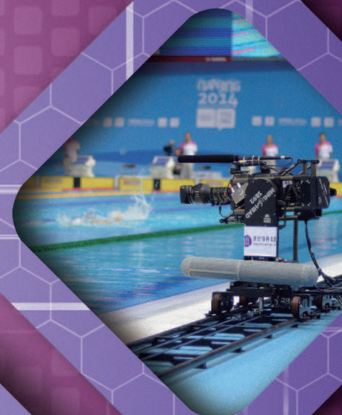
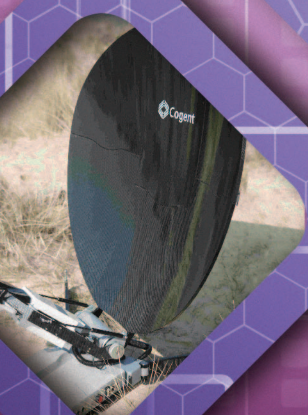
Century Sage Scientific Holdings Limited
世紀睿科控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1450





ANNUAL REPORT **2014**

CONTENTS

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

INVESTMENT COMMITTEE

Mr. Lo Chi Sum *(Chairman)*
Mr. Leung Wing Fai
Mr. Zhou Jue
Mr. Sun Qingjun
Mr. Huang He
Mr. Geng Liang

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

CORPORATE INFORMATION

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

www.css-group.net
Tel: +86 10 5967 1790
Fax: +86 10 5967 1791

FINANCIAL SUMMARY

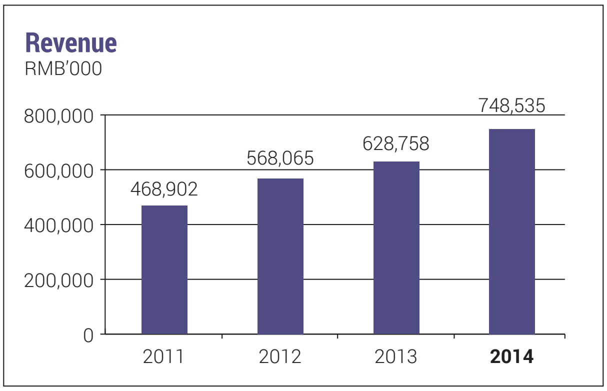
A financial summary of the results and of the assets and liabilities of Century Sage Scientific Holdings Limited (the "Company") and its subsidiaries (Collectively, the "Group") for the latest four financial years is set out below. This summary does not form part of the audited financial statements.

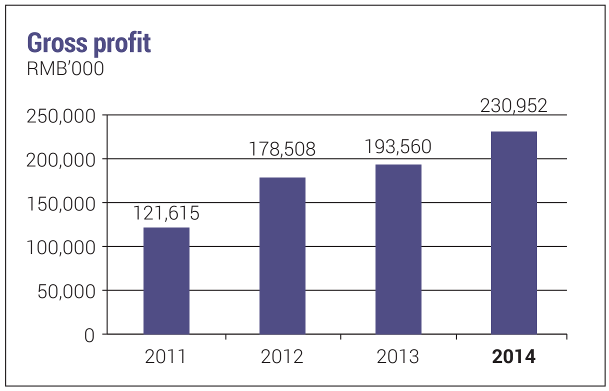
	Year Ended 31 December			
	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Results				
Revenue	**748,535**	628,758	568,065	468,902
Cost of sales	**(517,583)**	(435,198)	(389,557)	(347,287)
Gross profit	**230,952**	193,560	178,508	121,615
Selling expenses	**(32,567)**	(33,356)	(73,786)	(56,648)
Administrative expenses	**(78,051)**	(62,928)	(23,636)	(18,282)
Other income	**(821)**	361	588	272
Operating profit	**119,513**	97,637	81,674	46,957
Finance income	**925**	84	126	101
Finance costs	**(8,298)**	(3,575)	(2,334)	(1,503)
Finance costs — net	**(7,373)**	(3,491)	(2,208)	(1,402)
Profit before income tax	**112,140**	94,146	79,466	45,555
Income tax expense	**(15,087)**	(16,391)	(15,712)	(8,814)
Profit for the year	**97,053**	77,755	63,754	36,741
Earnings Per Share (expressed in RMB cents per share)				
Basic and Diluted	**11.14**	10.37	8.50	4.90
Assets and liabilities				
Total assets	**733,650**	631,011	493,162	518,946
Total liabilities	**348,065**	536,020	415,899	477,475
Total equity	**385,585**	94,991	77,263	41,471

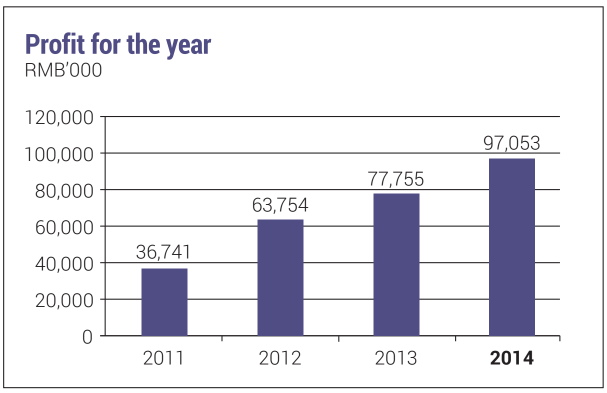
FINANCIAL SUMMARY

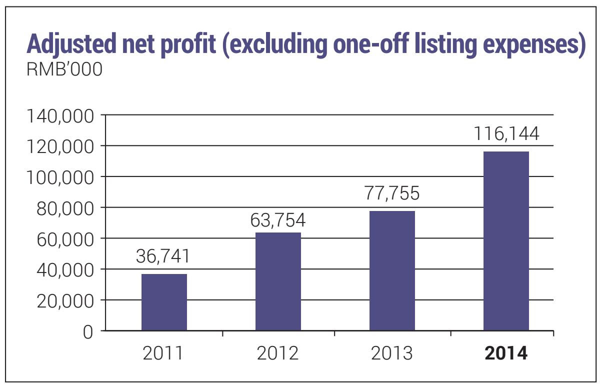
RESULTS

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Revenue	**748,535**	628,758	568,065	468,902
Gross profit	**230,952**	193,560	178,508	121,615
Profit for the year	**97,053**	77,755	63,754	36,741
Adjusted net profit (excluding one-off listing expenses)	**116,144**	77,755	63,754	36,741

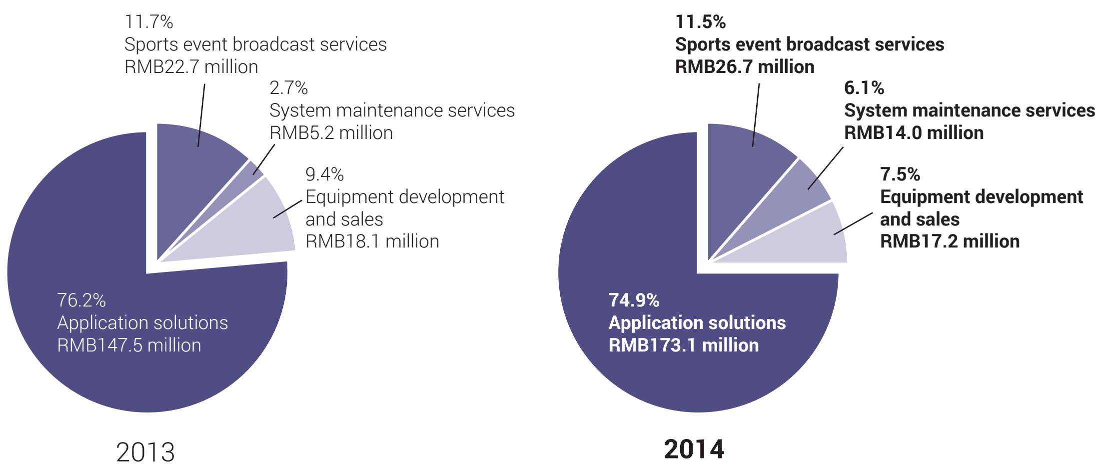




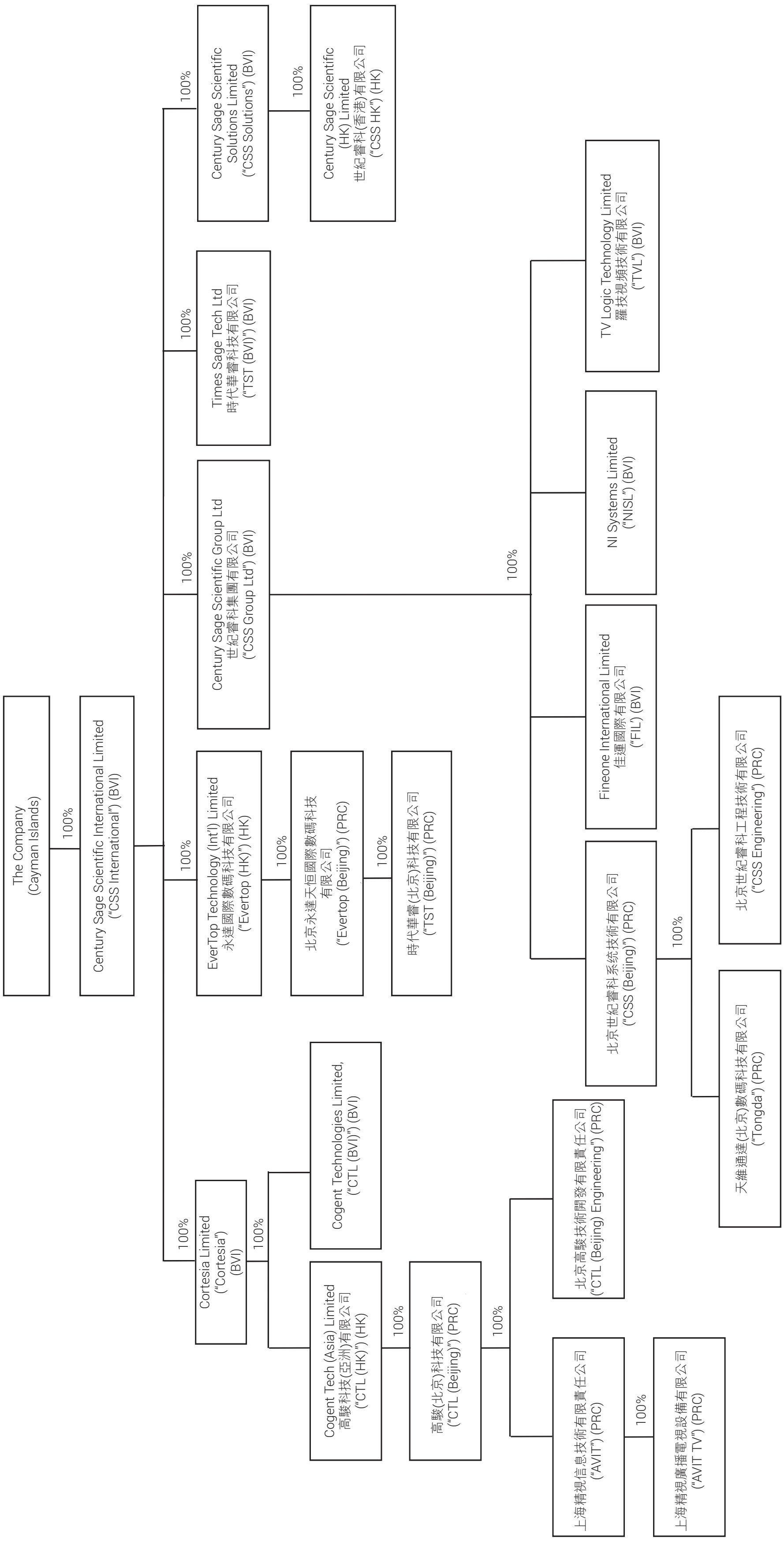




Gross profit breakdown by core business segments



GROUP CHART


The Company
(Cayman Islands)
100%
Century Sage Scientific International Limited
("CSS International") (BVI)
100%
Century Sage Scientific Solutions Limited
("CSS Solutions") (BVI)
100%
Century Sage Scientific (HK) Limited
世紀睿科(香港)有限公司
("CSS HK") (HK)
100%
Times Sage Tech Ltd
時代華睿科技有限公司
("TST (BVI)") (BVI)
100%
Century Sage Scientific Group Ltd
世紀睿科集團有限公司
("CSS Group Ltd") (BVI)
100%
EverTop Technology (Int'l) Limited
永達國際數碼科技有限公司
("Evertop (HK)") (HK)
100%
北京永達天恒國際數碼科技有限公司
("Evertop (Beijing)") (PRC)
100%
時代華睿(北京)科技有限公司
("TST (Beijing)") (PRC)
100%
Cortesia Limited
("Cortesia")
(BVI)
100%
Cogent Technologies Limited,
("CTL (BVI)") (BVI)
Cogent Tech (Asia) Limited
高駿科技(亞洲)有限公司
("CTL (HK)") (HK)
100%
高駿(北京)科技有限公司
("CTL (Beijing)") (PRC)
100%
北京高駿技術開發有限責任公司
("CTL (Beijing) Engineering") (PRC)
上海精視信息技術有限責任公司
("AVIT") (PRC)
100%
上海精視廣播電視設備有限公司
("AVIT TV") (PRC)
100%
TV Logic Technology Limited
羅技視頻技術有限公司
("TVL") (BVI)
NI Systems Limited
("NISL") (BVI)
Fineone International Limited
佳運國際有限公司
("FIL") (BVI)
北京世紀睿科系統技術有限公司
("CSS (Beijing)") (PRC)
100%
北京世紀睿科工程技術有限公司
("CSS Engineering") (PRC)
天維通達(北京)數碼科技有限公司
("Tongda") (PRC)

CHAIRMAN'S STATEMENT

Dear Shareholders

On behalf of the board (the "Board") of directors (the "Directors") of the Company, I am pleased to present the annual results of the Group for the year ended 31 December 2014.

The new media industry has continued to develop drastically. The PRC government has been very supportive to the industry and during the year ended 31 December 2014 (the "Reporting Period" or "Current Period") the PRC government has launched more and more guidance and policies to provoke the accelerated growth of the industry. For example, 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 People's Republic of China (the "PRC" or "China"). In addition, some high audience rating TV programs such as some reality shows have been providing good economic returns to the media operators that provoke a virtuous investment cycle. More and more operators are racing to make aggressive investment on new programming idea, new solutions, new tools and systems — we called it "Content Creation Upgrade" — on top of generic High-definition TV ("HDTV") upgrade. New media operators are also joining this content creation races too. During the Current Period, we have continued to receive repeat orders from our long term customers, as well as some new media operators with Application Solutions on HDTV upgrade as well as Content Creation Upgrade. Our maintenance services segment's revenue grew more than 163% in the Current Period also indicated the growing sizes of the Application Solutions market. Foreseeing the digitalization, HDTV conversions, and Content Creation Upgrade as the key drivers of the rapid market growth, the Group will expand its sales, distribution and services network in the PRC and some countries when appropriate.

