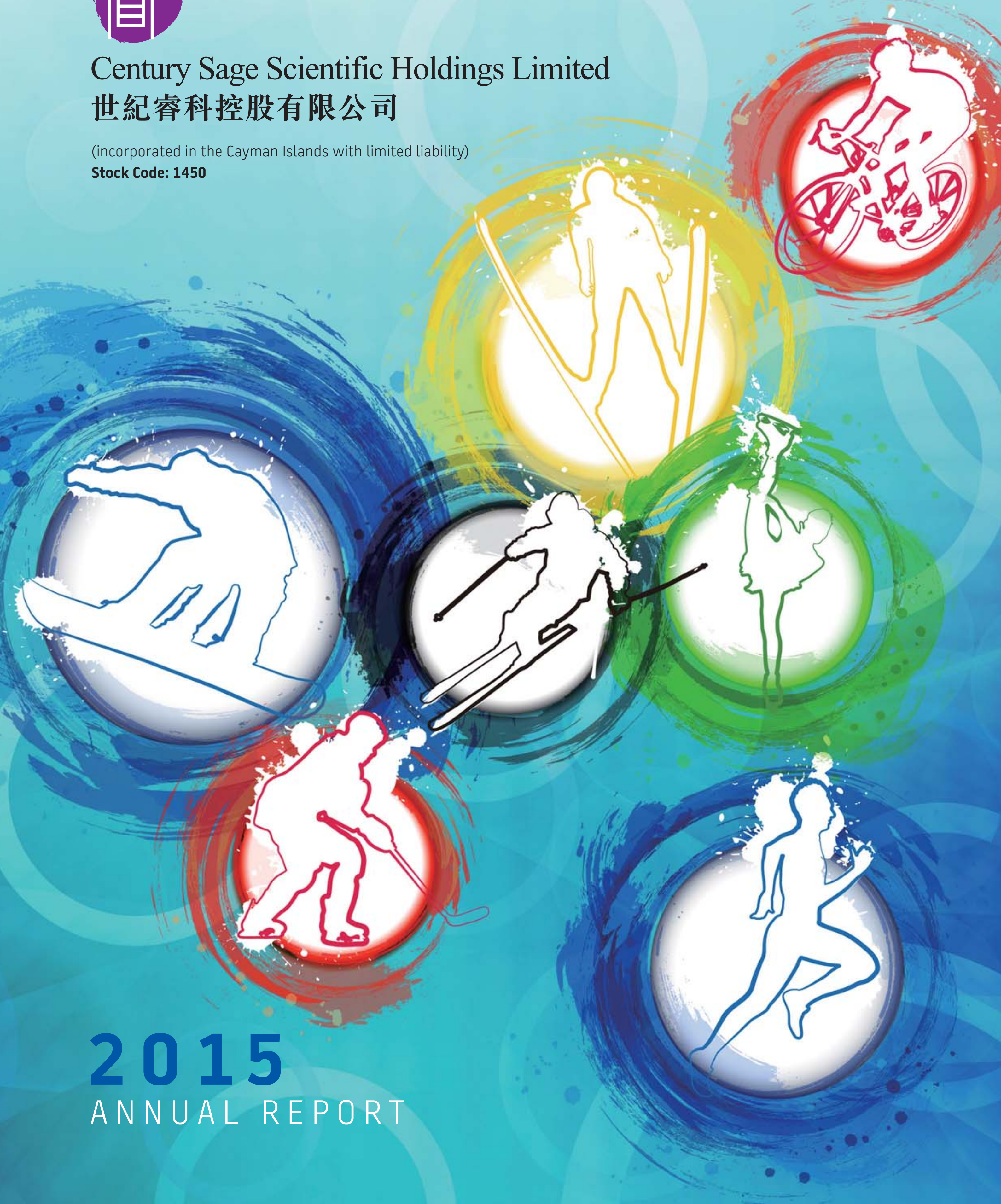
Century Sage Scientific Holdings Limited
世紀睿科控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1450



2015
ANNUAL 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

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Building H8, Privy Council
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Opto-Mechatronics Industrial Park
Tongzhou District
Beijing 101111
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 207–9
2nd Floor
Tins Enterprises Centre
777 Lai Chi Kok Road
Cheung Sha Wan
Kowloon
Hong Kong

AUDITORS

PricewaterhouseCoopers

COMPLIANCE ADVISER

CCB International Capital Limited

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

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

CORPORATE INFORMATION

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

STOCK CODE

1450

WEBSITE AND CONTACT

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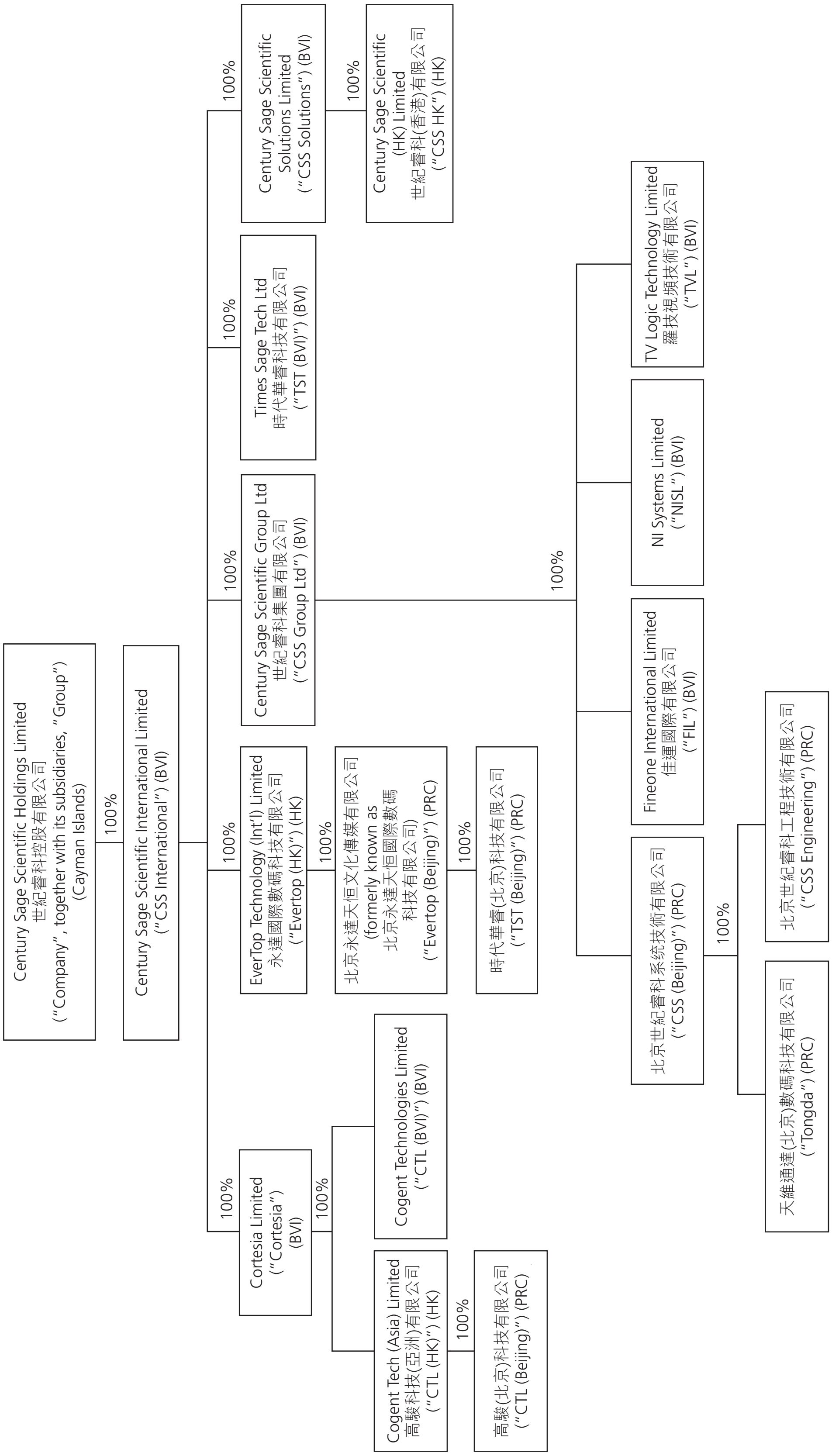
Century Sage Scientific Holdings Limited
世紀睿科控股有限公司
("Company", together with its subsidiaries, "Group")
(Cayman Islands)
100%
Century Sage Scientific International Limited
("CSS International") (BVI)
100%
Cortesia Limited
("Cortesia")
(BVI)
100%
Cogent Technologies Limited
("CTL (BVI)") (BVI)
Cogent Tech (Asia) Limited
高駿科技(亞洲)有限公司
("CTL (HK)") (HK)
100%
高駿(北京)科技有限公司
("CTL (Beijing)") (PRC)
100%
EverTop Technology (Int'l) Limited
永達國際數碼科技有限公司
("Evertop (HK)") (HK)
100%
北京永達天恒文化傳媒有限公司
(formerly known as
北京永達天恒國際數碼
科技有限公司)
("Evertop (Beijing)") (PRC)
100%
時代華睿(北京)科技有限公司
("TST (Beijing)") (PRC)
100%
Century Sage Scientific Group Ltd
世紀睿科集團有限公司
("CSS Group Ltd") (BVI)
100%
Fineone International Limited
佳運國際有限公司
("FIL") (BVI)
NI Systems Limited
("NISL") (BVI)
TV Logic Technology Limited
羅技視頻技術有限公司
("TVL") (BVI)
北京世紀睿科系统技術有限公司
("CSS (Beijing)") (PRC)
100%
天維通達(北京)數碼科技有限公司
("Tongda") (PRC)
北京世紀睿科工程技術有限公司
("CSS Engineering") (PRC)
100%
Times Sage Tech Ltd
時代華睿科技有限公司
("TST (BVI)") (BVI)
100%
Century Sage Scientific
Solutions Limited
("CSS Solutions") (BVI)
100%
Century Sage Scientific
(HK) Limited
世紀睿科(香港)有限公司
("CSS HK") (HK)

