



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

WE HAIL THE VICTORY OF HOSTING
THE 2022 WINTER OLYMPICS!
祝賀申辦冬奧成功！

2015 INTERIM
REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

Dr. Ng Chi Yeung, Simon (吳志揚)
Mr. Hung Muk Ming (洪木明)
Mr. Mak Kwok Wing (麥國榮)

AUTHORISED REPRESENTATIVES

Mr. Leung Wing Fai
Ms. Ngai Kit Fong

AUDIT COMMITTEE

Mr. Hung Muk Ming (Chairman)
Dr. Ng Chi Yeung, Simon
Mr. Mak Kwok Wing

REMUNERATION COMMITTEE

Dr. Ng Chi Yeung, Simon (Chairman)
Mr. Hung Muk Ming
Mr. Mak Kwok Wing
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

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Cayman Islands

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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AUDITORS

PricewaterhouseCoopers

COMPLIANCE ADVISER

CCB International Capital Limited

CORPORATE INFORMATION

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

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Cricket Square
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Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
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STOCK CODE

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CHAIRMAN'S STATEMENT

Dear Shareholders

The Board of Directors (the "Board") of Century Sage Scientific Holdings Limited (the "Company") is pleased to present this interim report for the six months ended 30 June 2015 (the "Interim Period") of the Company and its subsidiaries (the "Group").

As we are ready to announce our interim report, Beijing has succeeded in the bid for hosting the Winter Olympics and a festive atmosphere has spread throughout China. On this occasion, I will extend my warmest congratulation on Beijing's successful bid!

Beijing's successful bid for hosting the Winter Olympics has brought Chinese people not only the honor and sense of mission, but also economic benefit, which cannot be ignored. It is definite that sports industry will benefit first. It is mentioned in the Report of Beijing's Bid for the 2022 Winter Olympics and Paralympics that the population for skiing activities in European and American developed countries accounts for 30% of their respective total population. But in China, even in Beijing which has the best market for skiing, the percentage is still less than 5%. It is predicted in the said report that Beijing's successful bid for the Winter Olympics will motivate 300 million people to participate in winter sports throughout the year, generating a related revenue of over RMB300 billion for Beijing! Beijing has prepared for the bid for the Winter Olympics for years. Since 2014, China has been promoting winter sports events and competitions to arouse the public's passion for winter sports and running rehearsal for organizing and broadcasting winter sports events. The Group was honored to be responsible for the technical broadcasting and partial organization of the events. In addition to winter sports, we have also been involved in numerous international sports events, such as 2008 Beijing Olympics, 2010 Asian Games, 2013 National Games of the PRC and Road Cycling World Championship by UCI of recent years, gaining abundant experience in broadcasting, organizing and management of high-end events. As mentioned in Opinions on Accelerating the Development of the Sports Industry to Promote Sport Consumption issued by the State Council on 20 October 2014, "the entire scale of sports industry will be over RMB5 trillion by 2025, which will be a significant driving force for the social and economic sustainable development". We believe that the business of sports events broadcast will be our determined strategic direction. We are well prepared!

CHAIRMAN'S STATEMENT

Likewise, during the Interim Period, we have achieved impressive performance in sales of our self-developed products. Related products of Shanghai Research and Development team and visualization softwares, which were acquired in 2014, have been integrated into our sales channels and generated synergy to certain extent. Meanwhile, we have seen a positive trend that among the potential sales orders of our self-developed products, nearly half are from non-media and non-broadcasting and television industries (such as public security, armed forces, fire-fighting services, etc.) and this can be a positive sign of our business expansion into different vertical markets. In addition to vertical market expansion, regional expansion has also achieved positive performance. We have been vigorously promoting overseas businesses. During the Interim Period, we signed several contracts of up to nearly HK\$10 million in aggregate in Morocco and Oman, showing a positive momentum and beginning in overseas sales. In the past six months, our self-developed products simultaneously penetrated different vertical markets and regional markets. Such an excellent performance excited us and more surprises await us in the future.

The traditional business of application solutions maintained a stable growth in the past six months. Meanwhile, on 23 June 2015, we announced that we secured a major project of value amounting to approximately HK\$100 million in Zimbabwe, South Africa. The project is already underway. Our reputation and excellent skill capability in the past can be a solid assurance of the project. In addition, the project is on the standpoint of "enabling the cultural industry to go global" against the backdrop of the national policy of "One belt, one road", which will definitely strengthen our market position in all-media industry.

In addition, our acquisition of the business of Beijing Interactive Media Co., Ltd.* (北京北廣互動傳媒科技有限公司) ("Beijing Interactive") enabled us to tap into the field of content providers and content value-added services! Emphasizing on the concept of "Internet+television", Beijing Interactive will establish and operate three platforms, namely "content", "e-commerce" and "off-line activities" to achieve the role transition from traditional viewers to membership consumption. Integrating the development of numerous vertical markets such as automobiles, tourism and children via the business model of TV2o2o (Television to Online to Offline) not only enable us to vertically expand more value provision of media industry chain, but expand our previous pure B2B model to B2C model as well.

* For identification purposes only

CHAIRMAN'S STATEMENT

2015 is the first year of the Group's strategic layout plan — “vigorously launching the endogenous growth and external expansion strategy based on the stable business conditions and continuously focusing on the development of new business segments”. Application solutions as the traditional business segment created a stable revenue and customer resources to the Company. The Company made huge investment in two areas of business namely the sports event broadcast services and self-developed products as its organic growth. The business of Beijing Interactive is a significant move for external expansion by the Group. The three platforms of “contents”, “e-commerce” and “off-line activities” of Beijing Interactive realized the role transition from traditional viewers to membership consumption, creating unlimited potential of profitability.

Lastly, I expressed gratitude to all shareholders for their care and support. We will continue to work hard to reap what we sow. We hope our shareholders may receive larger return with us.

Lo Chi Sum

Chairman

24 August 2015

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2015, the Group implemented the strategic layout plan of “launching the endogenous growth and external expansion strategy in full speed based on the stable business conditions and continuously focusing on the new business segments”. During the Interim Period, the business of the Group showed a steady growth and the gross profit margin increased as compared to the previous figures for the six months ended 30 June 2014 (the “Corresponding Period”) (2015: 30.7%, 2014: 29.8%). Among our business segments, as compared to previous Corresponding Period, “Product development and sales” and “Sports event broadcast services” had a faster growth of 13.2% and 7.2% respectively. Taken into account of the seasonal factors, the above two business segments are expected to have an even higher growth rate as more events will be held in the second half of the year.

In 2015, the PRC economy has shifted to a state of “new normal” where the structural adjustment of the industries continued and economic downside risk increased. Nevertheless, thanks to the favorable policies of the PRC government, in particular the support to all-media and sports industries, the market demand continued to sustain during the Interim Period.

For instance, on 5 March 2015, Premier Li Keqiang proclaimed to “deepen the structural reform on culture and enhance the integration and development of the traditional and new media” and “promote cross-border cultural and educational exchange and strengthen the establishment of the international broadcasting capability” as stated in the Report on the Work of the Government presented during the National People’s Congress, which acted as a driver for growth of all-media industry. During the Interim Period, the Group implemented and delivered the application solutions for the China Central Television, Hunan Television, Hubei Television, Beijing Television and other television stations from various provinces and cities. During the Interim Period, the Group also carried out several bigger projects for some internet media and OTT content providers, highlighting the business opportunities arising from the integration with new media. The maintenance services, as the aftermarket of application solutions, also maintained a stable revenue during the Interim Period.