In the Sports Event Broadcast Services segment, we continued to take part in the high profile sports events and provided our clients with outstanding technical and consultancy services. The PRC government is also highly supportive to the rapid development of the sports industry. On 2 September 2014, The Premier Li Ke-Qiang, hosted the State Council Executive Meeting, to set up the direction to accelerate the development of the sports industry, which included sports events, sports media, and mass sports publicity, are all expected to be booming. In fact , the State Physical Culture Administration (國家體育總局) has published the "Sports Industry the Twelfth Five-Year Planning" since 2011 and aimed to achieve RMB400 billion of industrial worth by the end of the Twelfth Five-Year Plan period. We expect more and more world class events to be organized. Moreover, the Group has accumulated many resources in the sports arena which allow us to explore new business opportunities in the value chain of the sports industry, such as program production and distribution, Sports Event Organization and Management ("體育項目運營") which we shall get new revenue streams from sponsorship fee, programs organization fee, etc..

We have expanded both the geographic coverage and products offering in the Equipment Development and Sales segment. In terms of geographic coverage, in the Current Period, we have made sales to more international countries such as Chili, India, Mexico, etc. We are very positive towards the growth in the international markets in upcoming years. In addition, in late 2014, we have completed two technology and company acquisitions, including the acquisition of the core interactive video technology from a company in Israel and the acquisition of a Shanghai research and development company, AVIT, formed by the leading tertiary institute in researching compressions and broadcast technologies in China. Now we have enriched our core video technology to address the mobile devices applications, internet, and multiscreen deployment of the all-media industry. All these applications are in line with the most government-supported directions. We can also capture numerous applications of "Smart City" project such as security and protection, medical, fire-fighting, urban administration, etc. In fact, according to The Twelfth Five-Year Plan for China's security and protection industry, the total market size of industrial output is expected to reach RMB500 billion in 2015. Our Interactive Video Platforms enable visualized communication over various networks including 3G and 4G cellular networks. We are confident that we can deploy our video technology, being our core competence, to cover wider markets and contribute into the development of Smart City.

Finally, I would like to take this opportunity to express my sincere gratitude to the Board, the management team, all staff and customers, suppliers, business partners and shareholders of the Company (the "Shareholders") for their strong support to the Group. I am also confident that riding on the Group's comprehensive range of high quality services and products, strong technical expertise, proven track record and reputation, the Group will continue to lead the market and create greater value to the Shareholders and the society.

Lo Chi Sum
Chairman

25 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

Benefiting from the favorable government policies in the PRC, the sustained demand in the market and the increase in completion of services and projects during the Current Period, the Group has a growth of over 19.0% in revenue of RMB748.5 million and 24.8% in the net profit of RMB97.1 million in the Current Period as compared to the year ended 31 December 2013 (the "Corresponding Period"). When excluding the one-off IPO expenses incurred in the Current Period, the Group has achieved a year-on-year growth of over 49.4% in net profit in the Current Period as compared to the Corresponding Period.

BUSINESS REVIEW

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) sports event broadcast services; (3) equipment development and sales; and (4) system maintenance services. Riding on the Group's comprehensive range of high quality services and products, strong technical expertise, proven track record and reputation, the Group strived to continue to lead the new media market.

The PRC government's push for high definition ("HD") migration continue to be a key driver for the growth, the development of new media and integration of new and traditional media, the three-network convergence, the next generation broadcasting network, which were in line with the PRC government's policies. There are also government decisions and policies launched during the Current Period which are expected to further fuel up the market demand, for example:

(a) to strengthen the soft power of the nation, on 1 January 2014 — President Xi Jinping ("Xi") has vowed to promote China's cultural soft power by disseminating modern Chinese values and showing the charm of Chinese culture to the world. Efforts are needed to build China's national image, Xi said when delivering a speech at a group study session of members of the Political Bureau of the Communist Party of China Central Committee. "To strengthen China's soft power, the country needs to build its capacity in international communication, construct a communication system, better use the new media and increase the creativity, appeal and credibility of China's publicity", Xi said. "The stories of China should be well told, voices of China well spread, and characteristics of China well explained," Xi said.

(b) in mid-August 2014, Xi said in the fourth meeting of the Leading Group for Overall Reform that China will build several new-type media groups that are strong, influential and credible. Traditional media and new media must complement each other and their integration should cover content, channels, platforms, operations and management, Xi said. Integration should be supported by technology and follow the rules of news communication and laws governing the development of new media. The PRC government will be promoting the integration of traditional and new media across the nation.

(c) the work report delivered by Chinese Premier Li Keqiang at the opening meeting of the annual full session of the National People's Congress (NPC) on 5 March 2015, also highlighted the direction to deepen the reform of cultural industry and to accelerate the integration of traditional and new media. Another highlight is to conduct more for the international cultural communications and to strengthen the communications infrastructures and power to the world.

The Directors consider that the above examples provided a host of lucrative opportunities to the Group. In the "application solutions" business segment, we have continued to receive repeat orders from our long term customers for the high-definition TV upgrade and Content Creation Upgrade projects. We have also finished several projects with some leading new media operators.

"Sports 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. More and more world class sports events are held in the PRC, and more and more of them called for high quality live broadcast services. For example, since 2012, the live broadcast cycling races which the Group provided broadcast services to increased from one event to five events in 2014. We have also involved in providing broadcast services to some of the running events and athletics events in the PRC in 2014. The Group will continue to seize the growing broadcasting service demands from the increasing numbers of athletic and large-scale events in the PRC.

"Equipment development and sales" business segment is a natural extension from "application solutions" and "sports 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 "sports event broadcast services", the Group has been developing broadcast and transmission equipment since 2010.

For this segment, we have successfully achieved widespread geographic coverage in 2014. We have shipped to Tibet and Sichuan Kangba, which are on the west side of the nation. We have also successfully sold systems to Chile, Indonesia, India and Mexico to name just a few of our international sales. We noted a strong momentum in the international sales, in particular, 3G/LTE and satellite products. Moreover, our products have been growing into a wide product portfolio of video transmissions hardware, as well as the interactive video solutions based on software platform, which enable us to capture different market segments in addition to the all-media industry.

The revenue growth of our "system maintenance services" business segments increased by 163.1% in the Current Period as compared with the Corresponding Period, indicating the growing sizes of the application solutions market and the increasing demand for the Group's recurring onsite support services during the Current Period.

As disclosed in the announcement of the Company dated 1 September 2014, CCTV Kehua Co., Ltd.* (中視科華有限公司) (the "Customer") has also entered into a strategic framework agreement (the "Framework Agreement") with the Group in 2013 in relation to a long term strategic cooperation relationship with the Group in the PRC as well as in the global market. Pursuant to the Framework Agreement, the Group shall provide to the clients, among others, technology consultancy services, application solutions services and various forms of equipment leasing and services, while the Customer shall provide design services, operation and maintenance services to the clients with its capital funding and technical capacity. The strategic cooperation aims to jointly offer to the market with professional services, marketing, and technology development. Please refer to the announcement for further details.

As disclosed in the announcement of the Company dated 29 October 2014, CSS Group Ltd, a wholly-owned subsidiary of the Company, entered into a technology transfer agreement (the "Transfer Agreement") with IPOINT Media Ltd ("IPOINT"), an Israeli company principally engaged in development and sales of video calling platforms. Pursuant to the Transfer Agreement, IPOINT agreed to transfer the technology of IPOINT interactive video application platforms (the "Platforms") to CSS Group Ltd, with certain versions of the Platforms subject to territorial-based restrictions on exclusivity of the usage and ownership. Please refer to the announcement for further details.

As disclosed in the announcement of the Company dated 2 December 2014, CSS Group Ltd entered into an exclusive distributorship agreement with Gyro-Stabilized Systems, LLC ("GSS") allowing CSS Group Ltd to be the exclusive distributor and exclusive service agent for GSS in the commercial and governmental markets in China, Hong Kong, Macau, Taiwan and Southeast Asia for a three-year term subject to renewal. GSS was incorporated in California, the United States of America and was principally engaged in development and sales of gyro-stabilized technological products. Please refer to the announcement for further details.

* For identification purposes only

FINANCIAL REVIEW

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of its principal subsidiaries are set out in note 10 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

Revenue

Our Group's revenue increased by approximately 19.0% from approximately RMB628.8 million for the Corresponding Period to approximately RMB748.5 million for the Reporting Period. The increase was attributable to an increase in revenue from the application solutions, sports event broadcast services, system maintenance services and equipment development and sales business segments.

	For the year ended 31 December			
	2014		2013	
	RMB'000	**% of total revenue**	RMB'000	% of total revenue
Segment revenue				
Application solutions				
— Production and broadcast	**420,500**	**56.2%**	365,396	58.1%
— Transmission	**212,387**	**28.4%**	176,089	28.0%
Subtotal	**632,887**	**84.6%**	541,485	86.1%
Sports event broadcast services	**55,894**	**7.5%**	48,836	7.8%
System maintenance services	**27,165**	**3.6%**	10,326	1.6%
Equipment development and sales	**32,589**	**4.3%**	28,111	4.5%
Total	**748,535**	**100.0%**	628,758	100.0%

Application Solutions

Revenue generated by the Group's application solutions segment remained the most substantial contributor to its revenue, increased by 16.9% from approximately RMB541.5 million for the Corresponding Period to approximately RMB632.9 million for the Reporting Period. This revenue segment represented approximately 86.1% and 84.6% of the total revenue of the Group for the Corresponding Period and the Current Period, respectively. The revenue from the provision of production and broadcast application solutions increased from approximately RMB365.4 million for the Corresponding Period to approximately RMB420.5 million for the Current Period, representing an increase of 15.1%. Whereas, the revenue from the provision of transmission application solutions increased from approximately RMB176.1 million for the Corresponding Period to approximately RMB212.4 million for the Current Period, representing an increase of 20.6%. These increases were mainly attributable to the increase in number of completed projects for the Current Period.

Sports Event Broadcast Services

Revenue from sports event broadcast services represented approximately 7.8% and 7.5% of the total revenue of the Group for the Corresponding Period and the Current Period, respectively and increased from approximately RMB48.8 million for the Corresponding Period to approximately RMB55.9 million for the Current Period, representing an increase of 14.5%. Such increase was mainly attributable to the increase in market demand for sports event broadcast services and the Group's effort in expanding the segment business during the Current Period.

System Maintenance Services

Revenue from system maintenance services represented approximately 1.6% and 3.6% of the total revenue of the Group for the Corresponding Period and the Current Period, respectively and increased approximately from RMB10.3 million for the Corresponding Period to RMB27.2 million for the Current Period, representing an increase of 163.1%. Such increase was mainly attributable to the growing sizes of the application solutions market and the increasing demand for the Group's recurring onsite support services during the Current Period.

Equipment Development and Sales

Revenue from equipment development and sales represented approximately 4.5% and 4.3% of the total revenue of the Group for the Corresponding Period and the Current Period, respectively and increased approximately from RMB28.1 million for the Corresponding Period to RMB32.6 million for the Current Period, representing an increase of 15.9%. Such increase was mainly attributable to an increase in the number of units of the Group's self developed equipment sold as a result of the Group's expansion in customer base.

Cost of Sales

Our Group's cost of sales increased by approximately 18.9%, from RMB435.2 million for the Corresponding Period to RMB517.6 million for the Current Period. The increase was mainly attributable to the increase in the overall business volume during 2014. The following table sets forth the cost of sales for each business segment for the Corresponding Period and the Current Period:

	For the year ended 31 December			
	2014		2013	
	RMB'000	% of total	RMB'000	% of total
Segment cost of sales				
Application solutions				
— Production and broadcast	**316,418**	**61.1%**	273,698	62.9%
— Transmission	**143,402**	**27.7%**	120,240	27.6%
Subtotal	**459,820**	**88.8%**	393,938	90.5%
Sports event broadcast services	**29,235**	**5.6%**	26,101	6.0%
System maintenance services	**13,179**	**2.5%**	5,141	1.2%
Equipment development and sales	**15,349**	**3.1%**	10,018	2.3%
Total	**517,583**	**100.0%**	435,198	100.0%

The Group's cost of sales for the application solutions segment increased by 16.7% for the Current Period, compared to the Corresponding Period, which was primarily due to the increase in revenue of the Group.

Gross Profit and Gross Profit Margin

For the Corresponding Period and the Current Period, the Group's gross profit was RMB193.6 million and RMB231.0 million respectively. The Group's gross profit margin was 30.8% and 30.9% for the Corresponding Period and the Current Period, respectively. The following table sets forth the gross profit and gross profit margin of each of the Group's segments for the Corresponding Period and the Current Period:

	For the year ended 31 December			
	2014		2013	
		Gross profit margin		Gross profit margin
	RMB'000	**%**	RMB'000	%
Segment gross profit and gross profit margin				
Application solutions				
— Production and broadcast	**104,082**	**24.8%**	91,698	25.1%
— Transmission	**68,985**	**32.5%**	55,849	31.7%
Subtotal	**173,067**	**27.3%**	147,547	27.2%
Sports event broadcast services	**26,659**	**47.7%**	22,735	46.6%
System maintenance services	**13,986**	**51.5%**	5,185	50.2%
Equipment development and sales	**17,240**	**52.9%**	18,093	64.4%
Total	**230,952**	**30.9%**	193,560	30.8%

Application Solutions

Our gross profit from the provision of application solutions increased by approximately 17.3%, from RMB147.5 million for the Corresponding Period to RMB173.1 million for the Current Period while our gross profit margin of the segment increased slightly from 27.2% for the Corresponding Period to 27.3% for the Current Period.

Sports Event Broadcast Services

Our gross profit from sports event broadcast services increased by approximately 17.3%, from RMB22.7 million for the Corresponding Period to RMB26.7 million for the Current Period. Gross profit margin for the segment also increased by 1.1 percentage point from 46.6% in the Corresponding Period to 47.7% in the Current Period. The increase in gross profit was mainly attributable to the increase in recognized revenue following the increase in the number of completed projects during 2014 as a result of our effort in promoting our sports event broadcast services business. The improvement in gross profit margin was mainly due to less spending in the outsourcing rental and servicing costs due to the increase of deployment of in-house equipment.

System Maintenance Services

Our gross profit from system maintenance services increased by approximately 169.7%, from RMB5.2 million for the Corresponding Period to RMB14.0 million for the Current Period. The increase in gross profit was mainly attributable to the increase in recurring contracts executed and recognised as revenue in the Current Period. The gross profit margin increased as well from 50.2% to 51.5% during the Current Period. The increase in gross profit margin was mainly attributable to an increase in the higher margin contracts engagement during the Current Period.

Equipment Development and Sales

Our gross profit from equipment development and sales decreased by approximately 4.7%, from RMB18.1 million for the Corresponding Period to RMB17.2 million for the Current Period while gross profit margin decreased from 64.4% to 52.9% during the Current Period. The decrease in gross profit margin was mainly attributable to selective discounting of the selling price of self developed equipment to broaden the Group's customer base.

Other Income/Loss

Other income was approximately RMB0.4 million for the Corresponding Period. For the Current Period, there was other loss of approximately RMB0.8 million, which was mainly attributable to the loss from the acquisition of AVIT.

Listing Expenses

For the Current Period, the Group incurred listing expenses of RMB19.1 million recognised in the consolidated income statements, which was attributable to the initial public offering of the Group ("IPO") completed during the Current Period.