CHAIRMAN'S STATEMENT

Dear Shareholders,

The Board (the "Board") of directors (the "Directors") of Century Sage Scientific Holdings Limited (the "Company") is pleased to present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015 (the "Current Period").

In the past year, there were filled with challenges, and the Group has been firmly implementing the strategy of "internal stretch & external extension" and has obtained certain achievements. Under the new normal of the economic situation, the Group recorded impressive performance, particularly in sport events and R&D and sale businesses.

The sport events business of the Group has been running ahead of its peers in the sports industry, enabling us to possess the preliminary core competitive power, and the types of sport events of the Group have been increasing all the time. For example, China has been vigorously advocating the winter sports events and competitions for the 2022 Winter Olympics in Beijing since 2014, and the Group, teaming up with relevant sports bureaus and provincial and municipal authorities, has been responsible for technical broadcasting of many international winter sports and partial organisation 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, 2014 Nanjing Youth Olympic Games, the IAAF World Championships Beijing 2015 etc., gaining abundant experience in broadcasting, organizing and management of high-end events. As mentioned in the 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 strategic direction, and the scope of business of the Group has also been extended from the technical services previously to commercial operation with copyright, the highest-end sector of value-chain of the sports industry which enhances the flexibility in our operations. By virtue of the solid foundation, we will obtain greater achievements both in quality and quantity through endless efforts in future.

Likewise, the sales strategy of our self-developed products has run smoothly. In the 13th Five-Year Plan, the high-end manufacturing and internet information industries are classified as the Top 1 industry. Meanwhile, products of our Gaojun brand have been broadened from transmitting to audio-video resources and from hardware to software in a few years by independent R&D and strategic M&A, building the wonderful production chain in the broadcasting and television industries under the guidance of the national strategy. With the vigorous market in China, the quality of our products will be improved and optimised.

Related products of the Shanghai research and development team and visualization software, which were acquired by the Group in 2014, have been integrated into our business channel and generated certain extent of synergy. Meanwhile, we have seen a positive trend among the potential sales orders of our self-developed products, that nearly half of the orders 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. In 2015, 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 excellent performance excited us and we believe more surprises await us in the future. In 2016, in addition to actively carrying out overseas sales, we will have more cooperation with internationally renowned R&D companies or brands ranging from technical cooperation to capital cooperation, so as to make our R&D and sales business more in line with international and high-end practice.

CHAIRMAN'S STATEMENT

Although the growth in traditional business of application solutions slowed down in the past year, we still believe that there is a strong and sustained market for application solutions and integration business in China. Only a small part of large-scale transformation of high definition expresses is completed, not to a half, the next 4K high-speed train already has a very clear timetable at the national level, combined with IP and new media wave etc., which bring huge market increments to application solutions and integration business. 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 "spreading the Chinese cultural industry to foreign countries" against the backdrop of the national policy of "One-Belt, One-Road", which will definitely strengthen our market position in all-media industry. The Group's overseas development also includes the establishment of Taiwan Branch, and the actively expand of our business in Singapore and ASEAN.

A significant advantage of the Group is we have an efficient and reliable team. With a clear view of market trends, our team is able to take new approaches to facilitate new forms of development, which is not only the reason of bringing the Group to become industry leader over the years, but also the largest competitive advantage of the Group. I would like to take this opportunity to express my sincere thanks to our investors, directors and employees for their continued support. I look forward to create greater glories and share good harvest with you.

Lo Chi Sum
Chairman

24 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

Due to the delay in the tendering process of some potential projects and decrease in customer spending due to the slowdown in the growth of the economy, the Group recorded a decrease of 16.7% in revenue of RMB623 million and 48% in the net profit of RMB50 million for the Current Period as compared to the year ended 31 December 2014 (the "Corresponding Period").

BUSINESS REVIEW

In 2015, the PRC economy has shifted to a state of "new normal" where the structural adjustments of the industries continued and the economic downside risk increased. The tendering process of some potential projects has been delayed. We also see there was a decrease in customer spending due to the slowdown in the growth of the economy.

China is seeking a balance between economic growth and reforms, as the government is trying to change the growth mode with low efficiency. Therefore, the reform shall incline to support new industries and new economy sectors. We believe the government will continue to support the growth of the media industries. For instance, President Xi Jinping has paid an important inspection tour to three leading news providers on 19 February 2016. During a tour to the People's Daily, Xinhua News Agency and China Central Television, he expressed support to these media and has given high expectation to them. Xi encouraged the media to carry positive energy to the society, and also to bridge China with the world. For example, at the headquarters of CCTV, Xi visited the control room and made a video call to CCTV's Washington-based North America branch, and asked them to introduce China's social economic development in an objective, truthful and all-around way, tell stories about China well, and introduce Chinese culture and bridge friendship. We expect the overseas expansion will continue.

As announced on 23 June 2015, the Group has won a significant project in Zimbabwe, South Africa in relation to sell and installation of broadcasting studios and sales of transmission vehicles in Zimbabwe. We have also been awarded a project which involves provision of supply of equipment and installation for the national education and research network in Bhutan. Please refer to our announcement on 16 December 2015 for more details.

Since the sixth plenum of the 17th Central Committee of the Communist Party of China (中國共產黨中央委員會十七屆六中全會), the PRC government announced the policy of "spreading the Chinese cultural industry to foreign countries" (讓文化產業走出去), which is generally consistent with the Group's strategy to expand into the international market. The Group is of the view that the Zimbabwe project provided an excellent opportunity for the Group to lay its footprint in the countries affiliated with the PRC's One-Belt, One-Road policy, thereby strengthening the Group's market position in the industry as a leading China-based All-Media solution provider.

We also foresee the development and integration of the new media and the traditional media will continue to be an important growth driver in the upcoming years. In the Current Period, our project in progress for the Henan Daxiang Merged Media Group (河南大象融媒體集團有限公司) is a typical example. It showed trend of all media development and investment direction and business opportunities. This media group is made up of 4 traditional media companies and 8 new media companies and is providing to the public all media services such as videos, mobile entertainments, electronic newspaper, outdoor commercials, etc[1].

1 Henan Daxiang Merged Media Group: Henan Daxiang Merged Media Group Co., Ltd. ("Daxiang Merged Media") incorporated in October 2014 is the new group corporation set up by Henan Television by integrating four traditional media units and eight media companies. Daxiang Merged Media has possessed 14 mainstream media segments including the newspaper, the magazine, the broadcast, the television, the website, the network television station, the IPTV, the mobile phone newspaper (SMS news), the mobile phone radio station, the mobile phone television, the telephone broadcast, the mobile phone client, the mobile television, the outdoor large LED screen, and 38 media broadcast platforms.