MANAGEMENT DISCUSSION AND ANALYSIS

In sport events, the Group actively planned to expand the diversity of sport events and explore the new opportunities in the chain of sport industry such as event management. During the Interim Period, the two most eye-catching events were both related to winter sports. In early March 2015, the Group participated in the “2015 Snowboarding Youth Championship” held in Heilongjiang. The Group participated another winter sports event after the “World Snowboarding Championship Beijing Section”, also named as “2014 Air & Style Skiing” organised by Beijing Municipal Bureau of Sports in December last year. The “2015 Snowboarding Youth Championship” was held in the Heilongjiang Yabuli Ski Resort, as the first time China organised a Grade A competition of International Ski Federation. This grade of the competition was higher than that of the Grade B competition such as Winter Universiade and the Snowboarding World Championship with more than 500 athletes, coaches from nearly 30 countries and regions participated in the event. This event had five big and ten small competitions, including the men and women half-piped venue, parallel giant slalom, parallel slalom, slope obstacle and snowboarding chase. The Group participated in the production and relay services for the above event. 2015 World Figure Skating Championships was the Group’s key sports project during the Interim Period. It was held from 25 March to 29 March 2015 in Shanghai, China. The World Figure Skating Championship was organized by the International Skating Union (ISU) and this is one of its four world-class skating competitions, including skating competitions at the Winter Olympic, European Figure Skating Championships and Four Continents Figure Skating Championships. Entrusted by the broadcasting organisation and organising committee, EverTop Technology (Int’l) Limited of the Group became the service provider of the host broadcaster, providing services in events operation, signal production of the programs, serving the rights-holding broadcasters and completing the coverage of this event through television media for the broadcasting organization and organizing committee. Furthermore, the Group provided services such as the provision of public signals, assorted productions, publicity videos and sponsors advertisements for the rights-holding broadcasters, organizing committee and sport associations. The Group’s clients of public signal provision services included CCTV and certain foreign medias such as NBC, FUJITV and CBC. Meanwhile, in this regard, the Group provided the new media platform for mobile terminal, opening up a new horizon for “users’ viewing, interaction experience and consumer enjoyment of the sport events. The Group will continue to expand and consolidate the sports business by building up and integrating media and sports resources.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Interim Period, the sales of self-developed products of the Group performed well. Related products of Shanghai research and development team and visualisation softwares, which were acquired by the Group in 2014, have been integrated into the Group's sales channel and generated certain extent of synergy. The Group's self-developed products cover not only broadcasting industry. For non-broadcasting agencies, such as public security and the military provided great potential. For example, during the Interim Period, the Group has put more efforts in the sales of products to non-broadcasters in Xinjiang and Qinghai. In terms of products, the Group has improved the distribution of 3G/4G products, such as CamCaster, BodyCaster, MotoCaster, NMS network management system, and MVP multiviewer management system. In terms of 3G/4G area, the Group believes that the technology and product portfolio of the Group are already in the leading position in the international market. Meanwhile, the Group will soon launch a series of compressed transmission products based on AVS+, which is the compression standard of the PRC. Prior to the launch of AVS+ standard, such area was monopolised by international standards, such as H.264, and international competitiveness of domestic audio and video industry was subject to strict constraints. Science and Technology Department of State Administration of Press, Publication, Radio, Film and Television and Department of Electronic Information of Ministry of Industry and Information Technology ("MIIT") jointly led the development and formulation of the PRC's own compression standards for high definition and ultra-high definition audio and video. In 2012, AVS+ was publicly issued as the standard for the broadcasting industry. MIIT has actively promoted AVS+ from an industry standard to an international standard. Leveraging on the increasing research and development capacity and the hard works of our team, the Group launched a series of AVS+ products and systems in August 2015. The transmission system for TV broadcasting across the PRC will gradually shift to the PRC standard in an orderly manner, whereby market potential emerges. Lastly, for the expansion of self-developed products into overseas markets, the overseas purchase orders entered into this year include the contracts of approximately HK\$10 million in aggregate including Morocco and Oman, which delivery is expected to complete in the third quarter of 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Further, the Company is pleased that the Group, through a wholly-owned subsidiary of the Company, 北京世紀睿科系統技術有限公司 (“CSS (Beijing)”) and subject to terms and conditions of the relevant sales contracts, will be involved in a project in Zimbabwe, South Africa, in relation to, among others, the sales and installation of broadcasting studios and the sales of transmission vehicles (the “Project”) which the value of the Project amounts to approximately US\$13 million (equivalent to approximately HK\$100 million) in aggregate. It is expected that the Project will be carried out for the year ending 31 December 2015. Please refer to the announcement of the Company dated 23 June 2015 for further details.

FINANCIAL REVIEW

Revenue

Revenue of the Group increased by 2.5% from RMB252.8 million for the Corresponding Period to RMB259.2 million for the Interim Period. Compared with the Corresponding Period, the revenue of the “Product Development and Sales” and that of the “Sports Event Broadcast” have a relatively higher growth rate of 13.2% and 7.2% respectively. Taking into account of the seasonal factors that more projects will be recognized during the second half year, the management expects that the growth rate of these two segments will be even higher in the full-year comparison perspective. The table below sets out the Group’s segmental revenue for the six months ended 30 June 2014 and 2015:

	For the six months ended 30 June			
	2015		2014	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Segment revenue				
Application solutions				
— Production and broadcast	157,754	60.9%	153,662	60.8%
— Transmission	71,772	27.7%	71,641	28.3%
Subtotal	229,526	88.5%	225,303	89.1%
Sports event broadcast services	8,632	3.3%	8,053	3.2%
System maintenance services	11,780	4.5%	11,216	4.4%
Product development and sales	9,311	3.6%	8,225	3.3%
Total	259,249	100.0%	252,797	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS

Application solutions

Revenue generated by the Group's application solutions segment remained the most substantial contributor to its revenue, representing approximately 89.1% and 88.5% respectively of the total revenue of the Group for the six months ended 30 June 2014 and 2015 and increased from approximately RMB225.3 million for the Corresponding Period to approximately RMB229.5 million for the Interim Period.

Our application solutions can be divided by their functions into two major categories: (i) production and broadcast; and (ii) transmission. Revenue from production and broadcast and from transmission respectively increased from RMB153.7 million and RMB71.6 million for the Corresponding Period to RMB157.8 million and RMB71.8 million for the Interim Period, representing a growth rate of 2.7% and 0.2% respectively. Such increase was mainly attributable to the increase in completion of projects as rendered to the Group's customers during the Interim Period.

Sports event broadcast services

Revenue from sports event broadcast services represented approximately 3.2% and 3.3% of the total revenue of the Group for the six months ended 30 June 2014 and 2015, respectively and increased approximately from RMB8.1 million for the Corresponding Period to RMB8.6 million for the Interim Period, representing an increase of 7.2%. Such increase was mainly attributable to the increase in market demand for sports event broadcast and equipment leasing services and the Group's effort in expanding the segment business during the Interim Period.

System maintenance services

Revenue from system maintenance services represented approximately 4.4% and 4.5% of the total revenue of the Group for the six months ended 30 June 2014 and 2015, respectively and increased approximately from RMB11.2 million for the Corresponding Period to RMB11.8 million for the Interim Period, representing an increase of 5%. Such increase was mainly attributable to the increasing demand for the Group's onsite support services during the Interim Period.

Product development and sales

Revenue from product development and sales represented approximately 3.3% and 3.6% of the total revenue of the Group for the six months ended 30 June 2014 and 2015, respectively and increased approximately from RMB8.2 million for the Corresponding Period to RMB9.3 million for the Interim Period, representing an increase of 13.2%. Such increase was mainly attributable to an increase in the number of units of the Group's self-developed products sold during the Interim Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales

For the six months ended 30 June 2014 and 2015, the Group's cost of sales was RMB177.6 million and RMB179.8 million respectively, representing an increase of 1.2%. Such increase was in accordance with the increase of the overall business volume during the Interim Period. The following table sets forth the cost of sales for each business segment for the six months ended 30 June 2014 and 2015:

	For the six months ended 30 June			
	2015		2014	
	RMB'000	% of total	RMB'000	% of total
Segment cost of sales				
Application solutions				
— Production and broadcast	117,740	65.5%	115,002	64.8%
— Transmission	49,389	27.5%	49,122	27.7%
Subtotal	167,129	93.0%	164,124	92.4%
Sports event broadcast services	3,310	1.8%	4,342	2.4%
System maintenance services	5,344	3.0%	5,571	3.1%
Product development and sales	4,005	2.2%	3,534	2.0%
Total	179,788	100.0%	177,571	100.0%

The Group's cost of sales for the application solutions segment increased by 1.2% for the Interim Period, compared to the Corresponding Period, which was primarily due to the increase in revenue of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

For the six months ended 30 June 2014 and 2015, the Group's gross profit was RMB75.2 million and RMB79.5 million respectively. The Group's gross profit margin was 29.8% and 30.7% for the Corresponding Period and the Interim Period, respectively. The following table sets forth the gross profit and gross profit margin of each of the Group's segments during the periods:

	For the six months ended 30 June			
	2015		2014	
	Gross profit	Gross profit	Gross profit	Gross profit
	margin	margin	margin	margin
	%	%	%	%
	RMB'000	RMB'000	RMB'000	RMB'000
Segment gross profit and gross profit margin				
Application solutions				
— Production and broadcast	40,014	25.4%	38,660	25.2%
— Transmission	22,383	31.2%	22,519	31.4%
Subtotal	62,379	27.2%	61,179	27.2%
Sports event broadcast services	5,322	61.7%	3,711	46.1%
System maintenance services	6,436	54.6%	5,645	50.3%
Product development and sales	5,307	57.0%	4,691	57.0%
Total	79,461	30.7%	75,226	29.8%

The Group's gross profit increased by 5.6% during the Interim Period and its gross profit margin improved gently from 29.8% to 30.7%. The improvement of the Group's gross profit margin was mainly attributable to an improvement in the gross profit margin for the sports event broadcast services segment from 46.1% to 61.7% as well as the system maintenance services from 50.3% to 54.6%.

Selling expenses

Selling expenses for the six months ended 30 June 2014 and 2015 were RMB11.0 million and RMB11.6 million respectively, representing an increase of 5.0%. Such increase was mainly attributable to the increase in the employee benefit and the travelling expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

Administrative expenses for the six months ended 30 June 2014 and 2015 were RMB41.6 million and RMB45.8 million respectively, representing an increase of 10.1%. Such increase was mainly attributable to (i) the research and development expenses of RMB9.1 million recognized in the income statements due to the acquisition of the subsidiary of Shanghai Accurate Video Info-Tech Co., Ltd 上海精視信息技術有限責任公司 (“AVIT”) in 2014 and the set up of the research and development center; and (ii) the increase in employee benefit expense.