Selling and Administrative Expenses

Selling expenses decreased by approximately 2.4%, from RMB33.4 million for the Corresponding Period to RMB32.6 million for the Current Period. The decrease in selling expense was mainly attributable to the decrease of travelling expense and business development cost with the implementation of stringent budgetary planning and expenses control of the Group.

Administrative expenses increased by approximately 24.0%, from RMB62.9 million for the Corresponding Period to RMB78.1 million for the Current Period. The increase in administrative expense was mainly attributable to (i) the one-off listing expenses of RMB19.1 million recognised in the consolidated income statements; and (ii) the increase in employee benefit expenses which partially off-set by the decrease of the professional fee and office expenses with the implementation of the expenses control.

Net Finance Costs

Net finance costs increased by approximately 111.2%, from RMB3.5 million for the Corresponding Period to RMB7.4 million for the Current Period. The 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 Expense

Income tax expenses amounted to RMB16.4 million and RMB15.1 million for the Corresponding Period and the Current Period respectively, representing a decrease of 8.0%. The effective tax rate decreased to approximately 13.4% for the Current Period from approximately 17.4% for the Corresponding Period, primarily due to the reversal of provision of income tax expenses for the Corresponding Period.

Profit for the Year

As a result of the foregoing factors, profit attributable to owners of our Company for the year increased by approximately 24.8%, from RMB77.8 million for the Corresponding Period to RMB97.1 million for the year Current Period. Our net profit margin increased from 12.4% to 13.0% during the Current Period, primarily due to the increase of the gross profit margin and the decrease of the expenses due to the implementation of the expense control as well as the lower effective tax rate for the Current Period, as compared to the Corresponding Period.

Liquidity, Financial Resources and Capital Structure

Net cash used in the Group's operating activities amounted to RMB76.9 million for the Current Period and net cash generated from the Group's operating activities amounted to RMB35.1 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 trade payable; and partially offset by the decrease in inventories resulted from the improvement of the project management and inventory planning work for the Current Period.

Net cash used in the Group's investing activities amounted to RMB22.1 million and RMB14.5 million for the Corresponding Period and the Current Period respectively. The net cash outflow for the Current Period mainly arose from the purchase of equipment, intangible assets and the pledged deposits placed for the issuance of trade related documents.

Net cash generated from the Group's financing activities amounted to RMB161.3 million for the Current Period and net cash generated from the Group's financing activities amounted to RMB5.7 million for the Corresponding Period. The net cash generated from financing activities for the Current Period was mainly attributable to the proceeds from the IPO during the Current Period, the proceeds from bank loans and partially offset by the payment of dividend declared for the Corresponding Period.

As at 31 December 2014, the Group had current assets of approximately RMB645.3 million (as at 31 December 2013: approximately RMB563.0 million) and current liabilities of approximately RMB346.2 million (as at 31 December 2013: approximately RMB531.4 million). The current ratio (which is calculated by dividing current assets by current liabilities) was approximately 1.86 as at 31 December 2014, which increased from the current ratio of approximately 1.06 as at 31 December 2013.

As at the end of the Reporting Period, the total borrowings of the Group amounted to approximately RMB92.2 million (including interest). The currencies in which borrowings were made are Hong Kong Dollar and Renminbi.

The Board's approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Foreign Exchange Exposure

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-Renminbi.

The management of the Group has set up a policy to require members of the Group to manage their foreign exchange risk against their functional currency. They 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 controls the payment schedule to reduce the foreign exchange risk. Save for certain bank balances and accounts payables in USD and HKD, the impact of foreign exchange exposure to the Group was minimal and there was no significant adverse effect on normal operations. During the Current 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 rates, the Group has no other significant interest-bearing assets. The management of the Group 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 interest rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable interest rates. The Group has not hedged its cash flow interest rate risk.

Charge over Assets of the Group

As at 31 December 2013 and 31 December 2014 respectively, bank borrowings of RMB28,499,000 and RMB61,500,000 were secured by (i) the buildings of the Group, cost of which amounting to RMB51,722,000 and RMB51,722,000 respectively; and (ii) trade receivables of RMB35,339,000 and RMB21,277,000, respectively.

Gearing Position

The gearing ratio, representing total borrowings divided by total equity multiplied by 100%, was 61.2% and 23.3% respectively as of 31 December 2013 and 2014. The total borrowings of the Group increased from RMB58.2 million as at 31 December 2013 to RMB89.9 million as at 31 December 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 31 December 2014 mainly comprised of RMB69.6 million working capital loans and RMB20.5 million loans from project financing. The decrease in the gearing ratio was mainly due to the increase in equity as a result of the proceeds from the IPO. The Group had been no delay or default in repayment of bank borrowings or material non-compliance with the restrictive covenants contained in our banking facilities in 2014.

Use of Proceeds from the Initial Public Offering

The shares of the Company (the "Shares") were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 7 July 2014 (the "Listing Date"). The net proceeds received from the IPO, after deducting underwriting commissions and other expenses in relation to the IPO, were approximately HK$214.8 million (equivalent to approximately RMB170.5 million). Such net proceeds were deposited at the Group's bank accounts. Approximately RMB67.7 million of the proceeds was used in the Current Period. The major uses of such proceeds in the Current Period are as follows,

— For enhancement of our capability of our four major business segments: approximately RMB28.2 million

— For acquisition of or investment in technologies and companies with proprietary know-how or inventions: approximately RMB15.2 million

— For working capital and general corporate purposes: approximately RMB14.0 million

— To finance project and bid related bonds to support increased businesses: approximately RMB10.3 million

The Group will continue to use the proceeds in the manner and proportion consistent with that mentioned in the section headed "Future plans and use of proceeds" of the prospectus of the Company dated 24 June 2014 (the "Prospectus"). In the event that the Directors decide to use such net proceeds in a manner different from that stated in the Prospectus, the Company will issue an announcement in compliance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Material Acquisitions and Disposals

As disclosed in the announcement of the Company dated 7 January 2015, the Company completed an acquisition of 83.89% equity interest in AVIT through the Group's indirect wholly-owned subsidiary, CTL (Beijing). As a result, AVIT became an indirect wholly-owned subsidiary of the Company. AVIT was incorporated in the PRC and was mainly engaged in the research and development in digital content compressions and transmissions technologies. The Directors believed that the acquisition of AVIT would enable the Group to further strengthen its research and development capabilities, thereby allowing the Group to continue to develop its own products and to expand to new market segments to broaden the Group's market horizon. Please refer to the announcement of the Company dated 7 January 2015 for further details. Except for the acquisition mentioned above, the Group had no significant investments, mergers and acquisitions during the Current Period.

Employees and Remuneration Policy

As at 31 December 2014, the Group had a total of 311 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.

The Group has adopted a share award plan (the "Share Award Plan") and a share option scheme (the "Share Option Scheme") on 24 March 2014 and 13 June 2014 respectively to recognise and reward the contribution of its employees. Please refer to the section headed "Share Award Plan and Share Option Scheme" in the Directors' Report for further details of the Share Award Plan and the Share Option Scheme.

Commitments and Contingent Liabilities

As at 31 December 2014, the Group had commitment amounting to approximately RMB12,509,000 (as at 31 December 2013: approximately RMB2,631,000) which mainly represented the capital commitments from the amounts contracted but not provided for the purchase of the intangible assets and operating lease commitments.

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. The legal process was ongoing as at the date of this annual report. 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 considered that the ultimate outcome of such contractual dispute would not have a material adverse effect on the financial information of the Group and therefore no provision has been made for the Current Period.

As at 31 December 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.

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 addition, leveraging the Group's market resources and technology knowhow, the Group will continue to explore new business opportunities in the all-media industry, the sports industry and the Smart City Project such as intelligent infrastructure applications in the security and protection, medical, urban administration, etc..

In the "application solutions" segment, the Group will continue to grow and expand its coverage in the PRC, and when the Directors consider appropriate, to certain selected countries. Foreseeing the digitalisation, HDTV conversions, and Content Creation Upgrade 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.

In addition to the growth drivers mentioned above, since 2012, under the Country "Twelfth Five-Year Plan" period of cultural reform and development plan outline《國家「十二五」時期文化改革發展規劃綱要》, the PRC government has been introducing the idea of funding to enrich the development of the cultural industry including the all-media industry. Under this circumstances, many media operators have been undergoing restructuring and embracing the new energy from the funding. Typical example is the merging of two media companies listed on the Shanghai Stock Exchange in late 2014. Media companies shall leverage the capital market to further speed up their investment and development. Also, the policies that facilitate society to take part in the media industries shall yield some new business opportunities that was not possible before. Leveraging on our experiences in the all-media technology, multiscreen technology, internet video and mobile technology, and our track record and reputation in the industry, we will strive to explore more business opportunities up and downstream such as program production and online-to-offline business. In summary, we are very optimistic to the dynamic development of the all-media industry in the upcoming years.

In the "sports event broadcast" services segment, we shall continue to take part in the high profile sports events and provide our clients with technical and consultancy services. Under the direction of the "Twelfth Five-Year Planning" aiming to achieve RMB400 billion of industrial output worth by the end of the Twelfth Five-Year Plan period, China will be hosting more and more international and world-class sports events and continue to introduce favorable investment guidelines to the sports industry value chain. For example, the 2015 World Athletics Championships organised by the IAAF (International Association of Athletics Federations) will be held in Beijing in August 2015. These give enormous opportunities to the Group to provide broadcast services. To further build up our sports events portfolio, we will also target to extend our reach to those most watched sports events in China such as soccer. Moreover, we have accumulated resources in the sports arena which allow us to explore new business opportunities in the value chain of the sports industry, such as program production and distribution, Sports Event Organisation and Management ("體育項目運營") which we shall get new revenue streams from sponsorship fee, programs organisation fee, etc..

In the "equipment development and sales" segment, we have expanded both the geographic coverage and products offering. We are optimistic to grow in the international markets in upcoming years. We have acquired the core interactive video technology from a company from Israel. Besides, we have also completed the acquisition of a Shanghai research and development company formed by the leading tertiary institute in researching compressions and broadcast technologies in China. As such, we have enriched our core video technology to address the mobile devices applications, internet, and multiscreen deployment of the all-media industry and this is in line with the PRC government-supported policies. In terms of products offering, we now have both a wide product portfolio of video transmissions hardware, as well as the Interactive Video Solutions based on software platform. Our interactive video platforms enable visualised communication over various networks including 3G and 4G cellular networks, and certain platforms can be further developed and customised for purposes including law enforcement, government, military, distant learning and finance. The target customers of these verticals include TV broadcasters, internet video service providers, police, urban management, water resource management, meteorological administration, disease control and prevention, armed forces, enterprises, educational organisations, banks and microloan companies, etc.. According to The Twelfth Five-Year Plan for China's security and protection industry, the total market size of industrial output is expected to reach RMB500 billion in 2015. We are delighted to deploy our core competence — video technology — to contribute in the development of the "Smart City".

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Lo Chi Sum (盧志森), aged 55, is the founder, chief executive officer and chairman of the Group and an executive Director. Mr. Lo is also the chairman of each of the Nomination Committee and Investment Committee of the Company and a member of the Remuneration Committee of the Company. He is primarily responsible for the overall business strategies and business operation of the 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 obtained a doctor's degree in business administration from Wuhan University (武漢大學) in 2013. In each of March 2009 and March 2010, Mr. Lo was awarded 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, March 2013 and March 2014, 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 has been in charge of the overall business strategies and business operation of the Group. Mr. Lo is currently a director of certain subsidiaries of the Company including CSS (Beijing), CTL (BVI), Evertop (HK), NISL, Evertop (Beijing), CSS International, CSS Group Ltd, Cortesia, CTL (HK) and CSS Solutions. Mr. Lo is the sole shareholder and sole director of Cerulean Coast Limited, one of the controlling shareholders of the Company (as defined in the Listing Rules). He was indirectly interested in 66.75% of the Shares through his 100% equity interest in Cerulean Coast Limited. Please refer to the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" in the Director's Report for details of his interest in the shares and underlying shares of the Company.

Mr. Lo has over 25 years of experience in the broadcasting and television industry. Prior to the founding of the 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 and 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 46, is the chief operating officer of the Group and an executive Director. Mr. Leung is also a member of each of the Remuneration Committee and Investment Committee of the Company. Mr. Leung joined the Group in April 2007 as deputy operating officer of CSS (Beijing) and he was designated as the chief operating officer of the Group in April 2012. Mr. Leung is in charge of overall business operation of the Group. Mr. Leung is currently a director of certain subsidiaries of the Company including CSS (Beijing), NISL, TVL, TST (BVI), TST (Beijing), CSS Engineering, CTL (BVI), Evertop (HK), Evertop (Beijing), CSS International, CSS Group Ltd, CSS (HK), Cortesia, CTL (HK) and CSS Solutions. Mr. Leung is the sole shareholder and sole director of Future Miracle Limited, one of the substantial shareholders of the Company. He was indirectly interested in 6% of the Shares through his 100% equity interest in Future Miracle Limited. Please refer to the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" in the Director's Report for details of his interest in the shares and underlying shares of the Company.

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 Fordham University in May 2003.

Mr. Leung has over 20 years of experience in the all-media industry. Before he joined the Group, Mr. Leung started his career at ACE 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 to be the vice president at NDT.

* For identification purposes only

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhou Jue (周珏), aged 43, is an executive Director and a member of the Investment Committee of the Company. Mr. Zhou joined the Group in September 2007 as vice president of CSS (Beijing) and since then, Mr. Zhou has been primarily responsible for application solutions and services of all-media broadcasting of the Group in the PRC. Mr. Zhou was promoted as chief executive officer of CSS (Beijing) in April 2012. Mr. Zhou is currently a director of certain subsidiaries of the Company including TST (Beijing), CSS International, CSS Group Ltd, Evertop (Beijing) and CSS Solutions, and a director and chief executive officer of CSS (Beijing).

Mr. Zhou 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 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 has over 20 years of experience in the all-media industry. Before he joined the Group, Mr. Zhou 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 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 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 served as vice president of sales and he was responsible for the daily operation of the sales team.

On 9 April 2015, Mr. Zhou was granted options which entitles him to subscribe for 1,018,000 Shares under the Share Option Scheme upon his exercise of such options.

Mr. Sun Qingjun (孫清君), aged 50, is an executive Director and a member of the Investment Committee of the Company. Mr. Sun joined the Group in December 2007 and since then, he has been in charge of application solutions and services of all-media broadcasting of the Group in the PRC. Mr. Sun is currently a director of certain subsidiaries of the Company including CSS (Beijing), CSS International, CSS Group Ltd, Evertop (Beijing) and CSS Solutions, 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 the 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 and subsequently, as general manager at BNDS (so nominated by ACE). Mr. Sun was then responsible for the daily operation, sales and market operation of BNDS.

On 9 April 2015, Mr. Sun was granted options which entitles him to subscribe for 1,018,000 Shares under the Share Option Scheme upon his exercise of such options.

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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Huang He (黃河), aged 46, is an executive Director and a member of the Investment Committee of the Company. Mr. Huang joined the Group in November 2007 and since then, he has been in charge of application solutions and services of all-media broadcasting of the Group in the PRC. Mr. Huang is currently a director of certain subsidiaries of the Company including CSS International, CSS Group Ltd, Evertop (Beijing) and CSS Solutions, 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 the 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 and 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.

On 9 April 2015, Mr. Huang was granted options which entitles him to subscribe for 1,018,000 Shares under the Share Option Scheme upon his exercise of such options.