In sports events, the Group actively planned to expand the diversity of sports events and explore the new opportunities in the chain of sports industry such as event management. The PRC State Council has set a target of RMB5 trillion output of the sports industry by 2025, representing a Combined Annual Growth Rate ("CAGR") of 22% over FY13–25. We have continued to provide services to many high profile international sports events. Some of the winter sports events included the Snowboarding Youth Championship in Heilongjiang, the World Figure Skating Championships in Shanghai, and the Air + Style Contest (World Snowboarding Beijing). In the track and field, we have been involved in the IAAF World Championships Beijing 2015 in September 2015. We have also taken the lion shares in the cycling races in China. The 10th "Tour of Hainan", a professional road bicycle race in Hainan province, marked our initial success in the effort of exploring new business opportunities in the value chain of the sports industry, such as program production and distribution, sports event organisation and management which we shall get new revenue streams from sponsorship fee and programs organization fee, etc.

During the Current Period, the sales of self-developed products of the Group also performed well. Related products of the Shanghai research and development team and visualisation software, which were acquired by the Group in 2014, have been integrated into our business channel and generated certain extent of synergy. Our self-developed products cover both broadcasting and non-broadcasting industries. Non-broadcasting agencies, such as public security and the military, are of great potential. We have put more efforts in the sales of products to non-broadcasters in Xinjiang, Qinghai, Chongqing and some other major cities. In the 3G/4G video transmission area, we believe that the technology and product of the Group are already in the leading position in the international market. Meanwhile, leveraging on the increasing research and development capacity and the hard works of our team, the Group launched a series of compression products complying with the AVS+ format in August 2015. AVS+ is the compression standard of the PRC. The transmission system for TV broadcasting across the PRC will gradually shift to the PRC standard in an orderly manner, whereby market potential emerges. We will continue to launch more products in 2016 to meet the demands of both the domestic and overseas market. Lastly, the expansion of self-developed products into overseas markets has been very encouraging and we have received orders from Morocco, Oman, Kuwait and some other countries. The revenues from overseas market now become an important part of the self-developed products business.

FINANCIAL REVIEW

Principal Activities

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

Revenue

Our Group's revenue decreased by approximately 16.7% from approximately RMB748.5 million for the Corresponding Period to approximately RMB623.4 million for the Current Period. The decrease was attributable to a decrease in revenue from the application solutions and system maintenance services business segments.

	For the year ended 31 December			
	2015		2014	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Segment revenue				
Application solutions				
— Production and broadcast	**385,984**	**61.9%**	420,500	56.2%
— Transmission	**128,770**	**20.7%**	212,387	28.4%
Subtotal	**514,754**	**82.6%**	632,887	84.6%
Sports event broadcast services	**57,397**	**9.2%**	55,894	7.5%
System maintenance services	**17,547**	**2.8%**	27,165	3.6%
Equipment development and sales	**33,734**	**5.4%**	32,589	4.3%
Total	**623,432**	**100.0%**	748,535	100.0%

Application solutions

Revenue generated by the Group's application solutions segment remained the most substantial contributor to its revenue, decreased by 18.7% from approximately RMB632.9 million for the Corresponding Period to approximately RMB514.8 million for the Current Period. This revenue segment represented approximately 84.6% and 82.6% respectively of the total revenue of the Group for the years ended 31 December 2014 and 2015. Such contribution ratio has been dropped by 2.0%. The revenue from the provision of production and broadcast application solutions decreased from approximately RMB420.5 million for the Corresponding Period to approximately RMB386.0 million for the Current Period, representing a decrease of 8.2%. Whereas, the revenue from the provision of transmission application solutions decreased from approximately RMB212.4 million for the Corresponding Period to approximately RMB128.8 million for the Current Period, representing a decrease of 39.4%. These decreases were mainly attributable to the decrease in number of completed projects for the Current Period.

Sports event broadcast services

Revenue from sports event broadcast services represented approximately 7.5% and 9.2% of the total revenue of the Group for the year ended 31 December 2014 and 2015, respectively and increased from approximately RMB55.9 million for the Corresponding Period to approximately RMB57.4 million for the Current Period, representing an increase of 2.7%. Such increase was mainly attributable to the sustained demand for sports event broadcast services and the Group's effort in expanding the business segment during 2015.

System maintenance services

Revenue from system maintenance services represented approximately 3.6% and 2.8% of the total revenue of the Group for the year ended 31 December 2014 and 2015, respectively and decreased approximately from RMB27.2 million for the Corresponding Period to RMB17.5 million for the Current Period, representing a decrease of 35.4%. Such decrease was mainly attributable to the slowdown of the general economy that spending on the maintenance services was also affected.

Equipment development and sales

Revenue from equipment development and sales represented approximately 4.3% and 5.4% of the total revenue of the Group for the year ended 31 December 2014 and 2015, respectively and increased approximately from RMB32.6 million for the year ended 31 December 2014 to RMB33.7 million for the year ended 31 December 2015, representing an increase of 3.5%. Such increase was mainly attributable to an increase in the number of units of the Group's self developed equipment sold as we expanded our customer base.

Cost of sales

Our Group's cost of sales decreased by approximately 14.9%, from RMB517.6 million for the Corresponding Period to RMB440.5 million for the Current Period. The decrease was mainly attributable to the decrease in the overall business volume during 2015. The following table sets forth the cost of sales for each business segment for the year ended 31 December 2014 and 2015:

	For the year ended 31 December			
	2015		2014	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Segment cost of sales				
Application solutions				
— Production and broadcast	294,609	66.9%	316,418	61.1%
— Transmission	93,261	21.2%	143,402	27.7%
Subtotal	387,870	88.1%	459,820	88.8%
Sports event broadcast services	28,467	6.5%	29,235	5.6%
System maintenance services	8,592	2.0%	13,179	2.5%
Equipment development and sales	15,559	3.4%	15,349	3.0%
Total	440,488	100.0%	517,583	100.0%

The Group's cost of sales for the application solutions segment decreased by 14.9% for the Current Period, compared to the Corresponding Period, which was primarily due to the decrease in revenue of the Group.

Gross profit and gross profit margin

For the year ended 31 December 2014 and 2015, the Group's gross profit was RMB231.0 million and RMB182.9 million respectively. The Group's gross profit margin was 30.9% and 29.3% for the year ended 31 December 2014 and 2015, respectively. The following table sets forth the gross profit and gross profit margin of each of the Group's segments for the year ended 31 December 2014 and 2015:

	For the year ended 31 December			
	2015		2014	
	RMB'000	Gross profit margin %	RMB'000	Gross profit margin %
Segment gross profit and gross profit margin				
Application solutions				
— Production and broadcast	91,375	23.7%	104,082	24.8%
— Transmission	35,509	27.6%	68,985	32.5%
Subtotal	126,884	24.6%	173,067	27.3%
Sports event broadcast services	28,930	50.4%	26,659	47.7%
System maintenance services	8,955	51.0%	13,986	51.5%
Equipment development and sales	18,175	53.9%	17,240	52.9%
Total	182,944	29.3%	230,952	30.9%

Application solutions

Our gross profit from provision of application solutions decreased by approximately 26.7%, from RMB173.1 million for the year ended 31 December 2014 to RMB126.9 million for the year ended 31 December 2015 while our gross profit margin of the segment decreased slightly from 27.3% for the year ended 31 December 2014 to 24.6% for the year ended 31 December 2015, primarily due to the lower gross profit margin of those large-scale projects with total contract amount above RMB20 million.

Sports event broadcast services

Our gross profit from sports event broadcast services increased by approximately 8.5%, from RMB26.7 million for the year ended 31 December 2014 to RMB28.9 million for the year ended 31 December 2015. Gross profit margin for the segment also increased by 2.7% from 47.7% in 2014 to 50.4% in 2015. The increase in gross profit was mainly attributable to the increase in recognized revenue following the increase in the number of completed projects during the period as a result of our effort in promoting our sports event broadcast service business. The improvement in gross profit margin was mainly due to less spending in the outsourcing rental and servicing costs due to the increase of deployment of in-house equipment.

