generation broadcasting network which were in line with the PRC government’s policies, the demand in the all-media industry in the PRC is expected to increase. According to CCID Report (as disclosed in the Company’s prospectus dated 24 June 2014, the “**Prospectus**”), the market size for the provision of application solutions for the all-media industry in the PRC, in terms of operating revenue, was expected to increase from RMB7.8 billion in 2012 to RMB13.4 billion in 2015 while the total revenue of the system maintenance services was expected to increase from RMB2.0 billion in 2012 to RMB3.8 billion in 2015. Based on the growing demand in the PRC all-media market, the Group will continue to expand the business to seize opportunities to grow its market share.

The provision of “application solutions” services to the Group’s customers continued to be the Group’s core business segment that also underpins the future business expansion of the Group. This business segment involves customising application solutions to customers in a turnkey package including system engineering design, provision of software and hardware equipment used in the system, system integration and after-sale services. During the Interim Period, the Group has completed various high profile projects, including (i) the high definition studios for China Central Television (CCTV) (中國中央電視台); (ii) a HDTV studio cluster project for a prominent listed internet service provider; and (iii) a HDTV production project for the BTV Network (Internet) TV (北京電視台北京網絡廣播電視台). Due to the support from the PRC government policy and the HDTV conversion drive, the Group sees a continuous rolling out of projects from broadcasters as well as network and new media operators.

“Event broadcast services” is a business segment involving customising packages that the Group provides for live broadcast events, such as engineering design, on-site operation and technical support services to the customer’s content production team and leasing of equipment for the event based on the needs of host broadcasters and their content production teams. For the Interim Period, the Group has completed services to a Shanghai customer for their various sport events. The Group also cooperated with a prominent listed internet service provider for their broadcasting of 2014 World Cup football event.

## MANAGEMENT DISCUSSION AND ANALYSIS

“Equipment development and sales” business segment is a natural extension from “application solutions” and “event broadcast services” segments. Leveraging on its insight of the broadcasting industry gained from its relationships with broadcasters and content providers when providing its “application solutions” services and “event broadcast services”, the Group has been developing broadcast and transmission equipment since 2010, with the successful launch of a product in the same year. This segment has been a rapidly growing business segment of the Group. In addition to the expansion of sales in the PRC, the Group has also delivered its systems to Indonesia which marked our inroad strategies to the Southeast Asian market.

In the segment of “system maintenance services”, the Group has achieved noticeable growth in the maintenance services segment in the Interim Period primarily due to the increase in recurring orders of its services and taking benefits from the increase in demand of its services from the application solutions segment.

During the Interim Period, the Group has received significant repeat orders from major broadcasters such as Shenzhen Media Group (深圳廣播電影電視集團) for their HDTV production facilities which were part of their multi-year high-definition conversion projects. The Group was also awarded a project by the China Network TV (CNTV, 央視國際網絡有限公司) for the National Network Video Database Platform Phase 1 (國家網絡視頻數據庫一期平台). Leveraging on strong technical expertise and years of successful cooperation with these all-media operators, the Group is confident to continue supporting its customers for their multi-phases projects in the future.

The Group noted some tenders for projects were delayed or postponed in the Interim Period. The Group believed it was related to the generally more stringent budget control of many government-funded projects in the PRC. However, the Directors believed that the PRC government investments in the all-media industry remain strong due to the reasons including (i) the Group was awarded a government-funded HDTV project with a contract value of RMB25 million from the Tibet Television Station in June 2014; and (ii) in mid-August 2014, a report on promoting the integration of traditional and new media was approved at a reform group meeting chaired by President Xi Jinping of the PRC. Further, the Group completed a project for CCTV Kehua Co., Ltd. (中視科華有限公司) for the upgrade of their fleet of satellite vehicle systems for 31 provinces in the PRC. It showed that the PRC government will continue to support the broadcast television station and new media industry although it casted control on general government spending.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

Revenue of the Group increased significantly by 40.7% from RMB179.7 million for the Corresponding Period to RMB252.8 million for the Interim Period. The Group targeted to expand the development and operations of segments from event broadcast services, system maintenance services and equipment development and sales, while the segment of application solutions will remain to contribute substantially to the Group's revenue. The table below sets out the Group's segmental revenue for the six months ended 30 June 2013 and 2014:

	For the six months ended 30 June			
	2014		2013	
	RMB'000	% of total revenue	RMB'000	% of total revenue
<b>Segment revenue</b>				
Application solutions				
— Production and broadcast	<b>153,662</b>	<b>60.8%</b>	131,437	73.1%
— Transmission	<b>71,641</b>	<b>28.3%</b>	37,810	21.0%
Subtotal	<b>225,303</b>	<b>89.1%</b>	169,247	94.2%
Event broadcast services	<b>8,053</b>	<b>3.2%</b>	2,023	1.1%
System maintenance services	<b>11,216</b>	<b>4.4%</b>	4,704	2.6%
Equipment development and sales	<b>8,225</b>	<b>3.3%</b>	3,720	2.1%
Total	<b>252,797</b>	<b>100.0%</b>	179,694	100.0%

### Application solutions

Revenue generated by the Group's application solutions segment remained the most substantial contributor to its revenue, representing approximately 94.2% and 89.1% respectively of the total revenue of the Group for the six months ended 30 June 2013 and 2014 and increased from approximately RMB169.2 million for the Corresponding Period to approximately RMB225.3 million for the Interim Period.



## MANAGEMENT DISCUSSION AND ANALYSIS

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, and from transmission respectively increased from RMB131.4 million and RMB37.8 million for the Corresponding Period to RMB153.7 million and RMB71.6 million for the Interim Period, representing a growth rate of 16.9% and 89.5%, respectively. Such increase was mainly attributable to the increase in completion of projects as rendered to the Group's customers during the Interim Period.

### **Event broadcast services**

Revenue from event broadcast services represented approximately 1.1% and 3.2% of the total revenue of the Group for the six months ended 30 June 2013 and 2014, respectively and increased approximately from RMB2.0 million for the Corresponding Period to RMB8.1 million for the Interim Period, representing an increase of 298.1%. Such increase was mainly attributable to the increase in market demand for event broadcast and equipment leasing services and the Group's effort in expanding the segment business during the Interim Period.