Mr. Geng Liang (耿亮), aged 46, is an executive Director and a member of the Investment Committee of the Company. Mr. Geng joined the Group in April 2012 and since then, he has been in charge of professional technical services of the 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. Mr. Geng is currently a director of CSS Solutions, and 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 the 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.

On 9 April 2015, Mr. Geng was granted options which entitles him to subscribe for 1,018,000 Shares under the Share Option Scheme upon his exercise of such options.

Independent Non-Executive Directors ("INED")

Mr. Ma Guoli (馬國力), aged 61, was appointed as an INED of the Company with effect from 13 June 2014. Mr. Ma is also a member of each of the Audit Committee and Remuneration Committee of the Company. 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 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. Since January 2009, Mr. Ma has served as the chief executive officer and managing director of Infront Sports & Media (China) Co., Ltd, an international sports marketing company, and he is responsible for project management and further expansion of business across China.

* For identification purposes only

Dr. Ng Chi Yeung, Simon (吳志揚), aged 57, was appointed as an INED of the Company with effect from 13 June 2014. Dr. Ng is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee of the Company. 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.

Dr. Ng is a consultant of Rowland Chow, Chan & Co, a law firm in Hong Kong. Besides, since September 2013, Dr. Ng has served as a part-time lecturer at the University of Hong Kong and is responsible for lecturing on commercial law and practice for the postgraduate certificate in laws course.

Dr. Ng has been appointed as an independent non-executive director of Winfair Investment Company Limited (stock code: 00287) and Opes Asia Development Limited (stock code: 00810) since November 1995 and November 2013, respectively. Dr. Ng was also an independent non-executive director of Kith Holdings Limited (stock code: 01201) and Long Success International (Holdings) Limited (stock code: 08017) from May 1998 to July 2014 and February 2013 to October 2013, respectively. All the aforesaid companies are listed on the Main Board of the Stock Exchange.

Mr. Hung Muk Ming (洪木明), aged 50, was appointed as an INED of the Company with effect from 13 June 2014. Mr. Hung is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee of the Company. 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 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. 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, assisted 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, Mr. Hung has served as financial controller at Guangdong Ming Crown Group Limited, a company engages in hotel, real estate construction, port logistics and industrial manufacturing industry. Mr. Hung is also responsible for the overall financial, accounting, tax, company secretarial and legal matters.

Mr. Hung is currently an independent non-executive director of several companies listed on the Stock Exchange, namely Cinda International Holdings Limited (stock code: 00111), Silver Grant International Industries Limited (stock code: 00171) and China Animation Characters Company Limited (stock code: 01566).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Wong Kwok Fai (王國輝), aged 43, is the president of product and application development of the Group. He is primarily responsible for management in research and development application solutions of the Group. Mr. Wong joined the 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 the Group, from June 1995 to July 1998, Mr. Wong served as an assistant engineer at ACE 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 and was responsible for technical management and engineering in broadcast transmission.

On 9 April 2015, Mr. Wong was granted options which entitles him to subscribe for 1,358,000 Shares under the Share Option Scheme upon his exercise of such options.

Mr. So Yun Wah (蘇潤華), aged 44, is the senior vice president of product and application development of the Group. Mr. So joined the Group in March 2009 as vice president of marketing of CSS (Beijing). He is primarily responsible for marketing development of the Group in the PRC. Mr. So is also a director of FIL and Tongda, subsidiaries of the Company.

Mr. So graduated with a bachelor's degree in engineering from the Chinese University of Hong Kong in December 1995.

Mr. So has over 13 years of experience in the all-media industry. Before he joined the Group, Mr. So started his career at NDT. 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.

On 9 April 2015, Mr. So was granted options which entitles him to subscribe for 678,000 Shares under the Share Option Scheme upon his exercise of such options.

Mr. Ng Kwok Chung (吳國驄), aged 52, is the technical director of the Group. Mr. Ng joined the Group in September 2010 as technical director of CSS (Beijing). Since then, he has been responsible for content production and broadcast engineering of the 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 the 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 HK Limited 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 45, is the senior vice president of engineering of the Group. He is responsible for content production and broadcast engineering of the Group. Mr. Li joined the 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 the 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, 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.

On 9 April 2015, Mr. Li was granted options which entitles him to subscribe for 382,000 Shares under the Share Option Scheme upon his exercise of such options.

Ms. Tian Tian (田甜), aged 32, is the financial controller of the Group. Ms. Tian joined the Group in October 2014 and since then, she has been responsible for the finance management of the Group. Ms Tian graduated with a bachelor's degree in financial management from Wuhan University (武漢大學) in July 2004 and a master's degree in accounting from University of International Business and Economics (對外經濟貿易大學). She was admitted as a member of the Chinese Institute of the Certificated Public Accountants in 2008.

Ms. Tian has over 8 years working experience in professional service of accounting and finance. Before she joined the Group, she was employed as a manager by PricewaterhouseCoopers Zhong Tian LLP, Beijing Branch.

COMPANY SECRETARY

Ms. Ngai Kit Fong (倪潔芳), aged 49, who has been so nominated to act as the company secretary of the Company by Tricor Services Limited under an engagement letter made between the Company and Tricor Services Limited, pursuant to which Tricor Services Limited has agreed to provide certain company secretarial services to the Company. She was appointed by the Board as the 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 BAIOO Family Interactive Limited (stock code: 2100), all of the aforementioned companies are listed on the Main Board of the Stock Exchange. 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.

DIRECTORS' REPORT

The Directors are pleased to present this Directors' report and the audited consolidated financial statements of the Group for the Current Period.

GROUP REORGANIZATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands (the "Companies Law") on 18 December 2012. Pursuant to the Group reorganisation in preparation for the IPO, the Company became the ultimate holding company of the Group on 27 December 2012. The Shares were listed on the Main Board of the Stock Exchange on 7 July 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of its subsidiaries are set out in note 10 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's results for the Current Period and the state of affairs of the Company and the Group at that date are set out in the accompanying financial statements.

The Directors have resolved to recommend the payment of a final dividend of HK3.9 cents (equivalent to RMB3.1 cents) per Share for the Current Period (2013: RMB8 cents), amounting to approximately HK$39.0 million (equivalent to RMB31.0 million). Subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company ("AGM"), the proposed dividend will be payable to the Shareholders whose names appear on the Register of Members of the Company on 24 June 2015 and payable on 13 July 2015. The Directors are not aware of any Shareholder who has waived or agreed to waive any dividends.

For determining the entitlement to the proposed final dividend, the Register of Members of the Company will be closed from 22 June 2015 to 24 June 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 19 June 2015.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 12 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 20 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company (the "Articles") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares of the Company on a pro rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 47 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company's reserves available for distribution to equity holders, comprising the share premium, exchange fluctuation reserve and accumulated loss, amounted to approximately RMB377.7 million. Under the Companies Law, a company may make distribution to its shareholders out of the share premium account under certain circumstances.

DIRECTORS

The Directors during the Current Period and up to the date of this report were:

Executive Directors

Mr. Lo Chi Sum *(Chairman of the Board and Chief Executive Officer)*
Mr. Leung Wing Fai
Mr. Zhou Jue
Mr. Sun Qingjun
Mr. Huang He
Mr. Geng Liang

Independent non-executive Directors

Mr. Ma Guoli
Dr. Ng Chi Yeung, Simon
Mr. Hung Muk Ming

The Company has received, from each of the INED, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the INEDs are independent.

MAJOR CUSTOMERS AND SUPPLIERS

In the Current Period, revenue from the Group's five largest customers accounted for about 37.03% (2013: 54.9%) of the Group's total revenue and the revenue from the largest customer included therein accounted for about 20.63% (2013: 38.2%) of the Group's total revenue.

In the Current Period, supplies from the Group's five largest suppliers accounted for about 19.0% (2013: 26.7%) of the Group's total purchase and supplies from the largest supplier included therein accounted for about 4.8% (2013: 8.8%) of the Group's total purchase.

None of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers for the Current Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for those disclosed in the paragraphs headed "Share Award Plan and Share Option Scheme" and "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" in this report, at no time during the Current Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

EVENTS AFTER THE END OF REPORTING PERIOD

On 20 March 2015, the Company entered into a memorandum of understanding in relation to a possible acquisition of 100% equity interest in Beijing Interactive Media Co., Ltd. (北京北廣互動傳媒科技有限公司). On 14 April 2015, the Company entered into a framework agreement dated 14 April 2015 with Mr. Huangfu Bing-Jun ("Vendor"), and Mr. Ai He, as guarantor to the vendor, pursuant to which the Vendor has agreed to sell, or procure to sell, and the Company has agreed to purchase the entire issued share capital of a company incorporated in the British Virgin Islands with limited liability, tentatively a company named Vision World Investment Limited (視界投資有限公司), at the consideration of not more than HK$406,660,000 (subject to adjustment), which will be satisfied as to (i) HK$100,000,000 in cash; and (ii) HK$306,660,000 by the issue of 153,330,000 consideration Shares at the issue price of HK$2.00 each. Please refer to the announcements of the Company dated 20 March 2015 and 14 April 2015 for further information.

On 9 April 2015, the Company granted options entitling relevant grantees to subscribe for a total of 14,216,000 Shares under the Share Option Scheme. Please refer to the announcement of the Company dated 9 April 2015 for further information.

Save as disclosed above, there are no significant events subsequent to 31 December 2014 and up to the date of this report which would materially affect the Group's operating and financial performance as of the date of the consolidated financial statements.

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors is engaged on a Director's service contract with the Company. The letters of appointment of INEDs also set out the specific terms and conditions relative to their respective appointment. All remuneration paid to executive Directors are covered by respective service contracts and all remuneration paid to non-executive Directors are covered by respective letters of appointment. Details of the appointment terms of the Directors are disclosed in the section "Director's Service Contracts and Letters of Appointment" in this report.

Pursuant to Article 109 of the Articles, any Director appointed by the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election. Also, pursuant to Article 105 of the Articles, at each annual general meeting, one-third of the 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) shall retire from office by rotation, provided that every Director (including the non-executive Directors and independent non-executive Directors) shall be subject to retirement by rotation at least once every three years.

Every newly appointed Director has been provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations.

In accordance with Article 105 of the Articles, Mr. Leung Wing Fai, Mr. Sun Qingjun and Mr. Huang He will retire by rotation and, being eligible, will offer themselves for re-election at the AGM.

In accordance with Article 109 of the Articles, Mr. Lo Chi Sum will hold office until the AGM and, being eligible, offer himself for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a Director's service contract for an initial term of three years commencing from their respective date of appointment and each of the INEDs has signed a letter of appointment with the Company for an initial term of two years renewable automatically for successive term of one year commencing from their respective date of appointment. All of them are subject to retirement by rotation and re-election in accordance with the Articles.

No Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to Shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

Particulars of the Directors' emolument for the year ended 31 December 2014 are set out in note 8(b) to the consolidated financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors or the management of the Company or their respective close associates (as defined under the Listing Rules) have any interests in a business which competes or may compete with the business of the Group, or has any other conflict of interest with the Group during the year.

The Company has received from each of the Directors an annual confirmation of his undertaking as to non-competition with the businesses of the Group.

FINANCIAL REPORTING AND AUDIT

The Directors acknowledged their responsibility for preparing the financial statements that give a true and fair view in accordance with applicable statutory requirements and accounting standards and the requirements of the Listing Rules. The Group adopted the going concern basis in preparing its financial statements.

A statement by the external auditors of the Company about their reporting responsibilities is set out in the section headed "Independent Auditors' Report" in this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the particulars disclosed in note 28 to the consolidated financial statements, there were no other contracts of significance in relation to the Company's business, to which the Company or any of the Company's subsidiaries was a party nor there were any other contracts of significance in relation to the Company's business between the Company or any of the Company's subsidiaries subsisting at the end of the Reporting Period or at any time during the Reporting Period in which a Director had, whether directly or indirectly, a material interest.

No contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

No contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries was entered into.

MANAGEMENT CONTRACTS

For the year ended 31 December 2014, there was no contract entered into by the Company relating to its management and administration or subsisting during the year under review which is substantial to the entire or any part of the business of the Group.

CONNECTED TRANSACTIONS

Details of the related party transactions undertaken in the usual course of business are set out in note 28 to the consolidated financial statements. None of these related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

Each of the controlling shareholders of the Company (the "Controlling Shareholders") (namely, Cerulean Coast Limited ("Cerulean Coast") and Mr. Lo Chi Sum ("Mr. Lo")) has given an unconditional and irrevocable non-compete undertaking (the "Non-competition Undertaking") to the Group not to directly or indirectly engage in the business which competes or may compete with the Group, on terms and conditions as disclosed in the Prospectus. For details of the Non-competition Undertaking, please refer to pages 149 to 151 of the Prospectus.

The Controlling Shareholders have confirmed that none of them is engaged in, or interested in any business which, competes or may compete with the Group's business. They have also confirmed compliance with the terms of the Non-competition Undertaking and that during the period from the Listing Date to 31 December 2014, there was no matter which required to be deliberated by the Board in relation to the compliance and enforcement of the Non-competition Undertaking. The Board comprising all the INEDs has reviewed the matters relating to the enforcement of the Non-competition Undertaking and consider that the terms of the Non-competition Undertaking have been complied by each of the Controlling Shareholders.

CHANGES IN DIRECTORS' INFORMATION

Changes in the Director's information since the date of the Interim Report for the six months ended 30 June 2014, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

1. Mr. Hung Muk Ming has been appointed as the independent non-executive director of China Animation Characters Co. Ltd. (Stock Code: 1566), a company listed on the Main Board of the Stock Exchange, on 20 November 2014;

2. Mr. Lo Chi Sum has become the Chairman of Investment Committee of the Company and Mr. Leung Wing Fai, Mr. Zhou Jue, Mr. Sun Qingjun, Mr. Huang He and Mr. Geng Liang have become members of Investment Committee of the Company on 14 December 2014; and

3. Mr. Lo Chi Sum, Mr. Leung Wing Fai, Mr. Zhou Jue, Mr. Sun Qingjun, Mr. Huang He and Mr. Geng Liang have been appointed as directors of Century Sage Scientific Solutions Limited, a British Virgin Islands incorporated company which is a subsidiary of the Company, on 10 December 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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, so far as the Directors are aware of, the Directors and the Company's chief executive, and their respective associates had the following interests in the Shares and underlying Shares and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have been taken under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), or were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO:

Name of Director	Name of Group member/ associated corporation	Capacity/ nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Mr. Lo Chi Sum ("Mr. Lo")	The 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 Wing Fai ("Mr. Leung")	The 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 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 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, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity/nature of interest	Number of Shares held (Note 1)	Approximate percentage of shareholding
Cerulean Coast Limited	Beneficial owner (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%
Harvest Global Investments Limited	Beneficial owner	64,236,000 (L) (Note 5)	6.42%
Harvest Fund Management Co., Ltd.	Interest of controlled corporation	64,236,000 (L) (Note 5)	6.42%
China Credit Trust Co., Ltd.	Interest of controlled corporation	64,236,000 (L) (Note 5)	6.42%

Notes:

1. The letter "L" denotes a person's or a corporation's long position in the Shares.

2. These Shares were held by Cerulean Coast Limited, which was wholly-owned by Mr. Lo.

3. These Shares were held by Future Miracle Limited, which was wholly-owned by Mr. Leung.

4. Ms. Wang Hui is the spouse of Mr. Leung and she was deemed or taken to be interested in the Shares held by Future Miracle Limited, which was wholly-owned by Mr. Leung.