System maintenance services

Our gross profit from system maintenance services decreased by approximately 36.0%, from RMB14.0 million for the year ended 31 December 2014 to RMB9.0 million for the year ended 31 December 2015. The decrease in gross profit was mainly attributable to the decrease in some repair contracts executed and recognized in the Current Period. The gross profit margin decreased slightly from 51.5% for the Corresponding Period to 51.0% for the Current Period.

Equipment development and sales

Our gross profit from equipment development and sales increased by approximately 5.4%, from RMB17.2 million for the year ended 31 December 2014 to RMB18.2 million for the year ended 31 December 2015 while gross profit margin increased from 52.9% for the year ended 31 December 2014 to 53.9% for the year ended 31 December 2015. The increase in gross profit margin was mainly attributable to the higher margin equipment developed from our newly hired Shanghai research and development team during the Current Period.

Other Gains/Loss

Other gains were approximately RMB3.5 million for the year ended 31 December 2015, which was mainly due to the value added tax refund for the software revenue recognized which has been claimed and refunded from the local tax bureau during 2015. There is other loss of approximately RMB0.8 million for the year ended 31 December 2014, which was mainly attributable to the loss from the acquisition of the subsidiary of AVIT (Shanghai Accurate Video Info-Tech Co., Limited).

Selling and administrative expenses

Selling expenses increased by approximately 6.5%, from RMB32.6 million for the year ended 31 December 2014 to RMB34.7 million for the year ended 31 December 2015. The increase in selling expense was mainly attributable to the increase of the labor cost for the sales staff and the travelling expense.

Administrative expenses increased by approximately 10.0%, from RMB78.1 million for the year ended 31 December 2014 to RMB85.8 million for the year ended 31 December 2015. The increase in administrative expense was mainly attributable to (i) the increase in employee benefit expenses; (ii) the increase in the legal and professional expense after the listing; and (iii) the increase in the research and development expense after the acquisition of AVIT.

Net finance costs

Net finance costs increased by approximately 18.0%, from RMB7.4 million for the year ended 31 December 2014 to RMB8.7 million for the year ended 31 December 2015. The increase was mainly attributable to the increase in interest expenses associated with the Group's project financing and short-term borrowings for working capital requirements.

Income tax expense

Income tax expenses amounted to RMB15.1 million and RMB7.1 million respectively for the year ended 31 December 2014 and 2015, representing a decrease of 53.0%. The effective tax rate decreased to approximately 12.4% for the year ended 31 December 2015 from approximately 13.5% for the year ended 31 December 2014, primarily due to the increase of the deductable expenses and the reversal of the overestimated income tax expenses for the year ended 31 December 2014.

Profit for the year

As a result of the foregoing factors, profit attributable to owners of our Company for the year ended 31 December 2015 decreased by approximately 48.4%, from RMB97.1 million for the year ended 31 December 2014 to RMB50.1 million for the year ended 31 December 2015. Our net profit margin decreased from 13.0% for the Corresponding Period to 8.0% for the Current Period, primarily due to the decrease of the gross profit margin and the increase of the expenses.

Liquidity, financial resources and capital structure

Net cash used in the Group's operating activities amounted to RMB45.2 million for the year ended 31 December 2015 and RMB76.9 million for the year ended 31 December 2014. The net cash outflow of the Group's operating activities 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 decrease in advances from customers; and partially off-set by the decrease in inventories resulted from the improvement of the project management and inventory planning work for the year ended 31 December 2015.

Net cash used in the Group's investing activities amounted to RMB14.5 million and RMB94.7 million for the year ended 31 December 2014 and 2015 respectively. The net cash outflow for the year ended 31 December 2015 mainly arose from the purchase of subsidiary and associate, equipment, intangible assets and the pledged deposits placed for the issuance of trade related documents.

Net cash generated from the Group's financing activities amounted to RMB85.6 million for the year ended 31 December 2015 and RMB161.3 million for the year ended 31 December 2014. The net cash generated from financing activities for the year ended 31 December 2015 was mainly attributable to the proceed from bank loans which partially offset by the payment of dividend declared for the year ended 31 December 2014.

As at 31 December 2015, the Group had current assets of approximately RMB679.2 million (as at 31 December 2014: approximately RMB645.3 million) and current liabilities of approximately RMB383.2 million (as at 31 December 2014: approximately RMB346.2 million). The current ratio (which is calculated by dividing current assets by current liabilities) was approximately 1.77 as at 31 December 2015, which was decreased as compared with the current ratio of approximately 1.86 as at 31 December 2014.

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

Foreign exchange exposure

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

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

Interest rate risk

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

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

Charge over assets of the Group

As at 31 December 2014 and 31 December 2015 respectively, bank borrowings of RMB61,500,000 and RMB77,400,000 were secured by the buildings of the Group, cost of which amounting to RMB66,353,000 and RMB51,722,000 respectively; trade receivables of RMB21,277,000 and RMB26,735,000, respectively.

Gearing position

The gearing ratio, represented total borrowings divided by total equity multiplied by 100%, was 23.3% and 50.2% respectively as of 31 December 2014 and 2015. The total borrowings of the Group increased from RMB89.9 million as at 31 December 2014 to RMB206.4 million as at 31 December 2015. Such increase was mainly attributable to the new borrowings of RMB29.5 million long-term financing and RMB87.1 million working capital loan. The total borrowings as at 31 December 2015 mainly comprised RMB77.9 million working capital loans, RMB29.5 million long-term borrowings and RMB99.1 million loans from project financing.

Use of proceeds from global offering

During the period from the date of listing (i.e. 7 July 2014) (the "Listing Date") to 31 December 2015, the net proceeds from the listing had been applied as follows:

	Actual use of proceeds from the Listing Date to 31 December 2015 RMB'000
Enhancement of our sports event broadcast services capabilities	55,575
Enhancement of our application solutions capabilities	32,220
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	12,956
Enhancement of our system maintenance services capabilities	12,104
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:	0

The Group applied such proceeds in a manner consistent with the intended use of proceeds as disclosed in the prospectus dated 24 June 2014 (the "Prospectus"). Details of the intended use of proceeds were set out in the Prospectus.

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;

(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;

(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 of the Company 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.

(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 this annual report, the Share Award Plan had a remaining life of approximately eight years.

(b) Movement of the awarded shares

Movement of the awarded shares under the Share Award Scheme during the Current Period is as follows:

			Number of Awarded Shares			
Participants	Date of Grant	Outstanding as at 1 January 2015	Granted during the Current Period	Vested during the Current Period	Lapsed/ cancelled during the Current Period	Outstanding as at 31 December 2015
6 selected participants in aggregate	26 March 2015	–	7,864,868[Note]	–	–	7,864,868
1 selected participant	8 July 2015	–	1,000,000	1,000,000	–	–
		–	8,864,868	1,000,000	–	7,864,868

Note: 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.

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

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,

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. As at the date of this annual report, the number of share options available for issue under the Share Option Scheme was 85,584,000, representing approximately 8.56% of the total issued Shares as at the date of this annual report.

(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.

(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 this annual report, the Share Option Scheme had a remaining life of approximately eight years.

(b) Movement of the share options

Movement of the share options under the Share Option Scheme during the Current Period is as follows:

				Number of share options				
Grantee	Date of grant	Exercise price (HK$)	Outstanding as at 1 January 2015	Granted	Exercised	Cancelled	Lapsed	Outstanding as at 31 December 2015
Executive Directors								
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 Members								
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)
Total			–	14,216,000	–	–	–	14,216,000

Note:

(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) Tranche I: beginning on the 3rd anniversary of the grant date: 50% of such options granted; and

(ii) Tranche II: beginning on the 4th anniversary of the grant date: 50% of such options granted.

The closing price of the Company's shares on 8 April 2015 (the trading day immediately before the date on which the options were granted) was HK$2.00.

Please refer to note 23 to the consolidated financial statements for the fair value of the options granted during the year ended 31 December 2015.

Material acquisitions and disposals

During the Current Period, the Group acquired 49% equity interest of Beijing Gefei Technology Development Company Limited* (北京格非科技發展有限公司) which became an associate of the Group after completion of the acquisition. Except for the acquisition mentioned above, the Group had no significant investments, mergers and acquisitions during the Current Period. Please refer to the announcements of the Company dated 14 August 2015 and 29 September 2015 for information.

Capital commitment and contingent liabilities

As at 31 December 2015, the Group had capital commitment amounting to approximately RMB1,531,000 (as at 31 December 2014: approximately RMB2,509,000) which mainly represented the amounts contracted but not provided for the purchase of the intangible assets and operating lease.