Finance costs

For the six months ended 30 June 2014 and 2015, finance costs of the Group were RMB5.4 million and RMB2.8 million respectively, representing a decrease of 48.3%. Such decrease was mainly attributable to the decrease in foreign exchange loss which was led by the appreciation of the Renminbi during the Interim Period.

Income tax expense

Income tax expense amounted to RMB4.7 million and RMB3.4 million respectively for the six months ended 30 June 2014 and 2015, representing a decrease of 27.3%. The effective tax rate decreased to approximately 17.1% for the six months ended 30 June 2015 from approximately 27.1% for the Corresponding Period, primarily due to the one-off listing expenses recognized in income statements for the Corresponding Period which were not tax deductible.

Profit for the period

As a result of the aforementioned factors, profit attributable to owners of the Company increased from RMB12.7million to RMB16.7 million for the six months ended 30 June 2014 and 2015, representing an increase of 31.0%.

Liquidity, financial resources and capital structure

Net cash used in the Group's operating activities amounted to RMB25.0 million and RMB83.0 million for the Corresponding Period and for the Interim Period respectively. The net cash outflow of the Group's operating activities in the Interim Period mainly arose from: (i) the one-off payment of the income tax expense of prior years, amounting to RMB39 million; (ii) deferral in collection of trade receivables; (iii) the increase of the research and development expenses due to the acquisition of AVIT as well as the set up of the research and development center which lead to the research and development expenses increased by 314% compared with Corresponding Period; and (iv) the decrease in inventories resulted from the improvement of the project management and inventory planning work for the Interim Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Net cash used in the Group's investing activities amounted to RMB1.4 million and RMB24.6 million for the six months ended 30 June 2014 and 2015 respectively. The net cash outflow for the Interim Period mainly arose from the purchase of equipment and intangible assets, as well as the prepayment for the agreement of the possible acquisition as announced by the Company on 14 April 2015.

Net cash generated from the Group's financing activities amounted to RMB5.5 million and RMB25.5 million for the six months ended 30 June 2014 and 2015. The net cash generated from financing activities for the Interim Period was mainly attributable to the increase of the proceeds from bank loans.

Charge on assets

As at 31 December 2014 and 30 June 2015, bank borrowings of RMB61,500,000 and RMB60,000,000 were secured by the buildings of the Group, cost of which amounting to RMB51,722,000 and RMB52,202,789; trade receivables of RMB21,277,000 and RMB18,450,000, respectively.

Gearing position

The gearing ratio, represented total borrowings divided by total equity multiplied by 100%, was 23.3% and 33.5% respectively as of 31 December 2014 and 30 June 2015. The total borrowings of the Group increased from RMB89.9 million as at 31 December 2014 to RMB124.5 million as at 30 June 2015. Such increase was mainly attributable to the new borrowings of RMB34.6 million working capital loan. The total borrowings as at 30 June 2015 mainly comprised RMB96.6 million working capital loans, and RMB27.9 million loans from project financing.

Foreign exchange risk

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

MANAGEMENT DISCUSSION AND ANALYSIS

Management has set up a policy to require the Group's companies to manage their foreign exchange risk against their functional currency. The Group's companies are required to control the exposure of the foreign currency during the business operation. The foreign currency exposure is mainly due to the purchase of the equipment from all over the world and the management control the payment schedule to reduce the foreign exchange risk. Save for certain bank balances and accounts payables in 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 Interim Period, the Group did not commit to any financial instruments to hedge its exposure to foreign exchange risk. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

Other than bank balances with variable interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group has not hedged its cash flow interest rate risks.

Significant investments, mergers and acquisitions

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, Gaojun (Beijing) Technology Company Limited* 高駿(北京)科技有限公司 ("Gaojun (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 of the Company (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.

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

As disclosed in the announcements of the Company dated 14 April 2015 and 29 June 2015 respectively, the Company entered into a framework agreement and a supplementary agreement on this framework agreement respectively in respect of the acquisition. Please refer to the relevant announcements for the further details. Except for the acquisition mentioned above, the Group had no significant investments, mergers and acquisitions during the Interim Period.

Contingent liabilities

In March 2014, one of the subsidiaries of the Group was involved in a contractual dispute with a supplier of television broadcasting systems (the "Claimant"). The Claimant supplied certain television broadcasting systems to this subsidiary, which provided the application solution services for the systems to a client in Hunan (the "Client"), the end-user of the systems. The contractual claim amounting to RMB6.77 million was brought by the Claimant against this subsidiary and the Client in relation to the outstanding amount payable for the sale of the systems. In light of the quality problems in the systems supplied by the Claimant, and the Client is the end user of the system and bears the ultimate obligation to settle payments, the Directors consider that the ultimate outcome of such contractual dispute will not have a material adverse effect on the interim financial information of the Group and therefore, no provision has been made for the Interim Period.

As at 30 June 2015, 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.

Dividends

The final dividend for year 2014 of HKD39 million (equivalent to RMB31 million) was declared and approved at the annual general meeting of the Company on 15 June 2015, and the payment was made on 13 July 2015.

The Directors do not recommend the distribution of interim dividend for the Interim Period (2014: Nil).

Employees and remuneration policies

As at 30 June 2015, the Group had a total of 346 employees (as at 31 December 2014: 311 employees).

MANAGEMENT DISCUSSION AND ANALYSIS

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

FUTURE OUTLOOK

During the first half of 2015, integrating with the future strategic development plan, the Group proactively pushed forward the development of various businesses. Looking ahead into the next half year, the Group will maintain to pursue the policy of “vigorously launching the endogenous growth and external expansion strategy based on the stable business conditions and continuously focusing on the new business segments”.

The application solutions, which is the Group’s traditional business segment, delivered steady income and customer resources for the Group. Leveraging the ongoing HDTV and Content Creation Upgrade and the PRC policies of encouraging the integration of traditional and new media together with the One Belt One Road strategy which renders strong support to the promising commencement of the Group’s African projects, the traditional business of the Group foresees tremendous opportunities ahead.

Regarding the endogenous development, the Group will continue to put in more efforts in both the sports event broadcast services and its products development and sales business. High profile international events as well as mass participation sporting events are in the landscape. The Group has prepared itself with resources to offer more services along the longer value-chain of the sports industry such as content value added services and event management and sponsorship, so as to make further contributions to the sport broadcast profession and predate the huge sports market in the PRC of aggregate value of RMB5 trillion. Regarding the products development and sales business, the Group aims to explore the non-media radio and TV and overseas markets with our own developed core video technology and products, accomplish the goal of the Group’s marketing strategy and establish a more diversified and dimensional sales coverage.

MANAGEMENT DISCUSSION AND ANALYSIS

Lastly, leveraging the business of Beijing Interactive is the strategic focus for external expansion. The three platforms of “contents”, “e-commerce” and “off-line activities” of Beijing Interactive realised the role transition from traditional viewers to membership consumptions, creating potential of profit realization. The integration of media and internet results in a vast ‘blue ocean’ to be explored. The Group expects to sail on it, capturing opportunities through all-media integration and mutual growth in a brighter future. Please refer to the section headed “Material Acquisition and Disposal” below for further details in relation to this acquisition.

CAPITAL STRUCTURE

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group’s overall strategy remains unchanged from prior years. The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Group, comprising issued capital and reserves.

MATERIAL ACQUISITION AND DISPOSAL

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, Gaojun (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.

MANAGEMENT DISCUSSION AND ANALYSIS

On 14 April 2015, the Company, Mr. Huangfu Bing-Jun (the “Vendor”) and Mr. Ai He (the “Guarantor”) entered into a framework agreement (the “Framework Agreement”) 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 target company (the “Target Company”) 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. The Target Company is a company incorporated in the British Virgin Islands with limited liability, tentatively a company named Vision World Investment (視界投資有限公司) and the shares of which will be acquired or subscribed by the Vendor, the Guarantor and other shareholders. The Target Company will, through a company to be established in the PRC and be indirectly wholly-owned by the Target Company, enter into certain structural contracts with Beijing Interactive and its subsidiaries (the “Onshore Target Group”) through which to enable the Target Company to effectively hold and control 100% interests (including economic interest) in the Onshore Target Group. The Onshore Target Group will comprise operators who principally engage in interactive value-added services and TV2o2o (Television to Online to Offline) services in the broadcast and television industry, as well as in the mobile internet industry.

On 29 June 2015, the Company, the Vendor and the Guarantor entered into a supplemental agreement to the Framework Agreement, pursuant to which the parties agreed to amend certain terms of the Framework Agreement, which include, among others, (i) extend the long stop date of the Framework Agreement; (ii) clarify the definition of profit guarantee by the Vendor; (iii) revise the shareholding structure of the Target Group; and (iv) revise the amount of the retention consideration. The Company is currently conducting due diligence on the Target Group and a formal sale and purchase agreement will be entered into in respect of this acquisition. The Directors consider that such acquisition could enable the Group to extend its business in the all-media industry from technology services to a rich assortment of services of the value-chain in the all-media industry by leveraging the platform of the Onshore Target Group, such as interactive value-added services and TV2o2o services across many market sectors, and in turn delivering more value-added services to its customers. Please refer to the announcements of the Company dated 14 April 2015, 11 May 2015 and 29 June 2015 for further details.