5. These Shares were held by Harvest Global Investments Limited, which was a wholly-owned subsidiary of Harvest Fund Management Co., Ltd. which in turn was indirectly owned as to 40% by China Credit Trust Co., Ltd. Therefore, Harvest Fund Management Co., Ltd. and China Credit Trust Co., Ltd. were deemed or taken to be interested in the Shares held by Harvest Global Investments 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 the Share Award Plan on 24 March 2014. The Share Award Plan does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules. During the Current Period, no awards have been granted or agreed to be granted under the Share Award Plan. On 9 April 2015, a total of 7,864,868 Shares were awarded to six eligible participants of the Share Award Plan and such award of Shares was approved by the Board. These awarded Shares would be vested in four equal batches on 21 November 2017, 21 November 2018, 21 November 2019 and 21 November 2020.

In order to reward or provide incentive to the employees, Directors and other selected participants for their contributions to our Group, the Company conditionally adopted the Share Option Scheme. During the Current Period, no share options have been granted or agreed to be granted under the Share Option Scheme. On 9 April 2015, share options in respect of up to 14,216,000 ordinary shares of HK$0.01 each in the share capital of the Company were granted to eligible grantees under the Share Option Scheme, of which 6,490,000 of such options were granted to four Directors and three members of the senior management of the Group (including 1,018,000 Share options to each of Mr. Sun Qingjun, Mr. Zhou Jue, Mr. Huang He and Mr. Geng Liang, 1,358,000 Share options to Mr. Wong Kwok Fai, 678,000 Share options to Mr. So Yun Wah and 382,000 Share options to Mr. Li Lianmin). Details of the grant of the Share options were set out in the announcement of the Company dated 9 April 2015.

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.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules based on the information that is publicly available to the Company and within the knowledge of the Directors.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company comprises all the three INEDs, namely Mr. Hung Muk Ming (committee chairman), Mr. Ma Guoli and Dr. Ng Chi Yeung, Simon. It has reviewed in conjunction with the management the audited consolidated financial statements of the Company for the Current Period.

AUDITORS

PricewaterhouseCoopers will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the AGM.

By Order of the Board
Lo Chi Sum
Chairman

Hong Kong, 25 March 2015

CORPORATE GOVERNANCE PRACTICES

The Board has committed to maintaining high corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules.

The Board is of the view that during the period from the Listing Date to 31 December 2014 (the "Relevant Period"), the Company has complied with all the code provisions as set out in the CG Code, save and except for code provision A.2.1 with details set out below.

A. Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules (with certain modifications) as its own code for securities dealing (the "Securities Dealing Code").

The Securities Dealing Code applies to all Directors and to all employees to whom the Securities Dealing Code is given and who are informed that they are subject to its provisions.

Specific enquiry has been made of all Directors and all the relevant employees and they have confirmed that they have complied with the required standard set out in the Securities Dealing Code throughout the Relevant Period.

B. Board of Directors

The Board currently comprises nine members, consisting of six executive Directors and three INEDs as set out below:

Executive Directors:

Mr. Lo Chi Sum *(Chairman, Chief Executive Officer, Chairman of each of the Nomination Committee and the Investment Committee and member of the Remuneration Committee)*
Mr. Leung Wing Fai *(member of each of the Remuneration Committee and the Investment Committee)*
Mr. Zhou Jue *(member of the Investment Committee)*
Mr. Sun Qingjun *(member of the Investment Committee)*
Mr. Huang He *(member of the Investment Committee)*
Mr. Geng Liang *(member of the Investment Committee)*

Independent non-executive Directors:

Mr. Ma Guoli *(member of each of the Audit Committee and the Remuneration Committee)*
Dr. Ng Chi Yeung, Simon *(Chairman of the Remuneration Committee and member of each of the Audit Committee and Nomination Committee)*
Mr. Hung Muk Ming *(Chairman of the Audit Committee and member of each of the Remuneration Committee and the Nomination Committee)*

The biographical information of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

None of the members of the Board is related to one another.

(1) Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief executive should be clearly established and set out in writing.

Currently, the Chairman of the Board and Chief Executive Officer of the Company are held by Mr. Lo Chi Sum. Since the establishment of the Group in 2007, Mr. Lo has been the key leadership figure of the Group who has been primarily involved in formulation of business strategies and determination of the overall direction of the Group. He has also been chiefly responsible for the Group's operations as he directly supervises the members of senior management. The Directors meet regularly to consider major matters affecting the operation of the Group. As such, the Directors consider that this structure will not impair the balance of power and authority between the Directors and the manager of the Group and believe that this structure will enable the Group to make and implement decisions promptly and efficiently.

(2) Independent Non-executive Directors

During the Relevant Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three INEDs representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the INEDs in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all INEDs are independent.

(3) Non-executive Directors and Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the Directors is appointed for a specific term of three years and is subject to retirement by rotation once every three years under the Articles.

(4) Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors take decisions objectively in the interests of the Company.

All Directors, including all INEDs, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

(5) Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

Records of training received by each Director for the period ended 31 December 2014 is summarised below:

Directors	Types of training
Lo Chi Sum	A
Leung Wing Fai	A,B
Zhou Jue	A
Sun Qingjun	A
Huang He	A
Ma Guoli	A,C
Geng Liang	A,B
Ng Chi Yeung, Simon	B
Hung Muk Ming	A,B,C

A Attending In-house briefing
B Attending seminar(s) and training(s)
C Reading materials relating to directors' duties and responsibilities

C. Board Committees

The Board has established four committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Investment Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to the Shareholders upon request.

The majority of the members of the Audit Committee, the Remuneration Committee and the Nomination Committee are INEDs and all the current executive Directors are the members of the Investment Committee. The list of the chairman and members of each Board committee is set out under "Corporate Information" in this annual report.

(1) Audit Committee

The primary duties of the Audit Committee 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 the Company.

During the Relevant Period, the Audit Committee held one meeting to review the interim financial results and interim report for the six months ended 30 June 2014 and the financial control and internal control systems of the Company.

The Audit Committee also met the external auditors without the presence of the executive Directors and the management of the Company.

(2) Remuneration Committee

The primary functions of the Remuneration Committee include making recommendations to the Board on the overall remuneration policy and the structure relating to all Directors and senior management; making recommendations to the Board on the remuneration packages of individual executive Directors and senior management; reviewing performance-based remuneration and ensuring that no Director or any of his associates is involved in deciding his own remuneration.

During the Relevant Period, the Remuneration Committee met once to review the remuneration packages of the Directors.

(3) Nomination Committee

The primary duties of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experiences) of the Board at least annually and making recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified as potential Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of the independent non-executive Directors; and making 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.

The Company recognizes and embraces the benefits of having a diverse Board to enhance its performance and has adopted a Board Diversity Policy aiming to set out the approach to achieve diversity on the Board. The implementation of the policy is monitored by the Nomination Committee. The Company aims to build and maintain a Board with a diversity of Directors, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender. The current Board's composition under diversified perspectives is disclosed in the biographical information of the Directors set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

During the Relevant Period, the Nomination Committee met once to review the nomination procedures and the composition and diversity of the Board and was satisfied with the current procedures and composition. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and did not recommend any changes to the measurable objectives set for implementing diversity on the Board.

(4) Investment Committee

An Investment Committee was established on 14 December 2014 to consider and approve transaction(s) (as defined under Chapter 14 of the Listing Rules) (the "Transaction(s)") not being conducted by the Company in its ordinary course of business and having a consideration of not more than HK$30 million (or its Renminbi equivalent); and to consider and approve other relevant matters as referred to it by the Board from time to time (other than some matters specifically reserved for the Board's consideration, such as, connected transactions within the meaning of Chapter 14A of the Listing Rules, share transactions and transactions discloseable under Chapter 14 of the Listing Rules). Any Transaction(s) considered by the Investment Committee shall be approved by Mr. Lo Chi Sum, the Chairman and any one other executive Director.

No meeting has been held by the Investment Committee during the Relevant Period.

(5) Corporate Governance Functions

The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

The terms of reference of the 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 CG Code and disclosure in the annual reports of our Company.

D. Attendance Record of Directors and Committee Members

The attendance record of each Director at the Board meetings and the Board committee meetings of the Company held during the Relevant Period is set out in the table below:

	Attendance/Number of Meetings			
Name of Director	Board	Nomination Committee	Remuneration Committee	Audit Committee
Lo Chi Sum	2/2	1/1	1/1	*1/1
Leung Wing Fai	2/2	–	1/1	*1/1
Zhou Jue	1/2	–	–	–
Sun Qingjun	2/2	–	–	–
Huang He	2/2	–	–	–
Geng Liang	2/2	–	–	–
Ma Guoli	1/2	–	0/1	1/1
Ng Chi Yeung, Simon	2/2	1/1	1/1	1/1
Hung Muk Ming	2/2	1/1	1/1	1/1

* by invitation

Apart from regular Board meetings, the Chairman also held a meeting with the INEDs without the presence of executive Directors during the Relevant Period.

E. Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2014.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report in this annual report.

F. Auditors' Remuneration

The remuneration paid/payable to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2014 amounted to RMB6,100,000 and RMB610,000 respectively.

An analysis of the remuneration paid/payable to the external auditors of the Company, PricewaterhouseCoopers, in respect of audit services and non-audit services for the year ended 31 December 2014 is set out below:

Service Category	**Fees Paid/ Payable** (RMB'000)
Audit Services:	
— Annual audit for the year ended 31 December 2014	1,900
— Interim review for the six months ended 30 June 2014	600
— In relation to initial public offering	3,600
TOTAL:	6,100
Non-audit Services	
— Internal control review	360
— Tax related services	250
TOTAL	610

G. Internal Controls

During the Relevant Period, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Audit Committee had no disagreement with the accounting treatment adopted by the Company.

H. Non-Competition Undertaking By Controlling Shareholders

Each of the Controlling Shareholders (namely, Cerulean Coast Limited and Mr. Lo Chi Sum) has given the Non-competition Undertaking in favour of the Company and its subsidiaries that it and he will provide to the Company and the Directors (including the INEDs) from time to time with all information necessary for the annual review by the INEDs with regard to compliance of the terms of the Non-competition Undertaking by the Controlling Shareholders and the enforcement of the Non-competition Undertaking.

Each of the Controlling Shareholders has made an annual declaration as to full compliance with the terms of the Non-competition Undertaking and that during the Relevant Period, there was no matter which was required to be deliberated by the Board in relation to the compliance and enforcement of the Non-competition Undertaking.

The Board comprising all the INEDs has reviewed and confirmed that all the terms of the Non-competition Undertaking have been complied with by the Controlling Shareholders.

I. Company Secretary

Ms. Ngai Kit Fong of Tricor Services Limited, external service provider, has been engaged by the Company as the company secretary. Her primary contact person at the Company is Mr. Leung Wing Fai, an executive Director and the Chief Operating Officer of the Company.

J. Shareholders' Rights

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

(1) Convening an Extraordinary General Meeting

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings pursuant to Article 64 of the Articles. Such requisition shall be made in writing to the Directors or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

(2) Putting Forward Proposals at General meetings

To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her/its proposal (the "Proposal") with his/her/its detailed contact information at the Company's address as mentioned below. The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

(3) Procedures for Shareholders to Propose a Person for Election as a Director

If a Shareholder wishes to propose a person (the "Candidate") for election a director at a general meeting, he/she should deposit (i) a written notice of the intention to propose the Candidate for election as a director; and (ii) a written notice by the Candidate of his willingness to be elected to the Company or the Company's branch share registrar in Hong Kong at the address mentioned below at least seven clear days before the date of the general meeting and the period for lodgement of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and shall be at least seven clear days in length.

(4) Procedures for Raising Enquiries

Shareholders may send their enquiries in respect of the Company to the following:

Address:	Unit 901–902, 9th Floor, Tins Enterprises Centre, 777 Lai Chi Kok Road, Kowloon, Hong Kong
Attention:	Board of Directors
Tel:	(86 10) 5697 1700
Fax:	(86 10) 5967 1791
Email:	investor@css-group.net

Shareholders should direct their enquiries about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong, details of which are as follows:

Tricor Investor Services Limited

Address:	Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
Email:	is-enquiries@hk.tricorglobal.com
Tel:	(852) 2980 1333
Fax:	(852) 2810 8185

Shareholders are encouraged to make enquires via the online enquiry form available on the Company's website at www.css-group.net and are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate. The Company will not normally deal with verbal or anonymous enquiries.

K. Communication with Shareholders and Investors

The Company considers that effective communication with its Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with its Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet the Shareholders and answer their enquiries.

L. Company's Constitutional Documents

There were no significant changes in the Company's constitutional documents during the Relevant Period.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of Century Sage Scientific Holdings Limited
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Century Sage Scientific Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 42 to 102, which comprise the consolidated and company balance sheets as at 31 December 2014 and the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended 31 December 2014, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2015

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2014	2013
	Note	**RMB'000**	RMB'000
Revenue	5	**748,535**	628,758
Cost of sales	7	**(517,583)**	(435,198)
Gross profit		**230,952**	193,560
Selling expenses	7	**(32,567)**	(33,356)
Administrative expenses	7	**(78,051)**	(62,928)
Other (loss)/gains — net	6	**(821)**	361
Operating profit		**119,513**	97,637
Finance income	9	**925**	84
Finance costs	9	**(8,298)**	(3,575)
Finance costs — net	9	**(7,373)**	(3,491)
Profit before income tax		**112,140**	94,146
Income tax expense	11	**(15,087)**	(16,391)
Profit for the year		**97,053**	77,755
Profit attributable to:			
— Owners of the Company		**97,053**	77,755
— Non-controlling interests		**–**	–
		97,053	77,755
Earnings per share (expressed in RMB cents per share)			
— Basic and Diluted	25	**11.14**	10.37
Dividends	26	**31,000**	60,000

The notes on pages 49 to 102 are integral parts of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Profit for the year		**97,053**	77,755
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**(1,783)**	(27)
Other comprehensive loss for the year, net of tax		**(1,783)**	(27)
Total comprehensive income for the year		**95,270**	77,728
Attributable to:			
— Owners of the Company		**95,270**	77,728
— Non-controlling interests		**–**	–
		95,270	77,728

The notes on pages 49 to 102 are integral parts of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2014	2013
	Note	**RMB'000**	RMB'000
Assets			
Non-current assets			
Property, plant and equipment	12	**58,002**	59,890
Intangible assets	13	**20,736**	–
Deferred income tax assets	24	**3,277**	2,595
Available-for-sale financial assets	14	**–**	4,189
Prepayments	16	**5,000**	–
Other non-current assets	15	**1,355**	1,376
		88,370	68,050
Current assets			
Inventories	17	**170,542**	386,970
Trade and other receivables	16	**348,362**	112,907
Pledged bank deposits	18	**6,668**	9,206
Cash and cash equivalents	19	**119,708**	53,878
		645,280	562,961
Total assets		**733,650**	631,011
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	20	**7,933**	1
Share premium	20	**252,286**	70,674
Other reserves	21	**(64,732)**	(68,729)
Retained earnings	21	**190,098**	93,045
		385,585	94,991
Non-controlling interests		**–**	–
Total equity		**385,585**	94,991

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	23	**–**	4,624
Deferred income tax liabilities	24	**1,821**	–
		1,821	4,624
Current liabilities			
Trade and other payables	22	**209,306**	435,191
Current income tax liabilities		**47,048**	42,661
Borrowings	23	**89,890**	53,544
		346,244	531,396
Total liabilities		**348,065**	536,020
Total equity and liabilities		**733,650**	631,011
Net current assets		**299,036**	31,565
Total assets less current liabilities		**387,406**	99,615

The notes on pages 49 to 102 are integral parts of these consolidated financial statements.