### **System maintenance services**

Revenue from system maintenance services represented approximately 2.6% and 4.4% of the total revenue of the Group for the six months ended 30 June 2013 and 2014, respectively and increased approximately from RMB4.7 million for the Corresponding Period to RMB11.2 million for the Interim Period, representing an increase of 138.4%. Such increase was mainly attributable to the increasing demand for the Group's onsite support services during the Interim Period.

### **Equipment development and sales**

Revenue from equipment development and sales represented approximately 2.1% and 3.3% of the total revenue of the Group for the six months ended 30 June 2013 and 2014, respectively and increased approximately from RMB3.7 million for the Corresponding Period to RMB8.2 million for the Interim Period, representing an increase of 121.1%. Such increase was mainly attributable to an increase in the number of units of the Group's portable satellite flyaway terminals sold during the Interim Period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Cost of sales

For the six months ended 30 June 2013 and 2014, the Group's cost of sales was RMB128.3 million and RMB177.6 million respectively, representing an increase of 38.4%. Such increase was mainly attributable to the increase in the overall business volume during the Interim Period. The following table sets forth the cost of sales for each business segment for the six months ended 30 June 2013 and 2014:

	For the six months ended 30 June			
	2014		2013	
	RMB'000	% of total	RMB'000	% of total
<b>Segment cost of sales</b>				
Application solutions				
— Production and broadcast	<b>115,002</b>	<b>64.8%</b>	97,654	76.1%
— Transmission	<b>49,122</b>	<b>27.7%</b>	25,822	20.1%
Subtotal	<b>164,124</b>	<b>92.4%</b>	123,476	96.2%
Event broadcast services	<b>4,342</b>	<b>2.4%</b>	1,233	1.0%
System maintenance services	<b>5,571</b>	<b>3.1%</b>	2,316	1.8%
Equipment development and sales	<b>3,534</b>	<b>2.0%</b>	1,319	1.0%
Total	<b>177,571</b>	<b>100.0%</b>	128,344	100.0%

The Group's cost of sales for the application solutions segment increased by 32.9% for the Interim Period, compared to the Corresponding Period, which was primarily due to the increase in revenue of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Gross profit and gross profit margin

For the six months ended 30 June 2013 and 2014, the Group's gross profit was RMB51.4 million and RMB75.2 million respectively. The Group's gross profit margin was 28.6% and 29.8% for the Corresponding Period and the Interim Period, respectively. The following table sets forth the gross profit and gross profit margin of each of the Group's segments during the periods:

	For the six months ended 30 June			
	2014		2013	
	Gross profit margin		Gross profit margin	
	RMB'000	%	RMB'000	%
<b>Segment gross profit and gross profit margin</b>				
Application solutions				
— Production and broadcast	<b>38,660</b>	<b>25.2%</b>	33,783	25.7%
— Transmission	<b>22,519</b>	<b>31.4%</b>	11,988	31.7%
Subtotal	<b>61,179</b>	<b>27.2%</b>	45,771	27.0%
Event broadcast services	<b>3,711</b>	<b>46.1%</b>	790	39.1%
System maintenance services	<b>5,645</b>	<b>50.3%</b>	2,388	50.8%
Equipment development and sales	<b>4,691</b>	<b>57.0%</b>	2,401	64.5%
Total	<b>75,226</b>	<b>29.8%</b>	51,350	28.6%

The Group's gross profit increased by 46.5% during the Interim Period and its gross profit margin improved gently from 28.6% to 29.8%. The improvement of the Group's gross profit margin was mainly attributable to an improvement in the gross profit margin for the application solutions segment from 27.0% to 27.2% as well as the equipment leasing business under the event broadcast services segment from 39.1% to 46.1%. Vis-à-vis gross profit margin in our system maintenance services segment slightly decreased. The decrease was mainly attributable to the increased aggregate cost of parts used for maintenance services. Gross profit margin in the equipment development and sales segment also decreased. Such decrease was primarily due to our selective discounting of the selling price of the portable satellite flyaway terminal product to certain customers in order to further broaden the Group's customer base.

### **Selling expenses**

Selling expenses for the six months ended 30 June 2013 and 2014 were RMB14.9 million and RMB11.0 million respectively, representing a decrease of 26.0%. Such decrease was mainly attributable to the implementation of stringent budgetary planning and cost control measures so as to trim down travelling expenses and business development cost.

### **Administrative expenses**

Administrative expenses for the six months ended 30 June 2013 and 2014 were RMB24.4 million and RMB41.6 million respectively, representing an increase of 70.3%. Such increase was mainly attributable to (i) the one-off listing expenses of RMB12.2 million recognised in the income statements; and (ii) the increase in employee benefit expense.

### **Finance costs**

For the six months ended 30 June 2013 and 2014, finance costs of the Group were RMB1.5 million and RMB5.4 million respectively, representing an increase of 267.2%. Such increase was mainly attributable to the increase in interest expenses associated with the Group's project financing and short-term borrowings for working capital requirements.

### **Income tax expenses**

Income tax expenses amounted to RMB1.8 million and RMB4.7 million respectively for the six months ended 30 June 2013 and 2014, representing an increase of 161.1%. The effective tax rate increased to approximately 27.1% for the six months ended 30 June 2014 from approximately 17.7% for the Corresponding Period, primarily due to the one-off listing expenses of RMB12.2 million recognised in the income statement for the six months ended 30 June 2014 which was not tax deductible.

### **Profit for the period**

As a result of the aforementioned factors, profit attributable to owners of the Company increased from RMB8.4 million to RMB12.7 million for the six months ended 30 June 2013 and 2014, representing an increase of 50.9%.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Liquidity, financial resources and capital structure**

Net cash used in the Group's operating activities amounted to RMB25.0 million for the Interim Period and net cash generated from the Group's operating activities amounted to RMB13.9 million for the Corresponding Period. The net cash outflow of the Group's operating activities mainly arose from: (i) the incurrence of non-recurring listing expenses; (ii) deferral in collection of trade receivables; (iii) the decrease in advances from customers; and (iv) the decrease in inventories resulted from the improvement of the project management and inventory planning work for the Interim Period.