Save as disclosed above, during the Interim Period, there was no material acquisition or disposals of subsidiaries or associates of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, the Group had a total assets of approximately RMB735.5 million (2014: approximately RMB733.7 million) which was financed by current liabilities of approximately RMB363.4 million (2014: approximately RMB346.2 million) and shareholders' equity of approximately RMB370.5 million (2014: approximately RMB385.6 million).

As at 30 June 2015, the Group's current ratio was 1.73 (2014: 1.86) and the gearing ratio was 33.5% (2014: 23.3%).

The cash and cash equivalents of the Group as at 30 June 2015 were mainly denominated in HKD, USD, Euro and RMB.

SUBSEQUENT EVENTS AFTER THE INTERIM PERIOD

On 2 July 2015, the Company granted an option in respect of 200,000 ordinary shares of HK\$0.01 each in the share capital of the Company to an eligible employee (the "Grantee"), pursuant to the share option scheme adopted by the Company on 13 June 2014 (the "Share Option Scheme"), subject to acceptance by the Grantee (the "July Grant").

On 14 August 2015, the Company (as one of the purchasers), Beijing Yutai Investment Company Limited* (北京裕泰投資有限公司) ("Beijing Yutai") (as one of the purchasers), Beijing Gefei Technology Development Company Limited* (北京格非科技發展有限公司) (the "Target") and the vendors of the Target entered into the an equity transfer agreement, pursuant to which such vendors agreed to sell 51% of the equity interest in the Target, and the Company and Beijing Yutai agreed to acquire 49% and 2% equity interest of the Target, respectively. Please refer to the announcement of the Company dated 14 August 2015 for further information.

Save as the above, the Group does not have any material subsequent event after the Interim Period.

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM GLOBAL OFFERING

During the period from the date of listing (i.e. 7 July 2014) (the "Listing Date"), to 30 June 2015, the net proceeds from the listing had been applied as follows:

Intended use of proceeds as disclosed in the prospectus of the Company dated 24 June 2014 (the "Prospectus")	Actual use of proceeds from the Listing Date to 30 June 2015 RMB'000
Enhancement of our sports event broadcast services capabilities	38,956
Enhancement of our application solutions capabilities	22,999
Acquisition of or investment in companies with proprietary know-how or inventions so as to create synergies with our current capabilities, including in the areas of IP video, cloud infrastructure and streaming technologies	28,981
Working capital and general corporate purposes	17,048
Enhancement of our products development and sales capabilities	10,959
Enhancement of our system maintenance services capabilities	9,914
Finance project and bid related bonds to support increased business volume	11,592
Total utilised net proceeds from the listing:	170,476
Unutilised balance of the net proceeds from the listing:	30,027

The Group intends to apply such proceeds in a manner consistent with the intended use of proceeds as disclosed in the Prospectus. Details of the intended use of proceeds were set out in the Prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS

The Directors will constantly evaluate the Group's business objectives and may change or modify plans against the changing market condition to attain sustainable business growth of the Group. Announcement will be made regarding any adjustment of the use of the proceeds if and when appropriate.

SHARE AWARD PLAN AND SHARE OPTION SCHEME

SHARE AWARD PLAN

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 (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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

(a) Summary of terms

(i) Purpose and participants

The purpose of the Share Award Plan is to recognise and reward the contribution of certain selected participants to the growth and development of the Group, to give incentives thereto in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group through an award of the shares of the Company (the "Shares"). The Board shall, subject to and in accordance with the rules of the Share Award Plan, be entitled to make an award of Shares to any person belonging to any of the following classes of participants:

- (aa) any employee (whether full-time or part-time, including any executive director of the Company, any of the subsidiaries or any entity (the "Share Award Plan Invested Entity") in which any member of us holds an equity interest (the "Share Award Plan Eligible Employee");
- (bb) any non-executive directors (including independent non-executive directors) of the Company, any of the subsidiaries or any Share Award Plan Invested Entity;
- (cc) any supplier of goods or services to any member of us or any Share Award Plan Invested Entity;
- (dd) any customer of any member of us or any Share Award Plan Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of us or any Share Award Plan Invested Entity;

SHARE AWARD PLAN AND SHARE OPTION SCHEME

- (ff) any shareholder of any member of us or any Invested Entity or any holder of any securities issued by any member of us or any Share Award Plan Invested Entity;
- (gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of us or any Share Award Plan Invested Entity; and
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to our development and growth;

and, for the purposes of the Share Award Plan, the award may be made to any company wholly-owned by one or more of the above participants.

The eligibility of any of the above classes of participants to an award shall be determined by the Board from time to time on the basis of the Board's opinion as to his contribution and/or future contribution to the development and growth of the Group.

(ii) **Award of Shares and pool of awarded Shares**

The Board shall notify Teeroy Limited, (the "Share Award Plan Trustee") in writing upon the making of an award to an eligible participant (the "Selected Participant") under the Share Award Plan. Upon the receipt of such notice, the Share Award Plan Trustee shall set aside the appropriate number of awarded Shares pending the transfer and vesting of the same to the Selected Participant out of a pool of Shares comprising the following:

- (aa) such Shares as may be (1) transferred to the Share Award Plan Trustee from any person (other than the Group) by way of gift, or (2) purchased by the Share Award Plan Trustee by utilising the funds received by the Share Award Plan Trustee from any person (other than the Group) by way of gift, but subject to the limitations set out in paragraph (iv) below;
- (bb) such Shares as may be purchased by the Share Award Plan Trustee on the Stock Exchange by utilising the funds allocated by the Board out of our resources (the "Group Contribution"), but subject to the limitations set out in paragraph (iv) below;

SHARE AWARD PLAN AND SHARE OPTION SCHEME

- (cc) such Shares as may be subscribed for at par value by the Share Award Plan Trustee by utilising Group Contribution, but subject to the limitations set out in (iv) below; and
- (dd) such Shares which remain unvested and revert to the Share Award Plan Trustee in accordance with the rules of the Share Award Plan.

The making of an award to any connected person must be approved by majority of the independent non-executive Directors at the relevant time. The Company will comply with the applicable provisions of Chapter 14A of the Listing Rules or otherwise in compliance with the requirements of the Listing Rules when making awards to connected persons.

After an award is made, the Board shall notify the Selected Participant who may decline to accept such award by notifying us in writing within the prescribed period in accordance with the rules of the Share Award Plan. Unless so declined by the Selected Participant, the award shall be deemed irrevocably accepted by the Selected Participant.

- (iii) **Subscription and purchase of Shares by the Share Award Plan Trustee**
 - (aa) The Share Award Plan Trustee may purchase Shares on the Stock Exchange at the prevailing market price or off the market. In respect of off-market transactions, purchases shall not be made with any connected person, nor shall the purchase price be higher than the lower of the following: (1) the closing market price on the date of such purchase, and (2) the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange.
 - (bb) In the event that the Board considers it appropriate for the Share Award Plan Trustee to subscribe Shares by utilising the Group Contribution, the Share Award Plan Trustee shall, upon the instructions of the Board, apply to the Company for the allotment and issue of the appropriate number of new Shares as instructed by the Board. Such allotment and issue shall only be made upon (i) shareholders' approval in general meeting to authorise the Directors to allot and issue new Shares to the Share Award Plan Trustee, subject to the limitations set out in paragraph (iv) below and (ii) the Listing Committee of the Stock Exchange has granted the listing of and permission to deal in such Shares, which may be allotted and issued by the Company to the Share Award Plan Trustee pursuant to the Share Award Plan.

SHARE AWARD PLAN AND SHARE OPTION SCHEME

(iv) Maximum number of Shares to be subscribed and purchased

In any given financial year of the Company, the maximum number of Shares (the “Max Shares Annual Threshold”) to be subscribed for and/or purchased by the Share Award Plan Trustee by applying the Group Contribution for the purpose of the Share Award Plan shall be fixed by the Board at the beginning of such financial year (after having regard to all the relevant circumstances and affairs including the business and financial performance during the preceding financial year, business plans and cash flow requirements). The Board shall not instruct the Share Award Plan Trustee to subscribe for and/or purchase any Shares for the purpose of the Share Award Plan when such purchase and/or subscription will result in the Max Shares Annual Threshold being exceeded.

(v) Vesting of the awarded Shares

Subject to the rules of the Share Award Plan, the legal and beneficial ownership of the relevant awarded Shares shall vest in the relevant Selected Participant within ten business days after the latest of:

- (aa) the date specified on the notice of the award given by the Board to the Share Award Plan Trustee (which shall not be earlier than the first business day immediately following the expiry of six months after the Listing Date); and
- (bb) where applicable, the date on which the condition(s) or performance target(s) (if any) to be attained by such Selected Participant as specified in the related notice of award have been attained and notified to the Share Award Plan Trustee by the Board in writing.