In March 2014, one of the subsidiaries of the Group was involved in a contractual dispute with a supplier of television broadcasting systems (the "Claimant"). The Claimant supplied certain television broadcasting systems to this subsidiary, which provided the application solution services for the systems to a client in Hunan (the "Client"), the end-user of the systems. The contractual claim amounting to RMB6.77 million was brought by the Claimant against this subsidiary and the Client in relation to the outstanding amount payable for the sale of the systems. In light of the quality problems in the systems supplied by the Claimant, and the Client is the end user of the system and bear the ultimate obligation to settle payments, the Directors consider that the ultimate outcome of such contractual dispute will not have a material adverse effect on the financial information of the Group and therefore no provision has been made for the year ended 31 December 2015.

As at 31 December 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.

* *For identification purposes only*

FUTURE OUTLOOK

Year 2016 will be challenging. As stated in Premier Li Keqiang's remarks in the PRC government work report at the 2016 NPC & CPPCC Sessions held in March 2016, China has lowered its economic growth expectations to the range of 6.5% to 7%. However, since the Group has been investing more in our core technology in the past years especially in 2015, we are confident to meet the challenges and to outperform the competitions.

Year 2015 was the year of investment for the Group. During 2015, integrating with the future strategic development plan, the Group proactively pushed forward the development of various businesses. In 2015, the Group has pursued 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". We believe these investments will bring fruitful results in 2016 and onwards.

The application solutions business segment will continue to deliver steady income and customer resources for the Group. Media operators are competing to each other to create better contents. Therefore, ongoing HDTV and Content Creation Upgrade still are the key drivers. We foresee the new media applications will be the additional nice add-on for new businesses to the Group in 2016. Again taking into consideration of 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.

The Group will continue to put in more efforts in both the sports event broadcast services and its products development and sales business as our strategy of endogenous development. The Group actively planned to expand the diversity of sport events and explore the new opportunities in the chain of sports industry such as event management. The State Council set a target of RMB5 trillion output of the sports industry by 2025, and representing a CAGR of 22% over FY13–25. High profile international events as well as mass participation sporting events are important parts of this aggressive growth plan. In October 2015, the Group has announced that it has reached a 6 years agreement with the organizer of the Tour of Hainan, an international professional bicycle race, that the Group did not only provide the technology solution to the organizer but we also engaged in the sports event commercial management and sponsorship promotion for the event. Please refer to the announcement of the Company dated 29 October 2015 for more details. 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 continues to aim 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. We will take part in more international events and to further expand our international network in 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Lo Chi Sum (盧志森), aged 56, is the founder, chief executive officer and chairman of the Group and an executive Director. Mr. Lo is also the chairman of each of the Nomination Committee and Investment Committee of the Company and a member of the Remuneration Committee of the Company. He became a director of the Company since December 2012. He is primarily responsible for the overall business strategies and business operation of the Group. Mr. Lo completed the programme of diploma in business management organised jointly by the Hong Kong Management Association and the Hong Kong Polytechnic University in February 1986. He obtained a master's degree in business administration from the Shanghai Jiao Tong University (上海交通大學) in 2006, and he graduated from the doctoral programme in business administration from Wuhan University (武漢大學) in 2013. During 2009 to 2015, Mr. Lo has been awarded seven times as an "Outstanding Entrepreneur in Technological Innovation" (科技創新優秀企業家) or "Outstanding Individual in Scientific and Technological Innovation" (科技創新優秀個人獎) by China Radio and TV Equipment Industry Association* (中國廣播電視設備工業協會). Mr. Lo has accumulated substantial experience in the All-Media industry.

In 2007, Mr. Lo invested in the All-Media industry in the PRC and set up CSS (Beijing) in April 2007. Since then he has been in charge of the overall business strategies and business operation of the Group. Mr. Lo is a director of CSS (Beijing), CTL (BVI), Evertop (HK), NISL, Evertop (Beijing), CSS (International), CSS (Group) Ltd, Cortesia, CTL (HK), CSS (HK) and CSS Solutions. He was the sole shareholder and sole director of Cerulean Coast Limited which was interested in approximately 66.75% of the total issued shares of the Company as at the date of this annual report. Please refer to the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" in the Directors' Report for details of his interest in the shares and underlying shares of the Company.

Mr. Lo has nearly 30 years of experience in the broadcasting and television industry. Prior to the founding of the Group, Mr. Lo started his career in the industry in 1987, and he was first employed as a sales manager by Advanced Communication Equipment (International) Co., Ltd ("ACE"), a company which then provided, among others, audio and visual system integration services. Mr. Lo was transferred to the Taiwan office of ACE in 1989 and served as a general manager; subsequently, Mr. Lo became a director of ACE. From 2003 to 2006, Mr. Lo also took up the role of director of New Digital Technology Holdings Limited ("NDT"), a company which provided, among others, video system integration services. Through his extensive industry-related working experience, Mr. Lo has accumulated in-depth industry knowledge and market understanding for the All-Media industry.

Mr. Leung Wing Fai (梁榮輝), aged 47, is the chief operating officer of the Group and an executive Director. Mr. Leung is also a member of each of the Remuneration Committee and Investment Committee of the Company. He became a director of the Company since May 2013. Mr. Leung joined the Group in April 2007 as deputy operating officer of CSS (Beijing) and he was designated as the chief operating officer of the Group in April 2012. Mr. Leung is in charge of overall business operation of the Group. Mr. Leung is a director of CSS (Beijing), NISL, TVL, TST (BVI), TST (Beijing), CSS Engineering, CTL (BVI), Evertop (HK), Evertop (Beijing), CSS International, CSS Group Ltd, CSS (HK), Cortesia, CTL (HK) and CSS Solutions. Mr. Leung was the sole shareholder and sole director of Future Miracle Limited which was interested in approximately 6% of the total issued shares of the Company as at the date of this annual report. Please refer to the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" in the Directors' Report for details of his interest in the shares and underlying shares of the Company.

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

* *For identification purposes only*

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

Mr. Zhou Jue (周珏), aged 44, is an executive Director and a member of the Investment Committee of the Company. Mr. Zhou joined the Group in September 2007 as vice president of CSS (Beijing) and since then, Mr. Zhou was primarily responsible for application solutions and services of All-Media broadcasting of the Group in the PRC. Mr. Zhou was promoted as chief executive officer of CSS (Beijing) in April 2012. He became a director of the Company since May 2013. Mr. Zhou is a director of TST (Beijing), CSS Group Ltd and Evertop (Beijing), and a director and chief executive officer of CSS (Beijing). He was interested in 1,018,000 underlying shares of the Company as at the date of this annual report. Please refer to the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" in the Directors' Report for details of his interest in the shares and underlying shares of the Company.

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

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

Mr. Sun Qingjun (孫清君), aged 51, is an executive Director and a member of the Investment Committee of the Company. Mr. Sun joined the Group in December 2007 and since then he has been in charge of application solutions and services of All-Media broadcasting of the Group in the PRC. He became a director of the Company since May 2013. Mr. Sun is a director of CSS (Beijing), CSS Group Ltd and Evertop (Beijing), and a director and chief executive officer of TST (Beijing). He was interested in 1,018,000 underlying shares of the Company as at the date of this annual report. Please refer to the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" in the Directors' Report for details of his interest in the shares and underlying shares of the Company.

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

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

Mr. Huang He (黃河), aged 47, is an executive Director and a member of the Investment Committee of the Company. Mr. Huang joined the Group in November 2007 and since then he has been in charge of application solutions and services of All-Media broadcasting of the Group in the PRC. He became a director of the Company since May 2013. Mr. Huang was a director of CSS Group Ltd and Evertop (Beijing), and a director and chief executive officer of CSS (Beijing). He was interested in 1,018,000 underlying shares of the Company as at the date of this annual report. Please refer to the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" in the Directors' Report for details of his interest in the shares and underlying shares of the Company.