The financial statements on pages 42 to 102 were approved for issue by the Board of Directors on 25 March 2015 and were signed on its behalf.

Lo Chi Sum
Director

Leung Wing Fai
Director

BALANCE SHEET

	Note	As at 31 December 2014 RMB'000	 2013 RMB'000
Assets			
Non-current assets			
Investments in subsidiaries	10	**76,455**	70,675
Current assets			
Amount due from subsidiaries	28	**170,393**	–
Trade and other receivables	16	**–**	60,200
Cash and cash equivalents		**1**	–
Total assets		**246,849**	130,875
Equity			
Share capital	20	**7,933**	1
Share premium	20	**252,286**	70,674
Other reserve	21	**5,780**	–
Retained earnings		**(19,414)**	126
Total equity		**246,585**	70,801
Liabilities			
Current liabilities			
Amount due to subsidiaries	28	**264**	–
Trade and other payables	22	**–**	60,074
Total liabilities		**264**	60,074
Total equity and liabilities		**246,849**	130,875
Net current assets		**170,130**	126
Total assets less current liabilities		**246,585**	70,801

The notes on pages 49 to 102 are integral parts of these consolidated financial statements.

The financial statements on pages 42 to 102 were approved for issue by the Board of Directors on 25 March 2015 and were signed on its behalf.

Lo Chi Sum *Director*	**Leung Wing Fai** *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Ordinary share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2013		1	70,674	(68,702)	75,290	77,263
Comprehensive income						
Profit for the year		–	–	–	77,755	77,755
Other comprehensive income						
— currency translation differences		–	–	(27)	–	(27)
Total comprehensive income		–	–	(27)	77,755	77,728
Dividend to the then shareholders	26	–	–	–	(60,000)	(60,000)
Total transaction with owners		–	–	–	(60,000)	(60,000)
Balance at 31 December 2013		1	70,674	(68,729)	93,045	94,991
Balance at 1 January 2014		**1**	**70,674**	**(68,729)**	**93,045**	**94,991**
Comprehensive income						
Profit for the year		**–**	**–**	**–**	**97,053**	**97,053**
Other comprehensive income						
— currency translation differences		**–**	**–**	**(1,783)**	**–**	**(1,783)**
Total comprehensive income		**–**	**–**	**(1,783)**	**97,053**	**95,270**
Total contributions by and distributions to equity holders of the Company recognized directly in equity						
Issuance of new shares	20	**1,983**	**212,819**	**–**	**–**	**214,802**
Share issuance cost	20	**–**	**(25,258)**	**–**	**–**	**(25,258)**
Capitalisation issue of shares	20	**5,949**	**(5,949)**	**–**	**–**	**–**
Share option reserve	21	**–**	**–**	**5,780**	**–**	**5,780**
Total transaction with owners		**7,932**	**181,612**	**5,780**	**–**	**195,324**
Balance at 31 December 2014		**7,933**	**252,286**	**(64,732)**	**190,098**	**385,585**

The notes on pages 49 to 102 are integral parts of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Cash generated from operations	27	**(61,190)**	45,185
Interest paid		**(4,237)**	(3,590)
Income tax paid		**(11,496)**	(6,510)
Net cash generated from operating activities		**(76,923)**	35,085
Cash flows from investing activities			
Purchases of property, plant and equipment		**(6,806)**	(3,712)
Payment of pledged bank deposits		**(2,371)**	(98,899)
Collection of pledged bank deposits		**4,909**	98,805
Prepayment to purchase of intangible assets	16	**(5,000)**	–
Purchase of financial assets at fair value through profit or loss		**–**	831
Purchase of available-for-sale financial assets		**–**	(4,189)
Acquisition of a subsidiary	27	**(5,184)**	–
Cash advances paid to shareholders/directors		**–**	(14,976)
Net cash used in investing activities		**(14,452)**	(22,140)
Cash flows from financing activities			
Proceeds from issue of new shares	20	**214,802**	–
Payment of share issuance costs	20	**(25,258)**	–
Proceeds from borrowings		**100,047**	68,817
Repayments of borrowings		**(68,325)**	(63,157)
Dividends paid to the then shareholders		**(60,000)**	–
Net cash used in from financing activities		**161,266**	5,660
Net increase in cash and cash equivalents		**69,891**	18,605
Cash and cash equivalents at beginning of year	19	**53,878**	35,026
Exchange losses on cash and cash equivalents		**(4,061)**	247
Cash and cash equivalents at end of the year	19	**119,708**	53,878

The notes on pages 49 to 102 are integral parts of these consolidated financial statements.

1 GENERAL INFORMATION

Century Sage Scientific Holdings Limited (the "Company") was incorporated in the Cayman Islands on 18 December 2012 as an exempted company with limited liability under the Companies 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) sport 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"). 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.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

The consolidated financial statements were approved for issue by the board of directors on 25 March 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied throughout the periods, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have 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 consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in (Note 4).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

Amendment to IAS/HKAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.

Amendments to IAS/HKAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS/HKAS 36 by the issue of IFRS/HKFRS 13. It also enhanced the disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Amendment to IAS/HKAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS/HKAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Group has applied the amendment and there has been no significant impact on the Group financial statements as a result.

IFRIC/HK (IFRIC) 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS/HKAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policy and disclosures *(Continued)*

(b) New standards and interpretations not yet adopted

New and revised standards, amendments and interpretations have been issued and are relevant to the Group but are not effective for the financial year beginning 1 January 2014 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendment to HKAS 19	Defined benefit plans: employee contributions	1 July 2014
Annual improvements 2012	Changes from the 2010–2012 cycle of the annual improvements project	1 July 2014
Annual improvements 2013	Changes from the 2011–2013 cycle of the annual improvements project	1 July 2014
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKFRS 10 and HKAS 28	Sale or contribution assets between an investor and its associate or joint venture	1 January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Annual improvements 2014	Changes from the 2012–2014 cycle of the annual improvements project	1 July 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial instruments	1 January 2018

The Group is in the process of making an assessment of the impact of the above new standards and amendments to existing standards and based on the preliminary results of assessment, the Group currently does not expect the adoption of these standards and amendments would have a significant impact on its results of operations and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Business combinations

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. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

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.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement (Note 2.6).

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

2.3.2 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 statements 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, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or expenses'. All other foreign exchange gains and losses are presented in the income statement within 'other gains — net'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Foreign currency translation *(Continued)*

(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

Property, plant and equipment are 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 recognized 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 derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	20–40 years
Vehicles and machinery	3–5 years
Furniture and office 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 recognized within "other (losses)/gains — net", in the consolidated statements of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Customer relationship

Customer relationship acquired in a business combination is recognised at fair value at the acquisition date and are amortised using the straight-line method over their estimated useful lives of 5 years.

(c) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years.

(d) Technology know-how

Acquired technology know-how is shown at historical cost. Technology know-how acquired in a business combination is recognised at fair value at the acquisition date. Technology know-how has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of technology know-how over their estimated useful lives of 5 years.

(e) Research and development

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Intangible assets *(Continued)*

(e) Research and development *(Continued)*

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

Intangible assets that have an indefinite useful life 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

2.9.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables, at fair value through profit or loss 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.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by the directors of the Company. Derivatives are also categorized 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.

(b) 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).

(c) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial assets *(Continued)*

2.9.2 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 is 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.

2.10 Impairment of financial assets

(a) Assets carried at amortized 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 recognized 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Impairment of financial assets *(Continued)*

(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 equity investments, 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 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 income tax expense for the period comprises current and deferred tax. Income tax is recognized in the statements of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Current and deferred income tax *(Continued)*

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, 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 recognized if they arise from the initial recognition of goodwill, 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 realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, 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. deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Employee benefits *(Continued)*

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Revenue recognition *(Continued)*

(b) Application solutions services *(Continued)*

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% when key components of the equipments and products are transferred to the site, 30% upon the testing and acceptance by customer, and 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 ordinary and preferred shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or board of 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 currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity 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, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and 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 not demoninated in 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 2014, 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 RMB2,430,000 (2013: 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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign exchange risk (Continued)

At 31 December 2014, 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 RMB265,000 (2013: 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 2014, 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 RMB59,000 (2013: RMB438,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of GBP denominated cash and cash equivalents, trade and other receivables, trade and other payables and borrowings.

At 31 December 2014, if EUR had weakened/strengthened by 5% against the RMB with all other variables held constant, post-tax profit for the year would have been RMB197,000 (2013: RMB27,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of EUR 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 2014, 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 RMB327,000 (2013: 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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(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 2014, there were four 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 68% (2013:64%) 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 period 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 year) and the earliest date the Group may be required to pay.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

Group

	Less than 1 year RMB'000	**Between 1 and 2 years** RMB'000	**Between 2 and 5 years** RMB'000
At 31 December 2013			
Trade and other payables (excluding non-financial liability)	195,582	–	–
Borrowings (including interest)	55,084	3,320	1,447
At 31 December 2014			
Trade and other payables (excluding non-financial liability)	**106,996**	**–**	**–**
Borrowings (including interest)	**92,164**	**–**	**–**

3.2 Capital 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 total borrowings 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.

	Year ended 31 December	
	2014 **RMB'000**	2013 RMB'000
Total borrowings	**89,890**	58,168
Total equity	**385,596**	94,991
Total capital	**475,486**	153,159
Gearing ratio	**19%**	38%

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2014 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy 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 2014.

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**
Available-for-sale financial assets	**–**	**–**	**–**

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	–	–	4,189

There were no transfers between levels 1 and 2 during the year.

(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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

(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:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
At beginning of the year	**4,189**	–
Addition	**–**	4,189
Fair value adjustment	**(1,121)**	–
Acquisition of a subsidiary (Note 29)	**(3,068)**	–
At end of the year	**–**	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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments 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 goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(a) Impairment of goodwill *(Continued)*

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.6(a). The recoverable amounts of cash-generating units ("CGU") have been determined based on value-in-use calculations. These calculations require the use of estimates.

According to the valuations results produced by the management of the Company based on the assumptions as disclosed in Note 29, management considered that no impairment charge was required against goodwill arising from acquisitions during the year.

In the opinion of the Company's directors, had the gross margin been 1% lower with other assumptions held constant, or had the terminal growth rate been 1% lower with other assumptions held constant, or had the discount rate been 1% higher with other assumptions held constant, there would be no impairment charge needed to be made against goodwill of the Group for the year.

(b) Impairment of trade and other receivable

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 2014 are RMB849,000 (2013: RMB342,000) respectively.

(c) Recognition of income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(d) 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 2.20(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.

(e) 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 realizable value of the inventories. In determining whether the cost of inventories can be recoverable, significant judgment is required. In making this judgment, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

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 during the year:

- Application solutions (including "Production and broadcast" and "Transmission")
- Sport 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.

5 SEGMENT INFORMATION *(Continued)*

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

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Segment revenue		
Application solutions		
— Production and broadcast	**420,500**	365,396
— Transmission	**212,387**	176,089
Subtotal	**632,887**	541,485
Sport event broadcast services	**55,894**	48,836
System maintenance services	**27,165**	10,326
Equipment development and sales	**32,589**	28,111
Total	**748,535**	628,758
Segment cost		
Application solutions		
— Production and broadcast	**(316,418)**	(273,698)
— Transmission	**(143,402)**	(120,240)
Subtotal	**(459,820)**	(393,938)
Sport event broadcast services	**(29,235)**	(26,101)
System maintenance services	**(13,179)**	(5,141)
Equipment development and sales	**(15,349)**	(10,018)
Total	**(517,583)**	(435,198)
Segment gross profit		
Application solutions		
— Production and broadcast	**104,082**	91,698
— Transmission	**68,985**	55,849
Subtotal	**173,067**	147,547
Sport event broadcast services	**26,659**	22,735
System maintenance services	**13,986**	5,185
Equipment development and sales	**17,240**	18,093
Total	**230,952**	193,560

5 SEGMENT INFORMATION *(Continued)*

	Year ended 31 December 2014 RMB'000	2013 RMB'000
Depreciation		
Application solutions		
— Production and broadcast	**5,332**	4,844
— Transmission	**2,693**	2,334
Subtotal	**8,025**	7,178
Sport event broadcast services	**709**	647
System maintenance services	**344**	137
Equipment development and sales	**413**	373
Total	**9,491**	8,335

For the year ended 31 December 2014, only one customer which is located in the PRC, accounted for greater than 10% of the Group's total revenues:

	Year ended 31 December			
	2014		2013	
	Amount RMB'000	% of total revenue	Amount RMB'000	% of total revenue
Customer A	**153,701**	**21%**	240,377	38%

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:

	Year ended 31 December 2014 RMB'000	2013 RMB'000
Revenue		
Mainland China	**721,371**	577,776
Macau	**12,478**	28,483
Hong Kong	**10,414**	22,499
Others	**4,272**	–
	748,535	628,758

5 SEGMENT INFORMATION *(Continued)*

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Total of non-current assets other than deferred tax assets and available-for-sales financial assets		
Mainland China	**79,075**	60,847
Hong Kong	**6,018**	419
	85,093	61,266

Breakdown of the revenue from all services is as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Analysis of revenue by category		
Sales of goods	**665,476**	548,689
Revenue from services	**83,059**	80,069
	748,535	628,758

Turnover consists of revenue of application solutions in respect of production and broadcast as well as transmission, sport event broadcast services, system maintenance services and equipment development and sales, which are RMB748,535,000 (2013: RMB628,758,000) for the year ended 31 December 2014.

6 OTHER (LOSS)/GAINS — NET

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Insurance reimbursement	**3**	129
Losses from disposal of property plant and equipment (Note 12)	**(305)**	–
Fair value adjustment on available-for-sale financial assets (Note 14)	**(1,121)**	–
Other	**602**	232
	(821)	361

7 EXPENSE BY NATURE

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Equipment costs (Note 17)	**465,632**	370,054
Servicing and agency costs	**23,304**	29,914
Employee benefit expenses (Note 8)	**54,852**	52,436
Transportation costs	**8,730**	8,954
Business tax and other transaction taxes	**3,245**	3,523
Depreciation expense (Note 12)	**9,491**	8,335
Amortisation expenses of Intangible assets (Note 13)	**169**	–
Business development	**7,644**	10,291
Travelling and transportation expenses	**11,121**	12,389
Exhibition and conference	**3,052**	3,273
Advertising costs	**1,122**	1,453
Research and development	**4,619**	5,275
Auditor's remuneration	**2,500**	1,173
Legal fee and professional charges	**2,162**	8,875
Operating lease rentals	**3,137**	3,386
Office expenses	**4,994**	4,429
Provision for inventory obsolescence (Note 17)	**(335)**	88
Provision for bad debts (Note 16)	**507**	46
Bank charges	**1,184**	744
Share insurance cost (Note 20)	**19,091**	–
Others	**1,980**	6,844
	628,201	531,482

8 EMPLOYEE BENEFIT EXPENSES (EXCLUDING DIRECTOR'S EMOLUMENTS)

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Wages and salaries	**36,866**	35,242
Bonus	**10,418**	9,959
Welfare and other allowance	**4,345**	4,154
Pension costs — defined contribution plans	**3,223**	3,081
	54,852	52,436

8 EMPLOYEE BENEFIT EXPENSES (EXCLUDING DIRECTOR'S EMOLUMENTS) *(Continued)*

(a) Pension costs — defined contribution plans

The Group has arranged for its Hong Kong employees to join the MPF Scheme. Under the MPF Scheme, each of the Group companies (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employers and employees are subject to a cap of HK$1,500 per month and thereafter contributions are voluntary.