(vi) Remaining life

Subject to any earlier termination in accordance with its rules, the Share Award Plan will remain in force for a period of 10 years commencing on 24 March 2014. As at the date of the Company’s annual report for the year ended 31 December 2014 (the “2014 Annual Report”) and this report, the Share Award Plan had a remaining life of slightly less than nine years, and about eight and a half years, respectively.

SHARE AWARD PLAN AND SHARE OPTION SCHEME

(b) Movement of the awarded shares

Movement of the awarded shares under the Share Award Scheme during the Interim Period and up to the date of this report are as follows:

Participants	Date of Grant	Number of Awarded Shares			Outstanding as at the date of this report
		Outstanding as at 1 January 2015	Granted during the Interim Period and up to the date of this report	Lapsed/ cancelled during the Interim Period and up to the date of this report	
6 selected participants in aggregate	26 March 2015	–	7,864,868 ^{Note 1}	–	7,864,868
1 selected participant	8 July 2015	–	1,000,000 ^{Note 2}	–	1,000,000
		–	8,864,868	–	8,864,868

Notes:

- (1) 25% of the awarded shares together with any dividends and other distributions declared and made in respect of the awarded shares will be vested on 21 November 2017, 21 November 2018, 21 November 2019 and 21 November 2020 respectively.
- (2) All the awarded shares together with any dividends and other distributions declared and made in respect of the awarded shares will be vested immediately after the grant of the awarded shares subject to receipt by the trustee of the Share Award Plan of (i) transfer documents duly signed by the selected participant; and (ii) confirmation from the Company that all vesting conditions having been fulfilled. Up to the date of this report, the awarded shares have not been vested in the name of the selected participant.

None of the above selected participants are directors of the Company.

SHARE AWARD PLAN AND SHARE OPTION SCHEME

SHARE OPTION SCHEME

The share option scheme (the "Share Option Scheme") was conditionally adopted by resolutions in writing passed by the shareholders of the Company on 13 June 2014.

(a) Summary of terms

(i) Purpose and participants

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. Eligible participants of the Share Option Scheme include the following classes of participants:

- (aa) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of the subsidiaries or any entity (the "Invested Entity") in which any member of the Group holds an equity interest;
- (bb) any non-executive directors (including independent non-executive directors) of the Company, any of the subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of the Group or any Invested Entity;
- (dd) any customer of any member of the Group or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to the Group or any member of any Invested Entity;
- (ff) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group,

SHARE AWARD PLAN AND SHARE OPTION SCHEME

and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants.

The eligibility of any of the above class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of the Directors' opinion as to his contribution to the development and growth of the Group.

(ii) Total number of Shares available for issue

The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group shall not in aggregate exceed 30% of the issued share capital (the "Issued Share Capital") of the Company from time to time. The total number of Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Group) to be granted under the Share Option Scheme and any other share option schemes of the Group as may from time to time be adopted by the Company as permitted under the Listing Rules initially must not, in aggregate, exceed 10% of the Issued Share Capital as at the time dealings in the Shares first commence on the Main Board of the Stock Exchange (and thereafter, if refreshed, shall not exceed 10% of the Issued Share Capital as at the date of approval of the refreshed limit by the shareholders). As at the date of the 2014 Annual Report and this report, the maximum number of Shares that may be granted under the Share Option Scheme was 100 million Shares, representing 10% of the issued shares of the Company. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting with such participant and his associates abstaining from voting.

(iii) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under Share Option Scheme and any other share option schemes of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the Issued Share Capital for the time being (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the shareholders in general meeting of the Company with such grantee and his associates abstaining from voting.

SHARE AWARD PLAN AND SHARE OPTION SCHEME

(iv) Period within which the Shares must be taken up under an option

An option may be exercised in accordance with the terms of Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

(v) Minimum period for which an option must be held before being exercised

Unless otherwise determined by the Directors and stated in the offer of the grant of options to an eligible participant, there is no minimum period required under Share Option Scheme for the holding of an option before it can be exercised.

(vi) Amount payable on acceptance of the option and the period within which payments must be paid

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon receipt by the Company of the payment of a nominal consideration of HK\$1 and signed acceptance of offer by the eligible participant.

(vii) Basis of determining the exercise price

The subscription price per Share under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant; (ii) the average closing price of the Shares for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share.

(viii) Remaining life

Subject to any earlier termination in accordance with its rules, the Share Option Scheme shall remain in force for a period of 10 years commencing on 13 June 2014. As at the date of the 2014 Annual Report and this report, the Share Option Scheme had a remaining life of slightly more than nine years, and slightly less than nine years, respectively.

SHARE AWARD PLAN AND SHARE OPTION SCHEME

(b) Movement of the share options

Movement of the share options under the Share Option Scheme during the Interim Period and up to the date of this report are as follows:

Grantee	Date of grant	Exercise price (HK\$)	Outstanding as at		Number of share options			Outstanding as at the date of this report
			1 January 2015	Granted	Exercised	Cancelled	Lapsed	
Executive Director								
Sun Qingjun	9 April 2015	1.84	-	1,018,000 (Note 1)	-	-	-	1,018,000 (Note 1)
Zhou Jue	9 April 2015	1.84	-	1,018,000 (Note 1)	-	-	-	1,018,000 (Note 1)
Haung He	9 April 2015	1.84	-	1,018,000 (Note 1)	-	-	-	1,018,000 (Note 1)
Geng Liang	9 April 2015	1.84	-	1,018,000 (Note 1)	-	-	-	1,018,000 (Note 1)
Senior Management Member								
Wong Kwok Fai	9 April 2015	1.84	-	1,358,000 (Note 1)	-	-	-	1,358,000 (Note 1)
So Yun Wah	9 April 2015	1.84	-	678,000 (Note 1)	-	-	-	678,000 (Note 1)
Li Lianmin	9 April 2015	1.84	-	382,000 (Note 1)	-	-	-	382,000 (Note 1)
Others								
42 Employees	9 April 2015	1.84	-	7,726,000 (Note 1)	-	-	-	7,726,000 (Note 1)
1 Employee	2 July 2015	2.396	-	200,000 (Note 2)	-	-	-	200,000 (Note 2)
Total			-	14,416,000	-	-	-	14,416,000

Notes:

- (1) These share options shall expire on the 5th anniversary of the date of the offer letter to the grantee granting to him the options to subscribe for the shares of the Company, or the earlier determination of the Share Option Scheme.

These share options shall be exercisable in two tranches. The respective exercise dates of the options are as follows:

- (i) beginning on the 3rd anniversary of the grant date: 50% of such options granted; and
- (ii) beginning on the 4th anniversary of the grant date: 50% of such options granted.

SHARE AWARD PLAN AND SHARE OPTION SCHEME

- (2) These share options shall expire on 30 June 2020 or the earlier determination of the Share Option Scheme.

The respective exercise dates of the options are as follows:

- (i) beginning on the 3rd anniversary of the offer letter to the grantee granting such options to subscribe for the shares of the Company: 50% of such options granted; and
- (ii) beginning on the 4th anniversary of the grant date: 50% of such options granted.

The closing prices of the Company's shares on 8 April 2015 and 30 June 2015 (the trading days immediately before the dates on which the options were granted) was HK\$2.00 and HK\$2.24 respectively.

OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) (with certain modifications) as its own code of conducts regarding Directors’ securities transaction. In response to a specific enquiry by the Company, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the Interim Period.

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

As at 30 June 2015, 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, 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%

OTHER INFORMATION

Name of Director	Name of Group member/ associated corporation	Capacity/ nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Zhou Jue	The Company	Beneficial owner (Note 4)	1,018,000 Shares (L)	0.1%
Sun Qingjun	The Company	Beneficial owner (Note 4)	1,018,000 Shares (L)	0.1%
Huang He	The Company	Beneficial owner (Note 4)	1,018,000 Shares (L)	0.1%
Geng Liang	The Company	Beneficial owner (Note 4)	1,018,000 Shares (L)	0.1%

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.
4. Each of Mr. Zhou Jue, Mr. Sun Qingjun, Mr. Huang He and Mr. Geng Liang was interested in the 1,018,000 share options granted by the Company pursuant to the Share Option Scheme.

OTHER INFORMATION

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

As at 30 June 2015, 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%
Huangfu Bingjun	Beneficial owner	153,330,000 (L) (Note 5)	15.33%

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. On 14 April 2015, the Company entered into the framework agreement with Mr. Huangfu Bingjun (the "Vendor") and Mr. Ai He (the "Guarantor"), pursuant to which the Vendor has agreed to sell, or to procure to sell, and the Company has agreed to purchase the entire issued share capital of the Target Company (as defined in the Company's announcement dated 14 April 2015) 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, credited as fully paid, to the Vendor, at an issue price of HK\$2.00 each. As at the date of this report, the said consideration Shares have not been issued to the Vendor. For the avoidance of doubt, the consideration Shares represent (i) approximately 15.33% of the share capital of the Company as at the date of this report; and (ii) approximately 13.29% of the share capital of the Company as enlarged by the allotment and issue of the consideration Shares (assuming that there is no other change to the share capital of the Company).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Board has committed to maintaining high corporate governance standards. Throughout the six months ended 30 June 2015, the Company has continued to apply the principles as set out in the Corporate Governance Code, where applicable, as contained in Appendix 14 to the Listing Rules (the "CG Code").