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

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

Mr. Geng Liang (耿亮), aged 47, is an executive Director and a member of the Investment Committee of the Company. Mr. Geng joined the Group in April 2012 and since then he has been in charge of professional technical services of the Group in the PRC. He became a director of the Company since May 2013. Mr. Geng graduated with a bachelor's degree in engineering from Beijing Institute of Technology (北京理工大學) in July 1990, subsequently, with a master's degree in engineering from the Beijing Institute of Technology (北京理工大學) in February 1993. Mr. Geng is a director of CSS (HK), Evertop (Beijing) and Evertop (HK), and a chief executive officer of CTL (Beijing). He was interested in 1,018,000 underlying shares of the Company as at the date of this annual report. Please refer to the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" in the Directors' Report for details of his interest in the shares and underlying shares of the Company.

* *For identification purposes only*

Mr. Geng has over 12 years of experience in the All-Media industry. Before he joined the Group, and during the period from March 2001 to May 2008, Mr. Geng was employed as a sales manager and general manager for greater China by Tandberg Television Ltd, a company which provides an advanced compression systems, on-demand and content distribution solutions; he was responsible for the sales and business development of digital TV in China. From June 2008 to December 2008, Mr. Geng joined Multimedia Solutions and Systems Integration of Ericsson (China) Communication Co Ltd., as the head of sales, responsible for sales and business development of Ericsson multimedia solution in China. From March 2009 to March 2012, Mr. Geng was employed by Ericsson Television Limited, a company which provides TV solutions and services, as vice president of Greater China, where he was responsible for sales and business development of digital TV solution.

Independent Non-Executive Directors ("INED")

Dr. Ng Chi Yeung, Simon (吳志揚), aged 58, was appointed an INED of the Company in June 2014. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee of the Company. Dr. Ng is a solicitor practising in Hong Kong since 1986. Dr. Ng was admitted as a solicitor of the High Court of Hong Kong advocate and solicitor in 1986. Dr. Ng was awarded with a bachelor's of laws degree from the Manchester Polytechnic (now known as Manchester Metropolitan University) in May 1986, a master's degree in Chinese and Comparative Law from the City University of Hong Kong in November 1997 and a doctoral degree in worship studies from the Robert Webber Institute for Worship Studies in June 2013.

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

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

Mr. Hung Muk Ming (洪木明), aged 51, was appointed an INED of the Company in June 2014. Mr. Hung is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee of the Company. Mr. Hung graduated with a bachelor's degree in social science from the University of Hong Kong in 1990, and a master's degree in corporate governance from the Hong Kong Polytechnic University in August 2008. Mr. Hung was admitted as an associate of the Chartered Association of Certified Accountants in January 1994, a fellow of the Association of Chartered Certified Accountants in January 1999, a fellow of Hong Kong Institute of Certified Public Accountants in July 2001, an associate of the Institute of Chartered Secretaries and Administrations and an associate of the Hong Kong Institute of Chartered Secretaries, respectively, in February 2009, a fellow of the Hong Kong Institute of Directors in November 2009 and a certified tax adviser of the Taxation Institute of Hong Kong in January 2013.

Mr. Hung has over 20 years of experience in financial industry in Hong Kong, and he started his full-time work in August 1990. From then on, he joined PricewaterhouseCoopers, Certified Public Accountants, during the period from August 1990 to November 1994, as a staff accountant and senior accountant. He was mainly engaged in auditing and accounting work during such period. From November 1994 to July 2001, Mr. Hung served as an accounting manager at Embryform Group Limited, a company engaged in the design, manufacturing, marketing, distribution and retail of lingerie, where he was involved in the accounting, financial, treasury, internal control and shipping functions, assisted in strategic business and financial planning of the business. From July 2001 to September 2002, he joined Hong Kong Exchanges and Clearing Limited as a finance manager, which he was responsible for the overall financial and accounting matters. From October 2002 to January 2005, he was employed by Hoi Meng Group Limited, an apparel manufacturer in Asia, as financial controller, which he was responsible for the company's overall financial, accounting, tax, company secretarial and legal matters. Subsequently, Mr. Hung has served as financial controller at Guangdong Ming Crown Group Limited, a company engages in hotel, real estate construction, port logistics and industrial manufacturing industry; Mr. Hung was also responsible for the overall financial, accounting, tax, company secretarial and legal matters.

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

Mr. Mak Kwok Wing (麥國榮), aged 61, was appointed an INED of the Company in May 2015. Mr. Mak is a member of each of the Audit Committee and Remuneration Committee of the Company. He is a member of the Chartered Professional Accountants of Ontario and the Institute of Chartered Accountants of Ontario. He has over 18 years of experience in accounting, auditing, tax, finance and investment. He is currently a senior consultant of LaVallée Inc., a home décor fragrance manufacturer, distributor and retailer operating under Pretty Valley Natural Commodity Franchise Company (滙美舍) in the People's Republic of China. Prior to his current position, he has worked in Toronto, Canada from 2001 to 2003 as the auditor of Korean (Toronto) Credit Union and Korean Catholic Church Credit Union where he was responsible for the development and implementation of audit procedures for these two financial institutions. In 2004, Mr. Mak was appointed as the managing director of the Peel Condominium Corporation No. 492, a management comp any for managing the property and assets of a commercial complex in Ontario, Canada.

SENIOR MANAGEMENT

Mr. So Yun Wah (蘇潤華), aged 45, is the vice president of marketing of the Group. Mr. So joined the Group in March 2009 as vice president of marketing of CSS (Beijing). He is primarily responsible for marketing development of the Group in the PRC. As at 31 December 2015, Mr. So was a director of FIL and Tongda. He was interested in 678,000 underlying shares of the Company as at the date of this annual report.

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

Mr. So has over 13 years of experience in the All-Media industry. Before he joined the Group, Mr. So started his career at NDT. During the period from August 2007 to February 2008, Mr. So was employed as the technical director by Shenzhen COSHIP Electronics Co., Ltd (深圳市同洲電子股份有限公司), a company specialising in research and development, manufacture and marketing of, among others, electrical transmission products. He was then responsible for the research and development of IPTV system and planning of overseas IPTV service deployment. From April 2008 to February 2009, Mr. So worked as a senior management member at Hanya Star Culture & Technology Co., Ltd (漢雅星空化科技有限公司), a media company that is engaged in overseas IPTV operation and other internet value-added business in China.

Mr. Wong Kwok Fai (王國輝), aged 44, is the vice president of engineering of the Group. He is primarily responsible for management in research and development content transmission engineering of the Group. Mr. Wong joined the Group in August 2007 as engineering manager of transmission and broadband division of CSS Group Ltd. He was then in charge of management in transmission and broadband. Mr. Wong graduated with a bachelor's degree in engineering from the University of Hong Kong in November 1995, and a master's degree in business administration from the University of Melbourne in March 2008. He was interested in 1,358,000 underlying shares of the Company as at the date of this annual report.

Mr. Wong has over 15 years of experience in the All-Media industry. Before he joined the Group, from June 1995 to July 1998, Mr. Wong served as an assistant engineer at ACE, a company which then provided, among others, audio and visual system integration services, where he was responsible for the provision of technical service or related technical support activities. During the period from June 1998 to July 2007, Mr. Wong served as an engineering manager at NDS, and was responsible for technical management and engineering in broadcast transmission.

Mr. Ng Kwok Chung (吳國聰), aged 53, is the technical director of the Group. Mr. Ng joined the Group in September 2010 as technical director of CSS (Beijing). Since then, he was responsible for content production and broadcast engineering of the Group. Mr. Ng obtained a higher diploma in electronic engineering with distinction from the Hong Kong Polytechnic College (now known as the Hong Kong Polytechnic University) in November 1984.

Mr. Ng has over 25 years of experience in the All-Media industry. Before he joined the Group, Mr. Ng started his career at ACE in 1986. From 1986 to 1997, he served as an assistant servicing engineer at ACE, where he was responsible for assisting the team and leading the team to complete various system project and business development. From March 1997 to September 1999, Mr. Ng was employed as the director of customer service by Tektronix HK Limited, a company engaged in electronic equipment and supplies wholesale and manufacturing, where he was responsible for the management of its customer service team and he demonstrated various business activities in technical aspects. After the merger of Tektronix into the Grass Valley Group, a premier solutions provider for, among others, media broadcasting, Mr. Ng continued to serve as the director of customer service from September 1999 to July 2010, where he was responsible for leading the technical team, driving business with sales of services to customers in Hong Kong, Taiwan and South Korea regions.