Net cash used in the Group's investing activities amounted to RMB25.2 million and RMB1.4 million for the six months ended 30 June 2013 and 2014 respectively. The net cash outflow for the Interim Period mainly arose from the purchase of equipment and the pledged deposits placed for the issuance of trade related documents.

Net cash used in the Group's financing activities amounted to RMB5.5 million for the Interim Period and net cash generated from the Group's financing activities amounted to RMB1.8 million for the Corresponding Period. The net cash used in financing activities for the Interim Period was mainly attributable to the payment of dividend declared for the year ended 31 December 2013 but was partially offset by the proceeds from bank loans.

### **Charge on assets**

As at 31 December 2013 and 30 June 2014, bank borrowings of RMB28,499,000 and RMB35,000,000 are secured by the buildings of the Group, cost of which amounting to RMB51,722,000 and RMB51,722,000; trade receivables of RMB35,339,000 and RMB23,200,000, respectively.

### **Gearing position**

The gearing ratio, represented total borrowings divided by total equity multiplied by 100%, was 61.2% and 107.6% respectively as of 31 December 2013 and 30 June 2014. The total borrowings of the Group increased from RMB58.2 million as at 31 December 2013 to RMB114.8 million as at 30 June 2014. Such increase was mainly attributable to the new borrowings of RMB24.8 million long-term financing and RMB24.0 million working capital loan. The total borrowings as at 30 June 2014 mainly comprised RMB63.9 million working capital loans, RMB24.8 million long-term borrowings and RMB23.2 million loans from project financing.

### Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar (“**USD**”), Hong Kong Dollar (“**HKD**”) and the Great British Pound (“**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 equipment from all over the world and the management control the payment schedule to reduce the foreign exchange risk. Save for certain bank balances and accounts payables in US dollar and HK dollar, the impact of foreign exchange exposure to the Group was minimal and there was no significant adverse effect on normal operations. During the Interim Period, the Group did not commit to any financial instruments to hedge its exposure to foreign exchange risk. However the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

### Interest rate risk

Other than bank balances with variable interest rate, the Group has no other significant interest-bearing assets. 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.

### Significant investments, mergers and acquisitions

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Contingent liabilities**

In March 2014, one of the subsidiaries of the 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, which provided the application solution services for the systems to a client in Hunan (the “**Client**”), the end-user of the systems. The contractual claim amounting to RMB6.77 million was brought by the Claimant against this subsidiary and the Client in relation to the outstanding amount payable for the sale of the systems. 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 such contractual dispute will not have a material adverse effect on the interim financial information of the Group and therefore no provision has been made for the Interim Period.

As at 30 June 2014, except for the legal dispute as disclosed above, the Directors were not aware of any other significant events that would have resulted in material contingent liabilities.

### **Interim dividend**

The Board did not recommend the distribution of interim dividend for the Interim Period.

### **Employees and remuneration policies**

As at 30 June 2014, the Group had a total of 245 employees (as at 31 December 2013: 239 employees).

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

### FUTURE OUTLOOK

Looking ahead, the Group is confident about the future development of the all-media industry in the PRC as it will be driven by the increase in market demand and support from government policies. The Group will strive to maintain its leading position as the prominent one-stop solutions provider of all-media industry in the PRC.

In the application solutions segment, the Group will continue to grow and expand its coverage in the mainland China, and when the Directors consider appropriate, to certain selected countries. Foreseeing the digitalisation and HDTV conversions as the key drivers of the rapid market growth, the Group will expand its sales, distribution and services network in the PRC. The Group will also continue to expand its product and services offerings, such as mobile and interactive visualisation technologies.

In the event broadcast services segment, the Group intends to increase its capacity as well as service quality by recruiting more experienced staff and acquiring more advanced equipment for the provision of the event broadcast services. The Group will also look for broadening its event broadcast services to a wider customer base beyond the host broadcasters or the TV stations, such as corporate users or even more wide spread customer bases.

In the research and development segment, the Group has already launched additional new series of high quality transmission equipment. This new series is a 3G/LTE based transmission equipment, being a complement to its existing satellite equipment. The Group has received positive feedback from overseas countries such as the United States of America and India. The Group expects the new product ranges as well as overseas businesses will start to contribute to its revenue from the fourth quarter of 2014 onwards.

The Group has achieved noticeable growth in the maintenance services segment in the Interim Period. The Group will enlarge the revenue contribution from recurring maintenance services by enhanced service team and value-added services.



## MANAGEMENT DISCUSSION AND ANALYSIS

The Group will continue to look for potential opportunities to expand the business in the all-media industry in the PRC. The Group believes its success and growth will sustain, leveraging its ability to provide high quality services and products and its strong technical expertise. Riding on its solid businesses of four main business segments as set out above, the Group will endeavor to maximise returns to its stakeholders.

### SUBSEQUENT EVENT AFTER THE INTERIM PERIOD

Pursuant to the written resolutions of the shareholders of the Company passed on 13 June 2014, conditional upon the share premium account of the Company being credited as a result of the global offering of the Company (the “**Global Offering**”), the Directors were authorised to capitalise the amount of HK\$7,499,000 standing to the credit of the share premium account of the Company by applying that sum in paying up in full at par 749,900,000 shares of the Company of HK\$0.01 each (the “**Shares**”) for allotment and issue to the holders of Shares whose names appeared on the register of members of the Company at the close of business on 13 June 2014 in proportion to their then existing shareholding in the Company.

On 7 July 2014, 250,000,000 Shares were issued at an issue price of HK\$1.08 each by way of the Global Offering and the Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on the same date.

### USE OF PROCEEDS FROM GLOBAL OFFERING

Trading of the Shares on the Stock Exchange commenced on 7 July 2014, and the Group raised net proceeds of approximately HK\$214.8 million from the Global Offering, after the Interim Period. The Group intends to apply such proceeds in a manner consistent with the intended use of proceeds as disclosed in the Prospectus. Details of the intended use of proceeds were set out in the Prospectus.

### INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES OR DEBENTURES

As the Shares were listed on the Stock Exchange on 7 July 2014, the Company was not required to keep any register under Part XV of the Securities and Futures Ordinance (the “SFO”) as at 30 June 2014.

Upon the Company’s listing on 7 July 2014, so far as the Directors are aware of, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required to notify the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), were as follows:

Name of Director	Name of Group member/ associated corporation	Capacity/ nature of interest	Number and class of securities <i>(Note 1)</i>	Approximate percentage of shareholding
Mr. Lo Chi Sum (“Mr. Lo”)	The Company	Interest of controlled corporation <i>(Note 2)</i>	667,500,000 Shares (L)	66.75%
Mr. Lo	Cerulean Coast Limited	Beneficial owner	1 share	100%
Mr. Leung Wing Fai (“Mr. Leung”)	The Company	Interest of controlled corporation <i>(Note 3)</i>	60,000,000 Shares (L)	6%
Mr. Leung	Future Miracle Limited	Beneficial owner	1 share	100%

## DISCLOSURE OF INTERESTS

Notes:

1. The letter "L" denotes the Directors' long position in the Shares.
2. These Shares were held by Cerulean Coast Limited, which was wholly owned by Mr. Lo. Mr. Lo was 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 was deemed or taken to be interested in the Shares held by Future Miracle Limited under the SFO.

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES

As the Shares were listed on the Stock Exchange on 7 July 2014, the Company was not required to keep any register under Part XV of the SFO as at 30 June 2014.

Upon the Company's listing on 7 July 2014, so far as the Directors are aware of, the interests or short positions of the persons (other than a Director or chief executive of the Company whose interests are disclosed above) and corporations in the Shares or underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO were as follow:

Name of shareholder	Capacity/Nature of interest	Number of Shares held (Note 1)	Approximate percentage of shareholding
Cerulean Coast Limited	Beneficial owner (Note 2)	667,500,000 (L)	66.75%
Future Miracle Limited	Beneficial owner (Note 3)	60,000,000 (L)	6%
Ms. Wang Hui	Interest of spouse (Note 4)	60,000,000 (L)	6%
Central Huijin Investment Ltd.	Interest of controlled corporation	60,858,000 (L) (Note 5) 37,500,000 (S) (Note 5)	6.09% 3.75%

## DISCLOSURE OF INTERESTS

Name of shareholder	Capacity/Nature of interest	Number of Shares held (Note 1)	Approximate percentage of shareholding
China Construction Bank Corporation	Interest of controlled corporation	60,858,000 (L) (Note 5)	6.09%
		37,500,000 (S) (Note 5)	3.75%
CCB International Group Holdings Limited	Interest of controlled corporation	60,858,000 (L) (Note 5)	6.09%
		37,500,000 (S) (Note 5)	3.75%
CCB Financial Holdings Limited	Interest of controlled corporation	60,858,000 (L) (Note 5)	6.09%
		37,500,000 (S) (Note 5)	3.75%
CCB International (Holdings) Limited	Interest of controlled corporation	60,858,000 (L) (Note 5)	6.09%
		37,500,000 (S) (Note 5)	3.75%
CCB International Capital Limited	Beneficial owner	60,858,000 (L) (Note 5)	6.09%
		37,500,000 (S) (Note 5)	3.75%

### Notes:

- The letter "L" denotes a person's or a corporation's long position in the Shares and "S" denotes a person's or a corporation's short position in the Shares.
- These Shares were held by Cerulean Coast Limited, which was wholly owned by Mr. Lo.
- These Shares were held by Future Miracle Limited, which was wholly owned by Mr. Leung.
- Ms. Wang Hui is the spouse of Mr. Leung and she was deemed or taken to be interested in the 60,000,000 Shares held by Future Miracle Limited, which was wholly owned by Mr. Leung.
- These Shares were held by CCB International Capital Limited. CCB International Capital Limited was a wholly-owned subsidiary of CCB International (Holdings) Limited which in turn was wholly owned by CCB Financial Holdings Limited. CCB Financial Holdings Limited was a wholly-owned subsidiary of CCB International Group Holdings Limited which in turn was wholly owned by China Construction Bank Corporation. China Construction Bank Corporation was 57.26% owned by Central Huijin Investment Ltd. Therefore, Central Huijin Investment Ltd., China Construction Bank Corporation, CCB International Group Holdings Limited, CCB Financial Holdings Limited and CCB International (Holdings) Limited were all deemed or taken to be interested in the Shares held by CCB International Capital Limited under the SFO.

## SHARE AWARD PLAN AND SHARE OPTION SCHEME

In order to recognise and reward the contribution of certain eligible participants to the growth and development of the Group, the Company adopted a share award plan (the “**Share Award Plan**”) on 24 March 2014. As of the date of this report, no awards have been granted or agreed to be granted under the Share Award Plan.

In order to reward or make incentive to the employees, Directors and other selected participants for their contributions to our Group, the Company conditionally adopted a share option scheme (the “**Share Option Scheme**”) on 13 June 2014. As of the date of this report, no share options have been granted or agreed to be granted under the Share Option Scheme.

A summary of the principal terms and conditions of the Share Award Plan and Share Option Scheme is set out in Appendix IV to the Prospectus.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

As the Company was listed on 7 July 2014 (the “**Listing Date**”), the Company was not required to comply with the provisions under the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) in relation to the Model Code for the Interim Period. Since the Listing Date, the Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules (with certain modifications) as the code of conduct regarding directors’ securities transactions. Having made specific enquiry of the Directors, all Directors confirmed that they have complied with the code of conduct and the required standard as set out in the Model Code regarding directors’ securities transactions from the Listing Date up to the date of this report.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities from the Listing Date and up to the date of this report.

### CORPORATE GOVERNANCE

As the Company was listed on 7 July 2014, the Company was not required to comply with the requirements under the code provisions contained in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules for the Interim Period.