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 during the year.

(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 year are set out below:

Year end 31 December 2013

Name	Fees RMB'000	Salary RMB'000	Discretionary bonus RMB'000	Other benefits RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
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	–	–	–	–	–	–

8 EMPLOYEE BENEFIT EXPENSES (EXCLUDING DIRECTOR'S EMOLUMENTS) *(Continued)*

(b) Directors' emoluments *(Continued)*

Year end 31 December 2014

Name	Fees RMB'000	Salary RMB'000	Discretionary bonus RMB'000	Other benefits RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
Executive directors						
Mr. Zhou Jue	–	895	160	–	83	1,138
Mr. Huang He	–	895	160	–	55	1,110
Mr. Sun Qingjun	–	895	160	–	83	1,138
Mr. Leung Wing Fai	–	715	160	–	11	886
Mr. Geng Liang	–	920	160	–	13	1,093
Independent non-executive directors						
Mr. Ng Chi Yeung	132	–	–	–	–	132
Mr. Ma Guoli	132	–	–	–	–	132
Mr. Hung Muk Ming	132	–	–	–	–	132
Chairman chief executive officer and executive director						
Mr. Lo Chi Sum	–	1,293	320	–	8	1,621

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.

For the year ended 31 December 2014, the five individuals whose emoluments were the highest in the Group include 5 directors (2013: 2 directors) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three individuals for last year were as follows:

	Year ended 31 December 2014 RMB'000	2013 RMB'000
Basic salaries and allowances	–	4,265
Pension costs — defined contribution plans	–	39
	–	4,304

8 EMPLOYEE BENEFIT EXPENSES (EXCLUDING DIRECTOR'S EMOLUMENTS) *(Continued)*

(b) Directors' emoluments *(Continued)*

The emoluments of these remaining individuals fell within the following bands:

	Year ended 31 December	
	2014	2013
Emoluments bands (in HKD)		
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**–**	2

During the year, 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	
	2014	2013
	RMB'000	RMB'000
Finance costs		
— Bank borrowings wholly repayable within 5 years	**(4,237)**	(3,575)
— Net foreign exchange loss	**(4,061)**	–
	(8,298)	(3,575)
Finance income		
— Interest income on short-term bank deposits	**925**	84
Net finance costs	**(7,373)**	(3,491)

10 INVESTMENTS IN SUBSIDIARIES — THE COMPANY

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Investment in subsidiaries	**76,455**	70,675

10 INVESTMENTS IN MAJOR SUBSIDIARIES — THE COMPANY *(Continued)*

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	Effective equity interests held 31 December 2014	2013	Principal activities or place of operation
Directly owned:						
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%	Investment holding company
Indirectly owned:						
Cortesia Limited ("Cortesia")	BVI/Limited liability company	31 March 2010	1 ordinary shares of USD1 each	**100%**	100%	Investment holding company
Century Sage Scientific Group Ltd ("CSS Group Ltd")	BVI/Limited liability company	10 January 2007	1 ordinary shares of USD50 each	**100%**	100%	TV broadcast application solutions industry/ The PRC
Century Sage Scientific Solutions Limited	BVI/Limited liability company	10 December 2014	1 ordinary shares of USD1 each	**100%**	–	Investment holding company
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")	The PRC/Limited liability company	27 April 2007	20,000,000 ordinary shares of RMB 1 each	**100%**	100%	TV broadcast application solutions industry/ The PRC
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 RMB 1 each	**100%**	100%	TV broadcast application solutions industry/ The PRC
Times Sage Tech Ltd	BVI/Limited liability company	20 October 2009	1 ordinary shares of 1 USD each	**100%**	100%	TV broadcast system integration industry/ The PRC
時代華睿(北京)科技有限公司 (Times Sage (Beijing) Tech Company Limited)	Beijing, Mainland China/ Limited liability company	28 October 2009	12,000,000 ordinary shares of 1 RMB each	**100%**	100%	TV broadcast system integration
EverTop Technology (Int'l) Limited	Hong Kong ("HK")/Limited liability company	29 June 2010	2 ordinary shares of HKD1 each	**100%**	100%	TV broadcast application solutions industry/ The PRC
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 RMB 1 each	**100%**	100%	TV broadcast application solutions industry/ The PRC
Cogent Technologies Limited (formerly known as CGT Technologies Limited)	BVI/Limited liability company	26 May 2010	1 ordinary shares of USD1 each	**100%**	100%	TV broadcast application solutions industry/ The PRC
Cogent Tech (Asia) Limited	HK/Limited liability company	3 March 2011	1 ordinary shares of HKD1 each	**100%**	100%	Investment holding company/Hong Kong

10 INVESTMENTS IN MAJOR SUBSIDIARIES — THE COMPANY *(Continued)*

Company name	Place of incorporation/ establishment	Date of incorporation/ establishment	Registered/Issued and paid-up capital	Effective equity interests held 31 December 2014	2013	Principal activities or place of operation
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 RMB 1 each	**100%**	100%	TV broadcast application solutions industry/ The PRC
Century Sage Scientific (HK) Limited (formerly known as Times Sage Tech Limited)	HK/Limited liability company	3 November 2009	10,000 ordinary shares of HKD1 each	**100%**	100%	TV broadcast application solutions industry/ Hong Kong
Fineone International Limited.	BVI/Limited liability company	6 March 2009	1 ordinary shares of USD 1 each	**100%**	100%	Equipment trading/ The PRC
TV Logic Technology Limited	BVI/Limited liability company	8 July 2009	1 ordinary shares of USD1 each	**100%**	100%	Equipment trading/ The PRC
NI systems Limited	BVI/Limited liability company	3 July 2012	1 ordinary shares of USD 1 each	**100%**	100%	Equipment trading/ The PRC
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 RMB 1 each	**100%**	100%	TV broadcast application solutions industry/ The PRC
上海精視信息技術有限責任公司 (Shanghai Accurate Video Info-Tech Co., Limited) ("AVIT")	The PRC/Limited liability company	15 May 2007	4,500,000 ordinary shares of RMB1 each	**100%**	16%	R&D of TV broadcasting and multi-media production/The PRC

11 TAXATION

	Year ended 31 December 2014 RMB'000	2013 RMB'000
Current income tax — PRC enterprise income tax	**16,955**	17,161
Adjustments in respect of prior years	**(2,155)**	–
Withholding income tax	**1,000**	–
Deferred income tax (Note 24)	**(713)**	(770)
Income tax expense	**15,087**	16,391

11 TAXATION *(Continued)*

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	
	2014	2013
	RMB'000	RMB'000
Profit before income tax	**112,140**	94,146
Tax calculated at statutory tax rates applicable to profits in the respective companies	**28,035**	23,537
Tax effects of		
— Expenses not deductible for tax purpose	**2,052**	533
— Adjustments in respect of prior years	**(2,155)**	–
— Withholding income tax	**1,000**	–
— Effect of preferential tax rate	**(13,845)**	(7,679)
Income tax expense	**15,087**	16,391

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 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 two years.

11 TAXATION *(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 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.

Withholding income tax is provided on the dividends to be distributed by the PRC subsidiaries of the Group. The relevant group companies have successfully obtained endorsement from various PRC tax bureaus to enjoy the treaty benefit of 5% corporate income tax rate on dividends received from the PRC subsidiaries of the Group. Accordingly, withholding income tax has been provided at 5% of the dividends to be distributed by the PRC subsidiaries of the Group.

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Vehicles and machinery RMB'000	Furniture fittings and other equipment RMB'000	Total RMB'000
Cost				
At 1 January 2013	55,651	9,366	9,321	74,338
Additions	304	2,622	786	3,712
At 31 December 2013	55,955	11,988	10,107	78,050
Accumulated depreciation				
At 1 January 2013	(2,773)	(3,087)	(3,965)	(9,825)
Charge for the year (Note 7)	(3,742)	(2,583)	(2,010)	(8,335)
At 31 December 2013	(6,515)	(5,670)	(5,975)	(18,160)
Net book value				
At 31 December 2013	49,440	6,318	4,132	59,890
Cost				
At 1 January 2014	**55,955**	**11,988**	**10,107**	**78,050**
Additions	**1,053**	**3,204**	**2,549**	**6,806**
Disposals (Note 6)	**–**	**(411)**	**(74)**	**(485)**
Acquisition of a subsidiary (Note 29)	**–**	**–**	**1,102**	**1,102**
At 31 December 2014	**57,008**	**14,781**	**13,684**	**85,473**
Accumulated depreciation				
At 1 January 2014	**(6,515)**	**(5,670)**	**(5,975)**	**(18,160)**
Disposals (Note 6)	**–**	**174**	**6**	**180**
Charge for the year (Note 7)	**(4,146)**	**(4,163)**	**(1,182)**	**(9,491)**
At 31 December 2014	**(10,661)**	**(9,659)**	**(7,151)**	**(27,471)**
Net book value				
At 31 December 2014	**46,347**	**5,122**	**6,533**	**58,002**

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group's buildings are located in the mainland China.

Depreciation expense of RMB8,127,000 (2013: RMB6,816,000) for the year ended 31 December 2014 has been charged in administrative expenses. Depreciation expense of RMB1,364,000 (2013: RMB1,519,000) for the year ended 31 December 2014 has been charged in cost of sales.

As at 31 December 2014, the buildings with the cost amounting to RMB51,722,000 (2013: RMB51,722,000) have been pledged for a mortgage loan of RMB26,000,000 (2013: RMB6,400,000) (Note 23).

13 INTANGIBLE ASSETS — GROUP

	Goodwill RMB'000	Computer software RMB'000	Customer relationships RMB'000	Technical knowhow RMB'000	Total RMB'000
Year ended 31 December 2014					
Opening net book amount	–	–	–	–	–
Additions	–	207	–	–	207
Acquisition of a subsidiary (Note 29)	12,100	2,798	4,609	1,191	20,698
Amortisation charge (Note 7)	–	(72)	(77)	(20)	(169)
Closing net book amount	12,100	2,933	4,532	1,171	20,736
At 31 December 2014					
Cost	12,100	3,005	4,609	1,191	20,905
Accumulated amortisation	–	(72)	(77)	(20)	(169)
Net book value	12,100	2,933	4,532	1,171	20,736

Amortisation expense of RMB169,000 (2013: Nil) for the years ended 31 December 2014 has been charged in administrative expenses.

Impairment tests for goodwill

Goodwill is monitored by the management at the operating segment level.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the businesses in which the CGU operates.

13 INTANGIBLE ASSETS — GROUP *(Continued)*

The key assumptions used for value-in-use calculations as at 31 December 2014 are as follows:

	As at 31 December 2014
Gross margin	**72.8%**
Growth rate	**12.6%**
Discount rate	**14.6%**

These assumptions have been used for the analysis of the CGU within the operating segment.

Management determined budgeted gross margin based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the operating segment.

Management does not foresee any significant change in the key assumptions used in the value-in-use calculation that will cause the recoverable amount of goodwill to be less than its carrying amount.

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
At beginning of the year	**4,189**	–
Addition	**–**	4,189
Fair value adjustment (Note 21)	**(1,121)**	–
Acquisition of a subsidiary (Note 29)	**(3,068)**	–
At end of the year	**–**	4,189

The available-for-sale financial assets represent the 16.11% equity interests in AVIT.

15 OTHER NON-CURRENT ASSETS

Other non-current assets represent the prepaid rental for carparks for a lease period of 46 years.

16 TRADE AND OTHER RECEIVABLES

Trade and other receivables — Group

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Included in non-current assets		
Prepayments (i)	**5,000**	–
Included in current assets		
Trade receivables	**278,674**	42,416
Less: provision for impairment of trade receivable	**(849)**	(342)
Trade receivables — net	**277,825**	42,074
Other receivables		
Amount due from customers for contract work (ii)	**1,365**	472
Deposit for guarantee certificate over tendering and performance (iii)	**13,278**	14,631
Amounts due from shareholders/directors (Note 28(d))	**–**	3,390
Prepayments	**38,001**	26,615
Value-added tax receivables	**–**	5,556
Cash advance to employees	**7,818**	4,975
Others	**10,075**	15,194
Current portion	**348,362**	112,907
	353,362	112,907

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

(i) The amount represented prepayment for purchase of technical knowhow and relevant remarks and development service in relation to interactive video application platform (Note 30).

(ii) 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:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
The aggregate costs incurred and recognised profits to date	**1,365**	472
Less: Progress billings	**(178)**	(514)
Net balance sheet position for ongoing contracts	**1,187**	(42)

16 TRADE AND OTHER RECEIVABLES *(Continued)*

Trade and other receivables — Group *(Continued)*

(iii) 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 2014, the ageing analysis of the trade receivables based on revenue recognition date is as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Up to 3 months	**137,438**	20,588
3 to 6 months	**54,358**	14,124
6 months to 1 year	**57,328**	871
1 to 2 years	**28,169**	6,232
2 to 3 years	**1,065**	259
Over 3 years	**316**	342
	278,674	42,416

As of 31 December 2014, trade and other receivables of RMB140,387,000 (2013: 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:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
3 to 6 months	**54,358**	14,124
6 months to 1 year	**57,328**	871
1 to 2 years	**28,169**	6,232
2 to 3 years	**532**	259
	140,387	21,486

16 TRADE AND OTHER RECEIVABLES *(Continued)*

Trade and other receivables – Group *(Continued)*

As of 31 December 2014, trade and other receivables of RMB849,000 (2013: RMB342,000) were impaired. The amount of the provision was RMB849,000 (2013: RMB342,000) as of 31 December 2014. The impaired receivables mainly relate to customers which are in unexpected financial difficulties. The ageing of these receivables is as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
2 to 3 years	**533**	–
Over 3 years	**316**	342
	849	342

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Trade receivables		
RMB	**249,532**	34,135
United State Dollar ("USD")	**26,293**	5,719
Hong Kong Dollar ("HKD")	**2,000**	2,220
	277,825	42,074
Other receivables		
RMB	**59,442**	67,214
Hong Kong Dollar ("HKD")	**1,337**	1,648
United State Dollar ("USD")	**10,633**	1,223
Euro ("EUR")	**3,173**	631
British Sterling ("GBP")	**952**	117
	75,537	70,833
	353,362	112,907

16 TRADE AND OTHER RECEIVABLES *(Continued)*

Trade and other receivables — Group *(Continued)*

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

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
At beginning of the year	**(342)**	(296)
Provision for impairment	**(507)**	(46)
At end of the year	**(849)**	(342)

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 2014, the trade receivables amounting to RMB21,277,000 (2013: RMB35,339,000) were pledged to for a secured bank loan of RMB20,500,000 (2013: RMB22,100,000) (Note 23).