Mr. Li Lianmin (李連民), aged 46, is the vice president of engineering of the Group. He is responsible for content production and broadcast engineering of the Group. Mr. Li joined the Group in January 2008 as general manager of engineering department of CSS (Beijing). He was then responsible for the technical management in engineering department. Mr. Li obtained a diploma of applied electronic technology from the Beijing Union University (北京聯合大學) in June 1992, and graduated with a master's degree in engineering from the University of Electronic Science and Technology (電子科技大學) in 2010. He was interested in 382,000 underlying shares of the Company as at the date of this annual report.

Mr. Li has over 24 years of experience in the All-Media industry. Before he joined the Group, Mr. Li worked at the BJ TV Equipment Factory, a camera and video recorder manufacturer and broadcasting system integration provider, from 1988 to 2000. During the period from June 2004 to December 2007, Mr. Li served as deputy chief engineer and deputy general manager at BNDS, a company which provided, among others, video system integration services. Mr. Li was then responsible for the system design and integration in broadcasting and television.

Ms. Tian Tian (田甜), aged 33, is the financial controller of the Group. Ms. Tian joined the Group in October 2014 and since then she was responsible for the finance management of the Group. Ms Tian graduated with a bachelor's degree in financial management from Wuhan University (武漢大学) in July 2004 and a master's degree in Accounting from University of International Business and Economics (對外經濟貿易大學). She was admitted as a member of the Chinese Institute of the Certificated Public Accountants in 2008.

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

COMPANY SECRETARY

Ms. Ngai Kit Fong (倪潔芳), aged 50, who has been so nominated to act as the company secretary of the Company by Tricor Services Limited under an engagement letter made between the Company and Tricor Services Limited, pursuant to which Tricor Services Limited has agreed to provide certain company secretarial services to the Company. She was appointed by the Board as the company secretary on 6 March 2014. Ms. Ngai is a director of the Corporate Services Division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. She is a fellow member of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. Ms. Ngai has extensive experience in a diversified range of corporate services and has been providing professional services to a number of companies listed on the Main Board of the Stock Exchange.

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

DIRECTORS

The Directors during the Current Period and up to the date of this Directors' report are as follows:

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) (appointed with effect from 13 May 2015)
Mr. Ma Guoli (馬國力) (resigned with effect from 13 May 2015)

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

PRINCIPAL ACTIVITIES

Please refer to the paragraph headed "Principal Activities" under the section headed "Management Discussion and Analysis" in this annual report for details regarding the principal activities of the Group.

RESULTS AND DIVIDENDS

The Directors have resolved to recommend the payment of a final dividend of HK0.6 cents (equivalent to RMB0.5 cents) per ordinary share for the year ended 31 December 2015 (2014: HK3.9 cents), amounting to approximately HK$6 million (equivalent to RMB5 million). Subject to the approval of the shareholders of the Company (the "Shareholders") at the forthcoming annual general meeting of the Company (the "AGM"), the proposed dividend will be payable to shareholders whose names appear on the Register of Members of the Company on 16 June 2016 and payable on 30 June 2016.

The Company is not aware of any arrangement under which a shareholder of the Company has waived or agreed to waive any dividends.

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

For determining the entitlement to the proposed final dividend, the Register of Members of the Company will be closed from 14 June 2016 to 16 June 2016, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 13 June 2016.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 22 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

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 year ended 31 December 2015.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in the consolidated statement of changes in equity on page 53 and in note 24 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company's reserves available for distribution to equity holders, comprising the share premium, exchange fluctuation reserve and accumulated loss, amounted to approximately RMB403.4 million. Under the Companies Law, a company may make distribution to its shareholders out of the share premium account under certain circumstances.

MAJOR CUSTOMERS AND SUPPLIERS

During the Current Period, the Group has widened both the customers as well as the suppliers base.

In the Current Period, revenue to the Group's five largest customers accounted for about 36.9% (2014: 37.0%) of the Group's total revenue for the Current Period and the revenue from the largest customer included therein accounted for about 20.8% (2014: 20.6%) of the Group's total revenue.

In the Current Period, supplies from the Group's five largest suppliers accounted for about 11.3% (2014: 19.0%) of the Group's total operating cost for the Current Period and supplies from the largest supplier included therein accounted for about 4.2% (2014: 4.8%) of the Group's total operating cost.

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

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

Details of the use of proceeds from the Company's initial public offering since the date of listing to 31 December 2015 are set out in the paragraph headed "Use of proceeds from global offering" in the section headed "Management Discussion and Analysis" of this annual report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the Group had a total of 359 employees (as at 31 December 2014: 311 employees).

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

In respect of the remuneration paid or payable to the members of senior management (except Directors) of the Company for the year ended 31 December 2015 by band, the remuneration paid or payable to 5 members of the senior management of the Company is within the range of RMB0 to RMB1,000,000.

In order to recognise and reward the contribution of certain eligible participants to the growth and development of the Group, the Company adopted a share award plan (the "Share Award Plan") on 24 March 2014. Up to the date of this Directors' report, a total of 8,864,868 shares were awarded to 7 selected participants pursuant to the Share Award Plan. 1,000,000 award shares were vested in the name of 1 selected participant on 18 September 2015.

In order to reward or make incentive to the employees, Directors and other selected participants for their contributions to our Group, the Company conditionally adopted a share option scheme (the "Share Option Scheme") on 13 June 2014. Up to the date of this Directors' report, a total of 14,216,000 share options were granted to 4 executive Directors, 3 senior management members and 42 employees.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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

Pursuant to the Article 109 of the Articles, any Director appointed by the Board shall hold office until the next following general meeting of the Company and shall then be eligible for re-election. Also, pursuant to the Article 105 of the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director (including the non-executive Director and independent non-executive Directors) shall be subject to retirement by rotation at least once every three years.

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

In accordance with article 105 of the Articles, Mr. Zhou Jue, Mr. Geng Liang and Mr. Ng Chi Yeung, Simon will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming AGM.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

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

DIRECTORS' REMUNERATION

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

Particulars of the Directors' remuneration for the year ended 31 December 2015 are set out in note 35 to the consolidated financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

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

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, the Directors and other officers for the time being of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group to protect the Directors and officers of the Group against any potential liability arising from the Group's activities which such Directors and officers may be held liable.

FINANCIAL REPORTING AND AUDIT

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

A statement by the external auditor of the Company about its reporting responsibilities is set out in the section headed "Independent Auditor's Report" in this annual report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACTS

Apart from the particulars disclosed in note 31 to the consolidated financial statements, there were no other transactions, arrangement or contracts of significance in relation to the Company's business, to which the Company or any of the Company's subsidiaries was a party subsisting at the end of the year ended 31 December 2015 or at any time during the year ended 31 December 2015 in which a Director or an entity connected with the Director had, whether directly or indirectly, a material interest.

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

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

MANAGEMENT CONTRACTS

For the year ended 31 December 2015, other than the service contracts of the Directors, there was no contract entered into by the Company relating to its management and administration or subsisting during the year under review which is substantial to the entire or any part of the business of the Group.

CONNECTED TRANSACTIONS

Details of the related party transactions of the Company for the year ended 31 December 2015 and undertaken in the usual course of business are set out in note 31 to the consolidated financial statements. None of these related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

NON-COMPETITION UNDERTAKINGS

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

The Controlling Shareholders have confirmed that none of them is engaged in, or interested in any business which, competes or may compete with the Group's business. They have also confirmed compliance with the terms of the Non-competition Undertaking and that during the year under review, there was no matter which required to be deliberated by the Board in relation to the compliance and enforcement of the Non-competition Undertaking. All the INED have reviewed the matters relating to the enforcement of the Non-competition Undertaking and consider that the terms of the Non-competition Undertaking has been complied by each of the Controlling Shareholders.

SHARE AWARD SCHEME AND SHARE OPTION SCHEME

Details of movements in the share awards and share options during the year are set out in the section headed "Share Award Plan and Share Option Scheme" in this annual report.