The Directors recognise the importance of good corporate governance in the management of the Group. The Board will review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

### AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises three members, all of whom are independent non-executive Directors, namely Mr. Hung Muk Ming, Mr. Ma Guoli and Dr. Ng Chi Yeung, Simon. Mr. Hung Muk Ming is the Chairman of the Audit Committee. The Audit Committee has written terms of reference in compliance with the Listing Rules and the CG Code.

## OTHER INFORMATION

The Audit Committee has in conjunction with the management reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters of the Group. The Audit Committee has no disagreement with the accounting treatment adopted by the Company. The condensed consolidated interim results of the Group for the Interim Period are unaudited but have been reviewed by PricewaterhouseCoopers, the auditors of the Company, and by the Audit Committee.

### CHANGE IN DIRECTOR'S INFORMATION

Change in the Director's information since the date of the Prospectus, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is set out below:

Name of Director	Details of change
Dr. Ng Chi Yeung, Simon	Resigned as an independent non-executive director of Kith Holdings Limited, a company listed on the Stock Exchange with effect from 1 July 2014

Saved as disclosed above, the Company is not aware of other changes in the Directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

By order of the Board  
**Lo Chi Sum**  
*Chairman*

Hong Kong, 26 August 2014



羅兵咸永道

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION  
TO THE BOARD OF DIRECTORS OF CENTURY SAGE SCIENTIFIC  
HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 25 to 54, which comprises the interim condensed consolidated balance sheet of Century sage scientific holdings limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2014 and the related interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and condensed consolidated interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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# INDEPENDENT AUDITOR'S REVIEW CONCLUSION

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 26 August 2014

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Note	Six months ended 30 June	
		2014 RMB'000 Unaudited	2013 RMB'000 Unaudited
Revenue	6	<b>252,797</b>	179,694
Cost of sales	6	<b>(177,571)</b>	(128,344)
<b>Gross profit</b>	6	<b>75,226</b>	51,350
Selling expenses		<b>(11,042)</b>	(14,916)
Administrative expenses		<b>(41,558)</b>	(24,406)
Other income		<b>207</b>	(353)
<b>Operating profit</b>	13	<b>22,833</b>	11,675
Finance income		<b>56</b>	44
Finance costs		<b>(5,449)</b>	(1,484)
Finance income — net		<b>(5,393)</b>	(1,440)
<b>Profit before income tax</b>		<b>17,440</b>	10,235
Income tax expense	14	<b>(4,721)</b>	(1,808)
<b>Profit for the period</b>		<b>12,719</b>	8,427
<b>Profit attributable to:</b>			
Owners of the Company		<b>12,719</b>	8,427

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Note	Six months ended 30 June	
		2014 RMB'000 Unaudited	2013 RMB'000 Unaudited
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Currency translation differences		<u>(935)</u>	<u>(555)</u>
<b>Other comprehensive loss for the six-month period then ended, net of tax</b>		<u>(935)</u>	<u>(555)</u>
<b>Total comprehensive income for the period</b>		<u>11,784</u>	<u>7,872</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<u>11,784</u>	<u>7,872</u>
<b>Earnings per share (expressed in RMB per share)</b>			
— Basic and diluted earnings per share	15	<b>0.02</b>	0.01
<b>Dividends</b>	16	<u>—</u>	<u>—</u>

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2014

	Note	As at	
		30 June 2014 RMB'000 Unaudited	31 December 2013 RMB'000 Audited
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	57,058	59,890
Deferred income tax assets	8	4,257	2,595
Available-for-sale financial assets		4,189	4,189
Other non-current assets		873	1,376
		<u>66,377</u>	<u>68,050</u>
<b>Current assets</b>			
Inventories		308,687	386,970
Trade and other receivables	9	150,030	112,907
Pledged bank deposits		8,349	9,206
Cash and cash equivalents		21,970	53,878
		<u>489,036</u>	<u>562,961</u>
<b>Total assets</b>		<u>555,413</u>	<u>631,011</u>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	10	1	1
Share premium		70,674	70,674
Other reserves		(69,664)	(68,729)
Retained earnings		105,764	93,045
		<u>106,775</u>	<u>94,991</u>
<b>Total equity</b>		<u>106,775</u>	<u>94,991</u>

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2014

	Note	As at	
		30 June 2014 RMB'000 Unaudited	31 December 2013 RMB'000 Audited
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	11	<u>10,376</u>	<u>4,624</u>
<b>Current liabilities</b>			
Trade and other payables	12	<b>293,202</b>	435,191
Current income tax liabilities		<b>40,590</b>	42,661
Borrowings	11	<u>104,470</u>	<u>53,544</u>
		<u>438,262</u>	<u>531,396</u>
<b>Total liabilities</b>		<u>448,638</u>	<u>536,020</u>
<b>Total equity and liabilities</b>		<u>555,413</u>	<u>631,011</u>
<b>Net current assets</b>		<u>50,774</u>	<u>31,565</u>
<b>Total assets less current liabilities</b>		<u>117,151</u>	<u>99,615</u>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	
<b>Unaudited</b>						
<b>Balance at 1 January 2013</b>	1	70,674	(68,702)	75,290	77,263	77,263
<b>Comprehensive income</b>						
Profit for the period	–	–	–	8,427	8,427	8,427
<b>Other comprehensive income</b>						
— currency translation differences	–	–	(555)	–	(555)	(555)
Total other comprehensive income, net of tax	–	–	(555)	–	(555)	(555)
<b>Total comprehensive income for the period ended 30 June 2013</b>	–	–	(555)	8,427	7,872	7,872
<b>Balance as at 30 June 2013</b>	1	70,674	(69,257)	83,717	85,135	85,135
<b>Unaudited</b>						
<b>Balance at 1 January 2014</b>	1	70,674	(68,729)	93,045	94,991	94,991
<b>Comprehensive income</b>						
Profit for the period	–	–	–	12,719	12,719	12,719
<b>Other comprehensive income</b>						
— currency translation differences	–	–	(935)	–	(935)	(935)
Total other comprehensive income, net of tax	–	–	(935)	–	(935)	(935)
<b>Total comprehensive income for the period ended 30 June 2014</b>	–	–	(935)	12,719	11,784	11,784
<b>Balance as at 30 June 2014</b>	1	70,674	(69,664)	105,764	106,775	106,775