Trade and other receivables — Company

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Dividends receivables	**–**	60,000
Others	**–**	200
	–	60,200

17 INVENTORIES

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Equipments and parts	**60,020**	52,076
Work in progress	**112,507**	337,214
Provision for inventory	**(1,985)**	(2,320)
	170,542	386,970

The cost of inventories recognised as expense and included in 'cost of sales' amounted to RMB465,632,000 (2013: RMB370,054,000) for the year ended 31 December 2014.

18 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 2014.

19 CASH AND CASH EQUIVALENTS

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Cash on hand	**83**	126
Cash at banks	**119,625**	53,752
Cash and cash equivalents	**119,708**	53,878

The carrying amount of the cash and cash equivalents are denominated in the following currencies:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
RMB	**61,349**	45,146
HKD	**35,609**	3,456
USD	**21,567**	5,187
GBP	**500**	75
Others	**683**	14
	119,708	53,878

19 CASH AND CASH EQUIVALENTS *(Continued)*

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 year ended 31 December 2014.

20 SHARE CAPITAL AND SHARE PREMIUM — GROUP AND COMPANY

	Number of ordinary shares	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised:					
Ordinary share of HK$0.1 each at 18 December 2012 (date of incorporation) and 31 December 2013	3,800,000	380	308	–	–
Sub-division of shares (i)	34,200,000	–	–	–	–
Increase of authorised ordinary shares (ii)	4,962,000,000	49,620	39,363	–	–
Balance at 31 December 2014	**5,000,000,000**	**50,000**	**39,671**	**–**	**–**
Issued and fully paid:					
Ordinary share of HK$0.1 each at 31 December 2013	10,000	1	1	70,674	70,675
Sub-division of shares (i)	90,000	–	–	–	–
Capitalisation issue (iii)	749,900,000	7,499	5,949	(5,949)	–
Issuance of ordinary shares (iv)	250,000,000	2,500	1,983	212,819	214,802
Share issuance costs (v)	–	–	–	(25,258)	(25,258)
Balance at 31 December 2014	**1,000,000,000**	**10,000**	**7,933**	**252,286**	**260,219**

(i) 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 authorised and issued shares of our Company was increased from 3,800,000 to 38,000,000, and 10,000 to 100,000 respectively.

(ii) 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.

20 SHARE CAPITAL AND SHARE PREMIUM — GROUP AND COMPANY *(Continued)*

(iii) 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 issue of new shares pursuant to the initial 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. The Company's share was listed on the Main Board of the Stock Exchange of Hong Kong on 7 July 2014.

(iv) Issuance of new ordinary shares

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, and raised gross proceeds of approximately HKD270,000,000 (equivalent to RMB214,802,000).

(v) Share issuance costs

Share issuance cost mainly included underwriting commission, lawyer's fees, reporting accountant's fee and other related costs. Incremental costs that were directly attributable to the issue of the new ordinary shares amounting to RMB25,258,000 was treated as a deduction from share premium. Other share issuance costs which were not directly attributable to the issue of the new ordinary shares amounting to RMB19,091,000 were recognised as expenses in the consolidated income statement.

21 RESERVES AND RETAINED EARNINGS

	Other reserves					
	Merger reserve RMB'000 (i)	Translation reserve RMB'000	Share option reserve RMB'000 (ii)	Capital reserve RMB'000 (iii)	Retained earnings RMB'000	Total RMB'000
Balance at 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 and 1 January 2014	(70,612)	13	–	1,870	93,045	24,316
Profit for the year	**–**	**–**	**–**	**–**	**97,053**	**97,053**
Dividends relating to 2014	**–**	**–**	**–**	**–**	**–**	**–**
Currency translation difference	**–**	**(1,783)**	**–**	**–**	**–**	**(1,783)**
Share option reserve	**–**	**–**	**5,780**	**–**	**–**	**5,780**
Balance at 31 December 2014	**(70,612)**	**(1,770)**	**5,780**	**1,870**	**190,098**	**125,366**
Representing:						
2014 proposed final dividend					**31,000**	
Others					**159,098**	
					190,098	

21 RESERVES AND RETAINED EARNINGS *(Continued)*

(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, over the nominal value of the Company's shares issued in exchange thereof.

(ii) The amount represented the fair value of the share option granted to seller for acquisition of a subsidiary in 2014 (Note 29).

(iii) Capital reserves mainly represent the differences between the considerations paid and the carrying value of the net assets of the non-controlling interest acquired.

22 TRADE AND OTHER PAYABLES

Trade and other payables — Group

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Trade payables	**34,602**	93,420
Amounts due to customers for contract work	**178**	514
Advances from customers	**101,800**	239,095
Employee benefits payable	**7,037**	11,011
Other taxes payable	**56,608**	20,860
Amounts due to shareholders/directors (Note 28(e))	**–**	16
Dividends payable	**–**	60,000
Receipt in advance	**510**	–
Accrual for professional service fee	**2,193**	2,400
Others	**6,378**	7,875
	209,306	435,191

At 31 December 2014 the ageing analysis of the trade payables based on invoice date is follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Up to 3 months	**18,435**	76,764
3 to 6 months	**4,969**	5,099
6 months to 1 year	**388**	4,020
1 to 2 years	**8,030**	5,705
2 to 3 years	**1,002**	501
Over 3 years	**1,778**	1,331
	34,602	93,420

22 TRADE AND OTHER PAYABLES *(Continued)*

Trade and other payables — Group *(Continued)*

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

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
RMB	**15,686**	81,036
USD	**16,982**	9,212
GBP	**428**	2,592
HKD	**42**	580
EUR	**1,464**	–
	34,602	93,420

Trade and other payables — Company

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Dividends payable	**–**	60,000
Others	**–**	74
	–	60,074

23 BORROWINGS

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Non-current		
Bank borrowings	**–**	4,624
Current		
Bank borrowings	**89,890**	53,544
Total borrowings	**89,890**	58,168

Bank borrowings bear effective interest rate of 6.0% (2013: 6.50%) annually for the year ended 31 December 2014.

23 BORROWINGS *(Continued)*

As at 31 December 2014, 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:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Within 1 year	**89,890**	53,544
Between 1 and 2 years	**–**	3,199
Between 2 and 5 years	**–**	1,425
	89,890	58,168

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Wholly repayable within 5 years	**89,890**	58,168

As at 31 December 2014, bank borrowings of RMB61,500,000 (2013: RMB28,499,000) are secured by the buildings of the Group, cost of which amounting to RMB51,722,000 (2013: RMB51,722,000) (Note 12), trade receivables of RMB21,277,000 (2013: RMB35,339,000) (Note 16), and guaranteed by Beijing Zhongguancun Sic-tech Financing Guarantee Co., Ltd.

As at 31 December 2013, bank borrowings of RMB41,019,000 were guaranteed by Mr. Leung Wing Fai, a shareholder of the Company. Theses personal guarantees were released for the year ended 31 December 2014.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates are as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
6 months or less	**20,890**	27,815
6–12 months	**69,000**	25,354
	89,890	53,169

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.

23 BORROWINGS *(Continued)*

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

	Year ended 31 December 2014 RMB'000	2013 RMB'000
HKD	**20,890**	4,999
USD	**–**	–
RMB	**69,000**	53,169
	89,890	58,168

24 DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities are as follows:

	Year ended 31 December 2014 RMB'000	2013 RMB'000
Deferred tax assets:		
— Deferred tax asset to be recovered after more than 12 months	**3,277**	2,595
Deferred tax liabilities:		
— Deferred tax liabilities to be recovered after more than 12 months	**1,821**	–
Deferred tax assets — net	**1,456**	2,595

The movement in deferred income tax assets is as follows:

	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 2013	44	225	801	755	1,825
(Charged)/credited to the income statement	(3)	(24)	484	313	770
At 31 December 2013	41	201	1,285	1,068	2,595
Credited to the income statement	76	75	469	62	682
At 31 December 2014	**117**	**276**	**1,754**	**1,130**	**3,277**

24 DEFERRED INCOME TAX *(Continued)*

The movement in deferred income tax liabilities is as follows:

	Fair value surplus arising from acquisition of subsidiaries RMB'000
Deferred tax liabilities	
At 1 January 2014	**–**
Acquisition of a subsidiary (Note 29)	**(1,852)**
Credited to the income statement	**31**
At 31 December 2014	**(1,821)**

As at 31 December 2014, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside of the PRC, for which no deferred income tax liability had been provided, were approximately RMB85,588,000 (2013: RMB24,955,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to a foreign investor in the foreseeable future based on management's estimation of overseas funding requirements.

25 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year (Note 20).

	Year ended 31 December	
	2014	2013
Profit attributable to owners of the Company (in RMB'000)	**97,053**	77,755
Weighted average number of ordinary shares in issue (in thousands)	**871,233**	750,000
Basic earnings per share (RMB cents per share)	**11.14**	10.37

(b) Diluted

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

26 DIVIDENDS

The Company declared and paid a final dividend of RMB60,000,000 for the year ended 31 December 2013 to the shareholders in June 2014.

The directors recommend the payment of a final dividend of RMB3.1 cents per share for the year ended 31 December 2014, totaling RMB31,000,000. Such dividend is to be approved by the shareholders at the forthcoming annual general meeting of the Company. The dividends was not recognised as a liability as at 31 December 2014.

27 CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax to net cash generated from operations:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Profit before income tax	**112,140**	94,146
Adjustments for:		
— Provision for bad debts (Note 16)	**507**	46
— Provision for inventory obsolescence (Note 17)	**(335)**	88
— Amortisation of other non-current assets	**190**	17
— Amortisation of deferred income tax liabilities (Note 24)	**31**	–
— Depreciation of property, plant and equipment (Note 12)	**9,491**	8,335
— Finance costs (Note 9)	**4,061**	–
— Fair value adjustment of available-for-sale financial assets (Note 14)	**1,121**	–
— Loss on disposals of property, plant and equipment (Note 6)	**305**	–
— Decrease/(increase) in inventories	**221,464**	(103,081)
— Increase in trade and other receivables	**(234,372)**	(16,374)
– (Decrease)/increase in trade and other payables	**(175,793)**	62,008
Cash generated from operations	**(61,190)**	45,185

(b) In the consolidated cash flow statement, acquisition of subsidiaries — net of cash acquired comprise:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Cash consideration paid (Note 29)	**10,195**	–
Cash and cash equivalents in the subsidiary acquired (Note 29)	**(5,011)**	–
	5,184	–

28 RELATED PARTY TRANSACTIONS

Group

The ultimate holding company of the Group is Cerulean coast limited, which owns 66.75% of the Company's shares. The remaining 33.25% of the shares are widely held. The ultimate controlling party of the Group is Mr. Lo Chi Sum.

(a) During the years ended 31 December 2013 and 31 December 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, 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.

(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	
	2014	2013
	RMB'000	RMB'000
Salaries and other allowance	**5,708**	8,943
Pension costs — defined contribution plans	**229**	293
	5,937	9,236

(c) Guarantee provided by a shareholder (Note 22)

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Mr. Leung Wing Fai	**–**	41,019
	–	41,019

28 RELATED PARTY TRANSACTIONS *(Continued)*

Group *(Continued)*

(d) Amount due from shareholders/directors

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Mr. Leung Wing Fai	–	856
Mr. Zhou Jue	–	325
Mr. Lo Chi Sum	–	274
Mr. Sun Qingjun	–	1,935
	–	3,390

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

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Mr. Leung Wing Fai	–	856
Mr. Zhou Jue	–	325
Mr. Lo Chi Sum	–	274
Mr. Sun Qingjun	–	1,935
	–	3,390

(e) Amount due to shareholders/directors

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
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.

Company

Amounts due from subsidiaries are non-trade receivable and will be settled upon demand of the Company. Amounts due to subsidiaries are interest free, non-trade payables and will be settled upon demand of these subsidiaries.

29 BUSINESS COMBINATIONS

On 30 November 2014, the Group acquired the remaining 84% equity interest of AVIT at a cash consideration of RMB10,195,000 and RMB5,780,000, equivalent to the fair value of the 5,705,509 ordinary shares based on the published average share price five days before the equity transfer day.

Valuation information about the fair value measurement using significant unobservable inputs (Level 3) adopted by the valuation of the intangible assets (other than goodwill) were as follows:

Approach	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable Inputs to fair value
Income approach	Gross margin	72.8%	The higher the gross margin, the higher the fair value
	Growth rate	12.6%	The higher the growth rate, the higher the fair value
	Discount rate	14.6%	The higher the discount rate, the lower the fair value

As a result of the acquisition, the Group is expected to engage in the research and development of TV broadcasting and multi-media production as well as audio/video processing technologies and products. It also expects to enhance research, development and technological support of the Group. The goodwill of RMB12,100,000 arising from the acquisition is attributable to the economies of scale expected from expanding and upgrading of the business scope of the Group's Business. None of the goodwill recognised is expected to be deductible for income tax purposes.

Acquisition-related costs have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2014.

The revenue included in the consolidated income statement since December 2014 contributed by AVIT was RMB1,463,000. AVIT also contributed net profit of RMB374,000 over the same period. Had AVIT been consolidated from 1 January 2014, the consolidated income statement would show pro-forma revenue of RMB12,232,000 and net profit of RMB2,018,000 for the year ended 31 December 2014.

29 BUSINESS COMBINATIONS *(Continued)*

The following table summarises the consideration for acquisition of AVIT, the fair value of assets acquired, liabilities assumed at the acquisition date.

Consideration:	RMB'000
As at 30 November 2014	
— Cash	**10,195**
— Equity instruments (5,705,509 ordinary shares)	**5,780**
Total consideration transferred	**15,975**
— Fair value of equity interest in AVIT held before the business combination (Note 14)	**3,068**
Total Consideration	**19,043**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	**5,011**
Property, plant and equipment (Note 12)	**1,102**
Intangible assets — Technical knowhow (Note 13)	**1,191**
Intangible assets — computer software (Note 13)	**2,798**
Intangible assets — customer relationship (Note 13)	**4,609**
Inventories	**4,706**
Trade and other receivables	**1,791**
Trade and other payables	**(11,391)**
Tax payable	**(114)**
Salary payable	**(908)**
Deferred tax liabilities (Note 24)	**(1,852)**
Total identifiable net assets	**6,943**
Goodwill (Note 13)	**12,100**
Total	**19,043**

30 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

Group

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Technical knowhow and relevant development services	**10,000**	–

The Group entered into a technology transfer agreement with an independent third party for the acquisition of a technology of interactive video application platforms. The total consideration of the platforms is RMB15,000,000 out of which RMB5,000,000 has been paid by the Group.

(b) 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 4 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 (Note 7).

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Group

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
No later than 1 year	**1,217**	1,242
Later than 1 year and no later than 2 years	**738**	575
Later than 2 year and no later than 3 years	**554**	814
	2,509	2,631

31 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 financial statements and therefore no provision has been made for the year ended 31 December 2014.