The Board considers that during the six months ended 30 June 2015, 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.

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.

CHANGE OF DIRECTORS

During the six months ended 30 June 2015, Mr. Ma Guoli resigned as an independent non-executive director and a member of each of the audit committee and the remuneration committee of the Board, and Mr. Mak Kwok Wing was appointed as an independent non-executive director and a member of each of the audit committee and the remuneration committee of the Board with effect from 13 May 2015. Please refer to the announcement of the Company dated 13 May 2015 for further details.

OTHER INFORMATION

CHANGES IN DIRECTORS' INFORMATION

Changes in the Directors' information since the date of the Annual Report for the year ended 31 December 2014, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below.

The following Directors have resigned or have been appointed for the below positions in the companies of the Group:

Name of Director	Change	Position	Effective Date
Mr. Zhou Jue	<i>Resignation:</i> Century Sage Scientific International Limited	Director	28 May 2015
	Century Sage Scientific Solutions Limited	Director	28 May 2015
Mr. Sun Qingjun	<i>Resignation:</i> Century Sage Scientific International Limited	Director	28 May 2015
	Century Sage Scientific Solutions Limited	Director	28 May 2015
Mr. Huang He	<i>Resignation:</i> Century Sage Scientific International Limited	Director	28 May 2015
	Century Sage Scientific Solutions Limited	Director	28 May 2015
Mr. Geng Liang	<i>Resignation:</i> Century Sage Scientific Solutions Limited	Director	28 May 2015
	北京永達天恆國際數碼科技 有限公司	Chief Executive Officer	10 December 2014
	<i>Appointment:</i> 高駿(北京)科技有限公司	Chief Executive Officer	10 December 2014

AUDIT COMMITTEE

As at the date of this report, the Audit Committee comprises three members, all of whom are independent non-executive Directors, namely Mr. Hung Muk Ming, Dr. Ng Chi Yeung, Simon and Mr. Mak Kwok Wing. Mr. Hung Muk Ming is the chairman of the Audit Committee. The Audit Committee has written terms of reference in compliance with the Listing Rules and the CG Code.

The Audit Committee has in conjunction with the management reviewed this interim report and the relevant accounting principles and practices adopted by the Group in relation to the interim financial information and discussed internal controls and financial reporting matters of the Group. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

The Group's unaudited interim financial information has been reviewed by PricewaterhouseCoopers, the auditors of the Company, in accordance with International Standard on Review Engagement 2410, "Review of Interim Financial Information Performance by the Independent Auditor of the Entity".

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

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

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 42 to 72, which comprises the interim consolidated balance sheet of Century Sage Scientific Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2015 and the related interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and consolidated interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 24 August 2015

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2015 RMB'000 Unaudited	2014 RMB'000 Unaudited
Revenue	6	259,249	252,797
Cost of sales	6	(179,788)	(177,571)
Gross profit	6	79,461	75,226
Selling expenses		(11,595)	(11,042)
Administrative expenses		(45,776)	(41,558)
Other income		794	207
Operating profit	15	22,884	22,833
Finance income		154	56
Finance costs		(2,940)	(5,449)
Finance costs — net		(2,786)	(5,393)
Profit before income tax		20,098	17,440
Income tax expense	16	(3,430)	(4,721)
Profit for the period		16,668	12,719
Profit attributable to:			
Owners of the Company		16,668	12,719
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Currency translation differences		(1,144)	(935)
Other comprehensive loss for the six-month period then ended, net of tax		(1,144)	(935)
Total comprehensive income for the period		15,524	11,784

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2015 RMB'000 Unaudited	2014 RMB'000 Unaudited
Total comprehensive income attributable to:			
Owners of the Company		15,524	11,784
Earnings per share (expressed in RMB per share)			
— Basic	17	0.02	0.02
— Diluted	17	0.02	0.02

The notes on pages 48 to 72 are an integral part of the interim financial information.

INTERIM CONSOLIDATED BALANCE SHEET

		30 June 2015	31 December 2014
	Note	RMB'000 Unaudited	RMB'000 Audited
Assets			
Non-current assets			
Property, plant and equipment	7	56,934	58,002
Intangible assets	7	19,806	20,736
Deferred income tax assets	8	3,578	3,277
Prepayments	7	25,772	5,000
Other non-current assets		1,462	1,355
		<u>107,552</u>	<u>88,370</u>
Current assets			
Inventories		139,647	170,542
Trade and other receivables	9	433,582	348,362
Pledged bank deposits		15,696	6,668
Cash and cash equivalents		39,058	119,708
		<u>627,983</u>	<u>645,280</u>
Total assets		<u>735,535</u>	<u>733,650</u>
Equity			
Equity attributable to owners of the Company			
Share capital	10	7,933	7,933
Share premium		252,286	252,286
Other reserves	11	(65,478)	(64,732)
Retained earnings		175,766	190,098
Total equity		<u>370,507</u>	<u>385,585</u>

INTERIM CONSOLIDATED BALANCE SHEET

	Note	30 June 2015 RMB'000 Unaudited	31 December 2014 RMB'000 Audited
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	8	<u>1,636</u>	<u>1,821</u>
		<u>1,636</u>	<u>1,821</u>
Current liabilities			
Trade and other payables	14	230,213	209,306
Current income tax liabilities		8,712	47,048
Borrowings	13	<u>124,467</u>	<u>89,890</u>
		<u>363,392</u>	<u>346,244</u>
Total liabilities		<u>365,028</u>	<u>348,065</u>
Total equity and liabilities		<u>735,535</u>	<u>733,650</u>
Net current assets		<u>264,591</u>	<u>299,036</u>
Total assets less current liabilities		<u>372,143</u>	<u>387,406</u>

The notes on pages 48 to 72 are an integral part of the interim financial information.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2014	1	70,674	(68,729)	93,045	94,991
Comprehensive income					
Profit for the period	-	-	-	12,719	12,719
Other comprehensive income					
Currency translation differences	-	-	(935)	-	(935)
Total other comprehensive income, net of tax	-	-	(935)	-	(935)
Total comprehensive income for the period ended 30 June 2014	-	-	(935)	12,719	11,784
Balance as at 30 June 2014	1	70,674	(69,664)	105,764	106,775
Unaudited					
Balance at 1 January 2015	7,933	252,286	(64,732)	190,098	385,585
Comprehensive income					
Profit for the period	-	-	-	16,668	16,668
Other comprehensive income					
Currency translation differences	-	-	(1,144)	-	(1,144)
Total comprehensive income for the period ended 30 June 2015	-	-	(1,144)	16,668	15,524
Transactions with owners					
Dividend	-	-	-	(31,000)	(31,000)
Employees share option scheme — value of employee services	-	-	398	-	398
Total transactions with owners, recognised directly in equity	-	-	398	(31,000)	(30,602)
Balance as at 30 June 2015	7,933	252,286	(65,478)	175,766	370,507

The notes on pages 48 to 72 are an integral part of the interim financial information.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June	
		2015 RMB'000 Unaudited	2014 RMB'000 Unaudited
Cash flows from operating activities			
Cash generated from operations		(38,095)	(14,708)
Interest paid		(2,640)	(1,794)
Income tax paid		(42,242)	(8,454)
Net cash used in operating activities		(82,977)	(24,956)
Cash flows from investing activities			
Purchases of property, plant and equipment		(3,779)	(676)
Prepayment for purchase of intangible assets	7	(5,000)	–
Prepayments for acquisition of a subsidiary	7	(15,772)	–
Cash advances paid to shareholders/directors		–	(1,177)
Proceeds from sale of PPE		–	433
Net cash used in investing activities		(24,551)	(1,420)
Cash flows from financing activities			
Payment of issuance costs		–	(3,067)
Payment of pledged bank deposits		(15,696)	(8,349)
Collection of pledged bank deposits		6,668	9,206
Proceeds from borrowings		112,381	69,933
Repayments of borrowings		(77,804)	(13,255)
Dividends paid to the then shareholders		–	(60,000)
Net cash generated/(used in) financing activities		25,549	(5,532)
Net decrease in cash and cash equivalents			
		(81,979)	(31,908)
Cash and cash equivalents at beginning of period		119,708	53,878
Exchange losses on cash and cash equivalents		1,329	–
Cash and cash equivalents at end of the period		39,058	21,970

The notes on pages 48 to 72 are an integral part of the interim financial information.

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2015

1. GENERAL INFORMATION

Century Sage Scientific Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 18 December 2012 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands.