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	Unaudited	Unaudited
Net cash (used in)/generated from operating activities	<u>(24,956)</u>	<u>13,861</u>
Net cash used in investing activities	<u>(1,420)</u>	<u>(25,224)</u>
Net cash (used in)/generated from financing activities	<u>(5,532)</u>	<u>1,825</u>
Net decrease in cash and cash equivalents	<b>(31,908)</b>	(9,538)
Cash and cash equivalents at beginning of period	<u>53,878</u>	<u>35,026</u>
Cash and cash equivalents at end of period	<u>21,970</u>	<u>25,488</u>

## 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 Group has operations mainly in the mainland China.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited on 7 July 2014.

This condensed consolidated interim financial information was approved for issue by the board of directors on 26 August 2014.

This condensed consolidated interim financial information has not been audited.

## 2. BASIS OF PREPARATION AND PRESENTATION

This condensed Interim Financial Information for the six months ended 30 June 2014 has been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”), “Interim financial reporting”. The condensed Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 3. ACCOUNTING POLICIES

The accounting policies applied and methods of computation used in the preparation of this Interim Financial Information are consistent with those used in the 2013 Financial Statements, except for the adoption of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group's operations and mandatory for annual accounting periods beginning 1 January 2014. The adoption of these new and revised standards, amendments and interpretations does not have an impact on the Group's result of operation and financial position.

Taxes on income in the interim periods are accrued using the tax rates that would be applicable to expected total annual earnings.

There are no new standards, and amendments and interpretations to existing standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

## 4. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the condensed consolidated financial statements for the year ended 31 December 2013.

## 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

There have been no changes in the risk management department since year end or in any risk management policies since the year end.

### 5.2 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

### 5.3 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.

### 5.4 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

For one non-current borrowing of RMB10,376,000 with maturity date 31 March 2016, the Group expects early settlement in 2016 due to the continuing positive cash flows from operating activities.

### 5.5 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.

## 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

### 5.5 Fair value estimation *(Continued)*

The following table presents the Group's assets and liabilities that are measured at fair value as at 30 June 2014.

	Level 3	
	As at	
	30 June 2014	31 December 2013
	RMB'000	RMB'000
	Unaudited	Audited
Available-for-sale financial assets	<b>4,189</b>	4,189

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.

## 6. 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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 6. SEGMENT INFORMATION *(Continued)*

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:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	Unaudited	Unaudited
Segment revenue		
Application solutions		
— Production and broadcast	153,662	131,437
— Transmission	71,641	37,810
Subtotal	225,303	169,247
Event broadcast services	8,053	2,023
System maintenance services	11,216	4,704
Equipment development and sales	8,225	3,720
Total	252,797	179,694
Segment cost		
Application solutions		
— Production and broadcast	(115,002)	(97,654)
— Transmission	(49,122)	(25,822)
Subtotal	(164,124)	(123,476)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 6. SEGMENT INFORMATION (Continued)

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	Unaudited	Unaudited
Event broadcast services	<b>(4,342)</b>	(1,233)
System maintenance services	<b>(5,571)</b>	(2,316)
Equipment development and sales	<b>(3,534)</b>	(1,319)
Total	<b>(177,571)</b>	(128,344)
Segment gross profit		
Application solutions		
— Production and broadcast	<b>38,660</b>	33,783
— Transmission	<b>22,519</b>	11,988
Subtotal	<b>61,179</b>	45,771
Event broadcast services	<b>3,711</b>	790
System maintenance services	<b>5,645</b>	2,388
Equipment development and sales	<b>4,691</b>	2,401
Total	<b>75,226</b>	51,350
Depreciation		
Application solutions		
— Production and broadcast	<b>1,870</b>	2,620
— Transmission	<b>871</b>	754
Subtotal	<b>2,741</b>	3,374
Event broadcast services	<b>98</b>	40
System maintenance services	<b>136</b>	94
Equipment development and sales	<b>100</b>	74
Total	<b>3,075</b>	3,582

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 7. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	Unaudited	Unaudited
Opening net book amount	59,890	64,513
Additions	676	2,642
Disposals	(433)	–
Depreciation	(3,075)	(3,582)
	<u>57,058</u>	<u>63,573</u>
Closing net book amount	57,058	63,573
At 30 June		
Cost	78,293	76,980
Accumulated depreciation	(21,235)	(13,407)
	<u>57,058</u>	<u>63,573</u>
Net book amount	57,058	63,573

## 8. DEFERRED INCOME TAX

The movement in deferred income tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

### Deferred income tax assets

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	Unaudited	Unaudited
Opening balance at 1 January	2,595	1,825
Credited to profit or loss	1,662	443
	<u>4,257</u>	<u>2,268</u>
Closing balance at 30 June	4,257	2,268

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 9. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2014 RMB'000 Unaudited	31 December 2013 RMB'000 Audited
Trade receivables	<b>74,418</b>	42,416
Less: provision for impairment of trade receivable	<b>(613)</b>	(342)
Trade receivables — net	<b>73,805</b>	42,074
Other receivables		
Amount due from customers for contract work (a)	<b>874</b>	472
Deposit for guarantee certificate over tendering and performance (b)	<b>13,861</b>	14,631
Amounts due from shareholders/directors (Note 18)	—	3,390
Prepayments	<b>53,683</b>	33,615
Value-added tax receivables	—	5,556
Cash advance to staff	<b>3,446</b>	4,975
Others	<b>4,361</b>	8,194
	<b>150,030</b>	112,907

As of 31 December 2013 and 30 June 2014, the fair values of trade and other receivables of the Group approximate their carrying amounts.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

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

- (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:

	As at	
	30 June 2014 RMB'000 Unaudited	31 December 2013 RMB'000 Audited
The aggregate costs incurred and recognised profits to date	<b>874</b>	472
Less: Progress billings	<b>(38)</b>	(514)
Net balance sheet position for ongoing contracts	<b>836</b>	(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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

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

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 2013 and 30 June 2014, the ageing analysis of the trade receivables based on revenue recognition date is as follows:

	As at	
	30 June 2014 RMB'000 Unaudited	31 December 2013 RMB'000 Audited
Up to 3 months	52,456	20,588
3 to 6 months	12,255	14,124
6 months to 1 year	7,755	871
1 to 2 years	712	6,232
2 to 3 years	1,013	259
Over 3 years	227	342
	<b>74,418</b>	<b>42,416</b>

Movements on the Group provision for impairment of trade receivables are as follows:

	As at	
	30 June 2014 RMB'000 Unaudited	31 December 2013 RMB'000 Audited
At beginning of the period	(342)	(296)
Provision for impairment	(271)	–
At end of the period	<b>(613)</b>	<b>(296)</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 10. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares HK\$'000	Equivalent nominal value of ordinary shares RMB'000
Authorised:			
Ordinary share of HK\$0.1 each at 18 December 2012 (date of incorporation) and 31 December 2013	3,800,000	380	308
Ordinary shares of HK\$0.01 each, subsequent to share split (a)	34,200,000	–	–
Increase of authorised ordinary shares (b)	<u>4,962,000,000</u>	<u>49,620</u>	<u>39,363</u>
<b>Balance at 30 June 2014</b>	<u>5,000,000,000</u>	<u>50,000</u>	<u>39,671</u>
Issued and fully paid:			
Ordinary share of HK\$0.1 each at 31 December 2013	10,000	1	1
Sub-division of shares (a)	<u>90,000</u>	<u>–</u>	<u>–</u>
<b>Balance at 30 June 2014</b>	<u>100,000</u>	<u>1</u>	<u>1</u>
Capitalisation issue (c)	749,900,000	7,499	5,949
Issuance of ordinary shares (d)	<u>250,000,000</u>	<u>2,500</u>	<u>1,983</u>
<b>Balance at 7 July 2014</b>	<u>1,000,000,000</u>	<u>10,000</u>	<u>7,933</u>

## 10. SHARE CAPITAL *(Continued)*

### (a) Sub-division of shares

Pursuant to the written resolution of shareholders passed 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

Pursuant to the written resolution of shareholders passed on 13 June 2014, 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) Capitalisation issue

Pursuant to a written resolution of all the shareholders of the Company passed on 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 initial public offering of the Company's shares, the Company issued additional 749,900,000 shares, credited as fully paid, to the existing shareholders of the Company. The company's share was listed on the Main Board of The Stock Exchange of Hong Kong on 7 July 2014.

### (d) Issuance of new ordinary shares upon IPO

On 7 July 2014, upon its listing on the Main Board of The Stock Exchange of Hong Kong Limited, the Company issued 250,000,000 new ordinary shares at par value of HK\$0.01 per share for cash consideration of HK\$1.08 each.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 11. BORROWINGS

	As at	
	30 June 2014 RMB'000 Unaudited	31 December 2013 RMB'000 Audited
Non-current		
Bank borrowings	<b>10,376</b>	4,624
Current		
Bank borrowings	<b>104,470</b>	53,544
Total borrowings	<b>114,846</b>	58,168

As at 31 December 2013 and 30 June 2014, bank borrowings of RMB28,499,000 and RMB35,000,000 are secured by the buildings of the Group, cost of which amounting to RMB51,722,000 and RMB51,722,000; trade receivables of RMB35,339,000 and RMB23,200,000, respectively.

As at 31 December 2013 and 30 June 2014, bank borrowings of RMB41,019,000 and RMB23,814,000 were guaranteed by Mr. Leung Wing Fai, a shareholder of the Company. The personal guarantee has been released before the Company's listing of its shares on the Main Board of the Stock Exchange of Hong Kong Limited on 7 July 2014.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 11. BORROWINGS (Continued)

Movements in borrowings are analysed as follows:

	RMB'000 Unaudited
<b>Six months ended 30 June 2014</b>	
Opening amount as at 1 January 2014	58,168
Proceeds of new borrowings	69,933
Repayments of borrowings	<u>(13,255)</u>
<b>Closing amount as at 30 June 2014</b>	<u>114,846</u>
<b>Six months ended 30 June 2013</b>	
Opening amount as at 1 January 2013	52,508
Proceeds of new borrowings	32,935
Repayments of borrowings	<u>(31,110)</u>
<b>Closing amount as at 30 June 2013</b>	<u>54,333</u>

Interest expense on borrowings for the six months ended 30 June 2014 is RMB5,449,000 (30 June 2013: RMB1,484,000). The weighted average annual effective interest rate is 6.38% (2013:6.50%).

The Group has undrawn borrowing facilities of RMB28,842,000 bearing floating rate expiring within one year as at 30 June 2014 (31 December 2013: RMB19,248,000).

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at	
	30 June 2014 RMB'000 Unaudited	31 December 2013 RMB'000 Audited
HKD	51,746	4,999
RMB	<u>63,100</u>	<u>53,169</u>
	<u>114,846</u>	<u>58,168</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 12. TRADE AND OTHER PAYABLES

	As at	
	30 June 2014 RMB'000 Unaudited	31 December 2013 RMB'000 Audited
Trade payables	<b>63,829</b>	93,420
Amounts due to customers for contract work	<b>38</b>	514
Advances from customers	<b>174,937</b>	239,095
Employee benefits payable	<b>3,996</b>	11,011
Other taxes payable	<b>41,611</b>	20,860
Amounts due to shareholders/directors	–	16
Dividends payable	–	60,000
Accrual for professional service fee	<b>7,438</b>	2,400
Others	<b>1,353</b>	7,875
	<b>293,202</b>	435,191

As at 30 June 2014, the aging analysis of the trade payables based on invoice date were as follows:

	As at	
	30 June 2014 RMB'000 Unaudited	31 December 2013 RMB'000 Audited
Up to 3 months	<b>41,271</b>	76,764
3 to 6 months	<b>14,056</b>	5,099
6 months to 1 year	<b>4,630</b>	4,020
1 to 2 years	<b>3,286</b>	5,705
2 to 3 years	<b>355</b>	501
Over 3 years	<b>231</b>	1,331
	<b>63,829</b>	93,420

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 13. OPERATING PROFIT

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	Unaudited	Unaudited
Equipment costs	113,370	92,547
Servicing and agency costs	34,584	27,758
Business development	2,688	4,941
Depreciation and amortisation	3,806	3,517
Listing expenses	12,223	–
	<u>166,671</u>	<u>128,763</u>

## 14. INCOME TAX EXPENSE

### Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from the Cayman Islands income tax.