The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (the “Group”) are principally engaged in the provision of (i) content production, broadcasting and transmission application solutions, (ii) event broadcast services, (iii) system maintenance services and (iv) the development and sales of broadcast and transmission equipment, as well as other related services, for the delivery of various formats of media content in the PRC. The Group has operations mainly in the mainland China.

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

This interim financial information was approved for issue by the board of directors on 24 August 2015.

This interim financial information has not been audited.

2. BASIS OF PREPARATION AND PRESENTATION

This interim financial information for the six months ended 30 June 2015 has been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”), “Interim financial reporting”. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2015

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

Amendments to HKFRSs effective for the financial year ending 31 December 2015 do not have a material impact on the Group.

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

4. ESTIMATES

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

In preparing this interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014.

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2015

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

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

The interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

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

5.2 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.

5.3 Fair value estimation

As at 30 June 2015, the Group had no financial instrument which had been stated at fair value.

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2015

6. SEGMENT INFORMATION

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

The Group has the following reportable segments for the relevant periods:

- Application solutions (including “Production and broadcast” and “Transmission”)
- Event broadcast services
- System maintenance services
- Product 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.

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2015

6. SEGMENT INFORMATION *(Continued)*

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

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Segment revenue		
Application solutions		
— Production and broadcast	157,754	153,662
— Transmission	71,772	71,641
Subtotal	229,526	225,303
Event broadcast services	8,632	8,053
System maintenance services	11,780	11,216
Product development and sales	9,311	8,225
Total	259,249	252,797
Segment cost		
Application solutions		
— Production and broadcast	(117,740)	(115,002)
— Transmission	(49,389)	(49,122)
Subtotal	(167,129)	(164,124)
Event broadcast services	(3,310)	(4,342)
System maintenance services	(5,344)	(5,571)
Product development and sales	(4,005)	(3,534)
Total	(179,788)	(177,571)

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2015

6. SEGMENT INFORMATION *(Continued)*

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Segment gross profit		
Application solutions		
— Production and broadcast	40,014	38,660
— Transmission	22,383	22,519
Subtotal	62,397	61,179
Event broadcast services	5,322	3,711
System maintenance services	6,436	5,645
Product development and sales	5,306	4,691
Total	79,461	75,226
Depreciation		
Application solutions		
— Production and broadcast	2,672	1,870
— Transmission	1,215	871
Subtotal	3,887	2,741
Event broadcast services	146	98
System maintenance services	199	136
Product development and sales	158	100
Total	4,390	3,075

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2015

7. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND PREPAYMENT

	Property, plant and equipment RMB'000	Intangible assets RMB'000	Prepayment RMB'000 (a)
Six months ended 30 June 2015			
Net book value or valuation			
Opening amount as at			
1 January 2015	58,002	20,736	5,000
Additions	3,322	–	20,772
Depreciation	(4,390)	(930)	–
Closing amount as at 30 June 2015	56,934	19,806	25,772
Six months ended 30 June 2014			
Net book value or valuation			
Opening amount 1 January 2014			
	59,890	–	–
Additions	676	–	–
Disposals	(433)	–	–
Depreciation	(3,075)	–	–
Closing amount as at 30 June 2014	57,058	–	–

(a) The increase in prepayment for the period represents the following:

- (i) Prepayment amounting to RMB5,000,000 for purchase of technical knowhow and relevant remarks and development service in relation to interactive video application platform.
- (ii) Prepayment amounting to RMB15,772,000 for acquisition of 100% equity interest in Beijing Interactive Cultural Media Development Co., Ltd (“BJ Media”). The principal activities of BJ Media is interactive value-added services and TV2O2O (Television to Online to Offline) services in the broadcast and television industry, as well as in the mobile internet industry.

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2015

8. DEFERRED INCOME TAX

Deferred tax assets	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Opening balance at 1 January	3,277	2,595
Credited to profit or loss	301	1,662
Closing balance at 30 June	3,578	4,257

Deferred tax liabilities	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Opening balance at 1 January	1,821	–
Credited to profit or loss	(185)	–
Closing balance at 30 June	1,636	–

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2015

9. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2015 RMB'000 Unaudited	31 December 2014 RMB'000 Audited
Trade receivables	355,419	278,674
Less: provision for impairment of trade receivable	(1,171)	(849)
Trade receivables — net	354,248	277,825
Other receivables		
Amount due from customers for contract work (a)	1,546	1,365
Deposit for guarantee certificate over tendering and performance (b)	17,874	13,278
Prepayments	43,809	38,001
Cash advance to staff	5,250	7,818
Others	10,855	10,075
	433,582	348,362

As of 31 December 2014 and 30 June 2015, the fair values of trade and other receivables of the Group approximate their carrying amounts.

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2015

9. TRADE AND OTHER RECEIVABLES *(Continued)*

- (a) Amount due from customers for contract work represented the balance of aggregate cost incurred and recognized profits for the service component of the application solution services which was recognized based on percentage of completion method. The net balance sheet position for ongoing contracts is as the following:

	As at	
	30 June 2015 RMB'000 Unaudited	31 December 2014 RMB'000 Audited
The aggregate costs incurred and recognized profits to date	1,546	1,365
Less: Progress billings	(369)	(178)
Net balance sheet position for ongoing contracts	1,177	1,187

- (b) Deposits for guarantee certificate over tendering and performance are placed at third parties for tendering and performing the contracts. The deposits are interest free and will be returned upon completion of the tendering or contracts.

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2015

9. TRADE AND OTHER RECEIVABLES *(Continued)*

Invoices issued to our customers are payable on issuance and no credit terms are stipulated in our project contracts generally. The majority of the Group's trade receivables will be settled within 3 months based on the historical record. The Group has put in place control measures 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 and 30 June 2015, the ageing analysis of the trade receivables based on revenue recognition date is as follows:

	As at	
	30 June 2015 RMB'000 Unaudited	31 December 2014 RMB'000 Audited
Up to 3 months	208,991	137,438
3 to 6 months	20,246	54,358
6 months to 1 year	40,898	57,328
1 to 2 years	57,275	28,169
2 to 3 years	27,478	1,065
Over 3 years	531	316
	355,419	278,674

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

	As at	
	30 June 2015 RMB'000 Unaudited	30 June 2014 RMB'000 Unaudited
At beginning of the period	(849)	(342)
Provision for impairment	(322)	(271)
At end of the period	(1,171)	(613)

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2015

10. SHARE CAPITAL AND SHARE PREMIUM

	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
Issued and fully paid:					
Unaudited					
Ordinary share of HK\$0.1 each at 31 December 2013	10,000	1	1	70,674	70,675
Sub-division of shares (a)	90,000	-	-	-	-
Balance at 30 June 2014	100,000	1	1	70,674	70,675
Capitalisation issue (b)	749,900,000	7,499	5,949	(5,949)	-
Issuance of ordinary shares (c)	250,000,000	2,500	1,983	212,819	214,802
Share issuance costs (d)	-	-	-	(25,258)	(25,258)
Balance at 31 December 2014 and 30 June 2015	1,000,000,000	10,000	7,933	252,286	260,219

(a) Sub-division of shares

Pursuant to the written resolution of shareholders passed on 13 June 2014, each issued and unissued ordinary share of our Company of HK\$0.10 each was sub-divided into ten shares of HK\$0.01 each and following the sub-division of share capital of our Company, the number of authorised and issued shares of our Company was increased from 3,800,000 to 38,000,000, and 10,000 to 100,000 respectively.

(b) 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 Limited on 7 July 2014.

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2015

10. SHARE CAPITAL AND SHARE PREMIUM (Continued)

(c) 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 HK\$270,000,000 (equivalent to RMB214,802,000).

(d) 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.

11. RESERVES AND RETAINED EARNINGS

	Merger reserve RMB'000	Translation reserve RMB'000	other reserve RMB'000	Capital reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2014	(70,612)	13	-	1,870	93,045	24,316
Profit for the period	-	-	-	-	12,719	12,719
Currency translation difference	-	(935)	-	-	-	(935)
Balance at 30 June 2014	<u>(70,612)</u>	<u>(922)</u>	<u>-</u>	<u>1,870</u>	<u>105,764</u>	<u>36,100</u>
Balance at 1 January 2015	(70,612)	(1,770)	5,780	1,870	190,098	125,366
Profit for the period	-	-	-	-	16,668	16,668
Dividend (Note 18)	-	-	-	-	(31,000)	(31,000)
Currency translation difference	-	(1,144)	-	-	-	(1,144)
Share option reserve (Note 12)	-	-	398	-	-	398
Balance at 30 June 2015	<u>(70,612)</u>	<u>(2,914)</u>	<u>6,178</u>	<u>1,870</u>	<u>175,766</u>	<u>110,288</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2015

12. SHARE BASED PAYMENTS

(i) Share options

On 9 April 2015, the board of directors of the Company approved a share option scheme (the "Scheme") for the issuance of aggregate of shares in issue on 9 April 2015, representing 14,216,000 shares. Total expenses of RMB398,000 were recognized in the consolidated statement of comprehensive income for the period.

The principal terms of the Scheme, approved and by resolution of the board of directors of the Company passed on 9 April 2015. All Options which were granted to shall be exercisable in two tranches. The respective exercise dates of all Options are as follows:

- (a) Tranche I: beginning on the 3rd anniversary of the Grant Date: 50% of such Options granted; and
- (b) Tranche II: beginning on the 4th anniversary of the Grant Date: 50% of such Options granted.

(ii) Outstanding share options

Movements in the number of share options outstanding:

	Number of share options
At 1 January 2015	–
Granted	14,216,000
At 30 June 2015	14,216,000

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2015

12. SHARE BASED PAYMENTS *(Continued)*

(ii) Outstanding share options *(Continued)*

Details of the exercise prices and the respective numbers of share options which remained outstanding as at 30 June 2015 are as follows:

Exercisable period	Exercise price	Number of share options outstanding 30 June 2015 (Unaudited)
Tranche I	HK\$1.84	7,108,000
Tranche II	HK\$1.84	7,108,000
		<hr/>
		14,216,000

(iii) Fair value of share options

The directors of the Company have used the Binomial Model to determine the fair value of the options granted, which is to be expensed over the vesting period. The total fair value of the Tranche I and Tranche II share option is RMB5,983,264. Significant judgement on parameters, such as risk free rate, dividend yield and expected volatility, was agreed by the management of the Group in applying the Binomial Model, which are summarised below.

Risk free rate	0.997%
Dividend yield	3%
Expected volatility	34%

The weighted average fair value of options granted was HK\$0.425 and HK\$0.417 respectively for each Tranche.

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2015

13. BORROWINGS

	As at	
	30 June 2015 RMB'000 Unaudited	31 December 2014 RMB'000 Audited
Current		
Bank borrowings	<u>124,467</u>	<u>89,890</u>

As at 31 December 2014 and 30 June 2015, bank borrowings of RMB61,500,000 and RMB60,000,000 are secured by the buildings of the Group, cost of which amounting to RMB51,722,000 and RMB52,202,789; trade receivables of RMB21,277,000 and RMB18,450,000.

Movements in borrowings are analyzed as follows:

	RMB'000 Unaudited
Six months ended 30 June 2015	
Opening amount as at 1 January 2015	89,890
Proceeds of new borrowings	112,381
Repayments of borrowings	<u>(77,804)</u>
Closing amount as at 30 June 2015	<u>124,467</u>
Six months ended 30 June 2014	
Opening amount as at 1 January 2014	58,168
Proceeds of new borrowings	69,933
Repayments of borrowings	<u>(13,255)</u>
Closing amount as at 30 June 2014	<u>114,846</u>

Interest expense on borrowings for the six months ended 30 June 2015 is RMB2,640,236 (30 June 2014: RMB1,794,384). The weighted average annual effective interest rate is 5.85% (2014: 6.38%).

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2015

13. BORROWINGS (Continued)

The Group has undrawn borrowing facilities of RMB27,070,000 bearing floating rate expiring within one year as at 30 June 2015 (31 December 2014: RMB28,842,000).

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

	As at	
	30 June 2015 RMB'000 Unaudited	31 December 2014 RMB'000 Audited
HKD	43,017	20,890
RMB	81,450	69,000
	<u>124,467</u>	<u>89,890</u>

14. TRADE AND OTHER PAYABLES

	As at	
	30 June 2015 RMB'000 Unaudited	31 December 2014 RMB'000 Audited
Trade payables	60,302	34,602
Amounts due to customers for contract work (Note 9(a))	369	178
Progress payment by customers	83,312	102,310
Employee benefits payable	2,367	7,037
Other taxes payable	46,157	56,608
Dividends payable	31,000	–
Accrual for professional service fee	750	2,193
Others	5,956	6,378
	<u>230,213</u>	<u>209,306</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2015

14. TRADE AND OTHER PAYABLES (Continued)

At 30 June 2015, the aging analysis of the trade payables based on invoice date was as follows:

	As at	
	30 June 2015 RMB'000 Unaudited	31 December 2014 RMB'000 Audited
Up to 3 months	41,348	18,435
3 to 6 months	8,345	4,969
6 months to 1 year	6,814	388
1 to 2 years	898	8,030
2 to 3 years	1,972	1,002
Over 3 years	925	1,778
	<u>60,302</u>	<u>34,602</u>

15. OPERATING PROFIT

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

	Six months ended 30 June	
	2015 RMB'000 Unaudited	2014 RMB'000 Unaudited
Equipment costs	132,880	113,370
Servicing and agency costs	17,067	34,584
Business development	3,663	2,688
Depreciation and amortisation	5,320	3,806
Listing expenses	–	12,223
	<u>158,930</u>	<u>166,671</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2015

16. INCOME TAX EXPENSE

Cayman Islands income tax

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

Hong Kong profits tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for the years ended 31 December 2014 and six months ended 2015 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 period.

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:

Certain subsidiary of the Group were qualified as the High and New Technology Enterprise ("HNTE") and the CIT was provided at a preferential tax rate as 15%.

PRC withholding tax

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2015

16. INCOME TAX EXPENSE (Continued)

PRC withholding tax (Continued)

The income tax expense of the Group for the six months ended 30 June 2015 is analysed as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	Unaudited	Unaudited
Current income tax	3,917	6,383
Deferred income tax	(487)	(1,662)
Income tax expense	<u>3,430</u>	<u>4,721</u>

Income tax expense is recognized based on management's estimate at the weighted average annual income tax rate expected for the full financial year.

17. EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the six months ended 30 June 2014 and 2015 are calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares deemed to be in issue during each respective year:

	Six months ended 30 June	
	2015	2014
	Unaudited	Unaudited
Profit attributable to owners of the Company (in RMB'000)	16,668	12,719
Weighted average number of ordinary shares in issue (i)	<u>1,000,000,000</u>	<u>750,000,000</u>
Basic earnings per share (RMB)	<u>0.02</u>	<u>0.02</u>

- (i) The calculation of basic earnings per share for the six months ended 30 June 2014 was adjusted retrospectively by considering the impact of the result of the sub-division of shares on 13 June 2014 and capitalization issue on 7 July 2014 as disclosed in note 10 (a) and (b).

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2015

17. EARNINGS PER SHARE (Continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary share: share options. The share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 June	
	2015	2014
	Unaudited	Unaudited
Profit attributable to owners of the Company (in RMB'000)	16,668	12,719
Weighted average number of ordinary shares in issue	1,000,000,000	750,000,000
Adjustments for share options	<u>955,900</u>	<u>-</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>1,000,955,900</u>	<u>750,000,000</u>
Diluted earnings per share (RMB)	<u>0.02</u>	<u>0.02</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2015

18. DIVIDENDS

A dividend of RMB31,000,000 that relates to the year ended 31 December 2014 was paid in July 2015.

The board of directors has resolved not to declare an interim dividend in respect of the six months ended 30 June 2015 (for the six months ended 30 June 2014: nil).

19. COMMITMENTS

(a) Capital commitments

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

	As at	
	30 June 2015 RMB'000 Unaudited	31 December 2014 RMB'000 Audited
Technical knowhow and relevant development services (i)	5,000	10,000
Acquisition of subsidiaries (ii)	303,953	–
	<u>308,953</u>	<u>10,000</u>

(i) 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 RMB10,000,000 has been paid by the Group.

(ii) In April 2015, the Group entered into a framework agreement with independent third party to acquire 100% equity interest in Beijing Interactive Cultural Media Development Co., Ltd. Pursuant to the purchase agreement, the consideration is not more than HK\$406,660,000 (equivalent to RMB319,675,000) subject to further agreements with the seller. As at 30 June 2015, prepayment amounting to RMB15,722,000 was paid by the Group (Note 7).

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2015

19. COMMITMENTS *(Continued)*

(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 period is disclosed.

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

	As at	
	30 June 2015 RMB'000 Unaudited	31 December 2014 RMB'000 Audited
No later than 1 year	1,685	1,217
Later than 1 year and no later than 2 years	828	738
Later than 2 years	312	554
	<u>2,825</u>	<u>2,509</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2015

20. RELATED PARTY TRANSACTIONS

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.

During the period ended 30 June 2015, the related parties that had transactions with the Group were as follows:

(a) Key management compensation

Key management includes directors and senior managements. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	Unaudited	Unaudited
Salaries and other allowance	3,127	2,916
Pension costs — defined contribution plans	100	79
	<u>3,227</u>	<u>2,995</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2015

21. 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 six months ended 30 June 2015.

22. SUBSEQUENT EVENTS

On 2 July 2015, the Company granted an option in respect of 200,000 ordinary shares of HK\$0.01 each in the share capital of the Company to an eligible employee, pursuant to the share option scheme adopted by the Company on 13 June 2014, subject to acceptance by the Grantee.

In August 2015, the Group entered into a sale and purchase agreement with independent third parties to acquire 49% equity interest in Beijing Gefei Technology Development Company Limited ("BJ Gefei"). Pursuant to the agreement, the consideration is not more than RMB31,225,000 subject to further agreements with the seller. BJ Gefei is professional video software and equipment research and development company as well as a system supplier in the PRC.