### BVI income tax

The Company's subsidiaries in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are 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 2013 and six months ended 2014 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.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

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

### 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 summarized as follows:

Entities	HNTE Certification Period
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 2013, and 12.5% for the six months ended 30 June 2014.

### 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 14. INCOME TAX EXPENSE *(Continued)* **PRC withholding tax** *(Continued)*

The income tax expense of the Group for the six months ended 30 June 2014 is analysed as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	Unaudited	Unaudited
Current income tax	6,383	2,251
Deferred income tax	(1,662)	(443)
Income tax expense	4,721	1,808

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

## 15. 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 2013 as if the Company has been established by then.

### (a) Basic

Basic earnings per share for the six months ended 30 June 2013 and 2014 are calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares deemed to be in issue during each respective year:

	Six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
Profit attributable to owners of the Company (in RMB'000)	12,719	8,427
Weighted average number of ordinary shares in issue (i)	750,000,000	750,000,000
Basic earnings per share (RMB)	0.02	0.01

- (i) The calculation of basic earnings per share was adjusted retrospectively by considering the impact of the result of the subdivision of shares on 13 June 2014 and capitalization issue on 7 July 2014 as disclosed in note 10 (a) and (c).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 15. EARNINGS PER SHARE (Continued)

### (b) Diluted

There is no dilution to earnings per share during the period because there were no potential dilutive ordinary shares existing during the period. The diluted earnings per share equal the basic earnings per share.

## 16. DIVIDENDS

Final dividend of RMB60,000,000 that relates to the year ended 31 December 2013 was paid for the six months ended 30 June 2014. Final dividend of RMB15,563,000 that relates to the year ended 31 December 2012 was paid for the year ended 31 December 2013.

The board of directors has resolved not to declare an interim dividend in respect of the six months ended 30 June 2014 (for the six months ended 30 June 2013: nil).

## 17. OPERATING LEASE COMMITMENTS

The Group leases various offices and warehouses under both cancellable and non-cancellable operating lease agreements. The non-cancellable lease terms are between 1 and 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 future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at	
	30 June 2014	31 December 2013
	RMB'000	RMB'000
	Unaudited	Audited
No later than 1 year	1,435	1,242
Later than 1 year and no later than 2 years	885	575
Later than 2 years	617	814
	<u>2,937</u>	<u>2,631</u>

## 18. 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 2013 and six months ended 30 June 2014, 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)

- (i) Mr. Zhou Jue, Mr. Huang He and Mr. Sun Qingjun transferred their total equity interests of the Company to Mr. Lo Chi Sum on 9 May 2013. As a result, they were no longer the shareholder of the Company 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:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	Unaudited	Unaudited
Salaries and other allowance	<u>2,995</u>	<u>1,880</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 18. RELATED PARTY TRANSACTIONS *(Continued)*

### (c) Guarantee provided by a shareholder

	As at	
	30 June 2014 RMB'000 Unaudited	31 December 2013 RMB'000 Audited
Mr. Leung Wing Fai	<u>23,814</u>	<u>41,019</u>

The guarantee provided by Mr. Leung Wing Fai has been released before the Company's listing of its shares on the Main Board of the Stock Exchange of Hong Kong Limited on 7 July 2014.

### (d) Amount due from shareholders/directors

	As at	
	30 June 2014 RMB'000 Unaudited	31 December 2013 RMB'000 Audited
Mr. Leung Wing Fai	–	856
Mr. Zhou Jue	–	325
Mr. Lo Chi Sum	–	274
Mr. Sun Qingjun	–	1,935
	<u>–</u>	<u>3,390</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 18. RELATED PARTY TRANSACTIONS *(Continued)*

### (d) Amount due from shareholders/directors *(Continued)*

The maximum outstanding of amount due from shareholders/directors during the year is as follows:

	As at	
	30 June 2014 RMB'000 Unaudited	31 December 2013 RMB'000 Audited
Mr. Leung Wing Fai	–	856
Mr. Zhou Jue	–	325
Mr. Lo Chi Sum	–	274
Mr. Sun Qingjun	–	1,935
	<u>–</u>	<u>3,390</u>

### (e) Amount due to shareholders/directors

	As at	
	30 June 2014 RMB'000 Unaudited	31 December 2013 RMB'000 Audited
Mr. Huang He	–	16

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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 19. CONTINGENCIES

In March 2014, one of the subsidiaries of the Group was involved in a contractual dispute with a supplier of television broadcasting systems (the "Claimant"). The Claimant supplied certain television broadcasting systems to this subsidiary, who provided the application solution services for the systems to a client in Hunan ("Client"), the end-user of the systems. The contractual claim amounting RMB6.77 million was brought by the Claimant against this subsidiary and the Client in relation to the outstanding amount payable for the sale of the systems. 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 interim financial Information and therefore no provision has been made for the six months ended 30 June 2014.

## 20. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Pursuant to a written resolution of all the shareholders of the Company passed on 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 public offering of the Company's shares, the Company issued additional 749,900,000 shares, credited as fully paid, to the existing shareholder of the Company.

On 7 July 2014, upon its listing on the Main Board of The Stock Exchange of Hong Kong Limited, the Company issued 250,000,000 new ordinary shares at par value of HK\$0.01 per share for cash consideration of HK\$1.08 each respectively, and raised gross proceeds of approximately HKD270,000,000 (equivalent to RMB214,798,500).