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

As at 31 December 2015, the Directors and the Company's chief executive, and their respective associates had the following interests in the Shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have been taken under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), or were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO:

Name of Director	Name of Group member/ associated corporation	Capacity/ nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Mr. Lo Chi Sum ("Mr. Lo")	The Company	Interest of controlled corporation (Note 2)	667,500,000 Shares (L)	66.75%
Mr. Lo	Cerulean Coast Limited	Beneficial owner	1 share	100%
Mr. Leung Wing Fai ("Mr. Leung")	The Company	Interest of controlled corporation (Note 3)	60,000,000 Shares (L)	6%
Mr. Leung	Future Miracle Limited	Beneficial owner	1 share	100%
Mr. Sun Qingjun	The Company	Beneficial owner	1,018,000 Shares (L) (Note 5)	0.10%
Mr. Zhou Jue	The Company	Beneficial owner	1,018,000 Shares (L) (Note 5)	0.10%
Mr. Huang He	The Company	Beneficial owner	1,018,000 Shares (L) (Note 5)	0.10%
Mr. Geng Liang	The Company	Beneficial owner	1,018,000 Shares (L) (Note 5)	0.10%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 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 were as follow:

Name of shareholder	Capacity/Nature of interest	Number of Shares held (Note 1)	Approximate percentage of shareholding
Cerulean Coast Limited	Beneficial owner (Note 2)	667,500,000 (L)	66.75%
Future Miracle Limited	Beneficial owner (Note 3)	60,000,000 (L)	6%
Ms. Wang Hui	Interest of spouse (Note 4)	60,000,000 (L)	6%

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 60,000,000 Shares held by Future Miracle Limited, which was wholly owned by Mr. Leung.

5. These Shares represent the share options of the Company granted under the Share Option Scheme to subscribe for 1,018,000 Shares. Details of the exercise price and exercise dates of these options were set out in the section headed "Share Award Plan and Share Option Scheme" in this annual report.

AUDIT COMMITTEE, REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

Details of the Audit Committee, Remuneration Committee and Nomination Committee are set out in the section headed "Corporate Governance Report" of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company comprises all the three INEDs, namely Mr. Hung Muk Ming (committee chairman), Mr. Mak Kwok Wing and Dr. Ng Chi Yeung Simon. It has reviewed with the management the audited consolidated financial statements of the Group for the year ended 31 December 2015.

AUDITOR

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

BUSINESS REVIEW

Business Performance and Future Outlook

For the business review and future outlook of the Company, please refer to the paragraphs headed "Business Review" and "Future Outlook" in the section headed "Management Discussion and Analysis" in this annual report respectively. This discussion forms part of this Directors' report.

Principal Risks and Uncertainties

For the principal risks and uncertainties facing the Group, please refer to the section headed "Management Discussion and Analysis" in this annual report for further details. This discussion forms part of this Directors' report.

Environmental Policies

The Group recognises its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. The Group aims to maximise energy conversation in its offices by promoting efficient use of resources and adopting green technologies. For instance, the Group seeks to upgrade equipment such as lighting and air-conditioning systems in order to increase overall operating efficiency. To identify energy efficiency opportunities, the Group measures and records the energy consumption intensity from time to time.

Compliance with Relevant Laws and Regulations

As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company during the Current Period.

CHARITABLE DONATIONS

The Group had donated about RMB40,000 for Century Sage Hope Kitchen Project* (世紀睿科希望厨房) to a Hope Primary School in Shanxi province for the year ended 31 December 2015.

On behalf of the Board
Lo Chi Sum
Chairman

Hong Kong, 24 March 2016

* For identification purposes only

CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Board") of the Company has committed to maintaining high corporate governance standards.

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

The Company has applied the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The Board is of the view that throughout the year ended 31 December 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.

A. Model Code for Securities Transactions

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

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

The Company has made specific enquiry of all Directors and all the relevant employees and they have confirmed with the Company that they complied with the required standard set out in the Securities Dealing Code for the year ended 31 December 2015.

B. Board of Directors

The Board currently comprises nine members, consisting of six Executive Directors and three Independent Non-executive Directors as set out below:

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

Independent Non-executive Directors:
Dr. Ng Chi Yeung, Simon *(Chairman of the Remuneration Committee and member of each of the Audit Committee and the Nomination Committee)*
Mr. Hung Muk Ming *(Chairman of the Audit Committee and member of each of the Remuneration Committee and the Nomination Committee)*
Mr. Mak Kwok Wing *(member of each of the Audit Committee and the Remuneration Committee)*

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

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

(1) Chairman and Chief Executive Officer

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

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

(2) Independent Non-executive Directors

During the year ended 31 December 2015, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

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

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

Each of the Directors is appointed for a specific term of three years and is subject to retirement by rotation once every three years under the Company's Articles of Association (the "Articles").

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

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

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

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

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

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

(5) Continuous Professional Development of Directors

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

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

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

Records of training received by each Director for the year ended 31 December 2015 is summarized below:

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

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

C. Board Committees

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

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

(1) Audit Committee

The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and materials and provide advice in respect of financial reporting, oversee the risk management and internal control systems of the Company.

During the year under review, the terms of reference of the Audit Committee were revised to reflect the amendments to the CG Code relating to internal control and risk management which came into effect on 1 January 2016. The revised terms of reference were made available on the websites of the Stock Exchange and the Company. The Audit Committee also held two meetings to review the annual financial results and report for the year ended 31 December 2014, the interim financial results and report for the six months ended 30 June 2015 and the financial control and internal control systems of the Company.

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

(2) Remuneration Committee

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

During the year under review, the Remuneration Committee held four meetings to review the policy, structure and remuneration of the Directors and to consider the granting of share award to the employees of the Group under the share award plan adopted by the Company.

(3) Nomination Committee

The primary duties of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experiences) of the Board at least annually and making recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified as potential Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of the Independent Non-executive Directors; and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning of Directors, in particular that of our Chairman and the Chief Executive Officer.

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

During the year under review, the Nomination Committee held two meetings, to review the structure, size and composition of the Board and the independence of the Independent Non-executive Directors, to make recommendation on the re-election of the retiring directors at the Annual General Meeting and to make recommendation on the appointment of an Independent Non-executive Director. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and did not recommend any changes to the measurable objectives set for implementing diversity on the Board.

(4) Investment Committee

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

No meeting has been held by the Investment Committee during the year ended 31 December 2015.

(5) Corporate Governance Functions

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

The terms of reference of the Board include, among others, (i) developing and reviewing our Group's policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of our Directors and senior management; (iii) reviewing and monitoring our Group's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and our Directors; and (v) reviewing our Company's compliance with the CG Code and disclosure in the annual reports of our Company.

D. Attendance Record of Directors and Committee Members

The attendance record of each Director at the Board meetings, Board Committee meetings and general meetings of the Company held during the year ended 31 December 2015 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	Board	Nomination Committee	Remuneration Committee	Audit Committee	Annual General Meeting
Lo Chi Sum	13/13	2/2	4/4	*1/1	1/1
Leung Wing Fai	13/13	–	4/4	*1/1	1/1
Zhou Jue	13/13	–	–	–	1/1
Sun Qingjun	13/13	–	–	–	1/1
Huang He	13/13	–	–	–	1/1
Geng Liang	13/13	–	–	–	1/1
Ng Chi Yeung, Simon	8/13	2/2	4/4	2/2	1/1
Hung Muk Ming	12/13	2/2	4/4	2/2	1/1
Mak Kwok Wing (appointed on 13 May 2015)	8/9	–	1/1	1/1	0/1
Ma Guoli (resigned on 13 May 2015)	3/4	–	2/3	1/1	–

* by invitation

During the year ended 31 December 2015, an annual general meeting of the Company was held on 15 June 2016. Apart from regular Board meetings, the Chairman also held a meeting with the Independent Non-executive Directors without the presence of Executive Directors during the year.

E. Directors' Responsibility in Respect of the Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2015.

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

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report" in this annual report.

F. Auditors' Remuneration

The remuneration paid to the external auditors of the Company in respect of audit services for the year ended 31 December 2015 amounted to RMB1,990,000.

An analysis of the remuneration paid to the external auditors of the Company, PricewaterhouseCoopers, in respect of audit services and non-audit services for the year ended 31 December 2015 is set out below:

Service Category	Fees Paid/ Payable (RMB'000)
Audit Services	
— Annual audit for the year ended 31 December 2015	1,990
— Interim review for the six months ended 30 June 2015	400
Non-audit Services	–
TOTAL:	2,390

G. Internal Controls

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

H. Non-Competition Undertaking by Controlling Shareholders

Each of the controlling shareholders of the Company (namely, Cerulean Coast Limited and Mr. Lo Chi Sum) (the "Controlling Shareholders") has given an unconditional and irrevocable non-compete undertaking (the "Non-Competition Undertaking") in favour of the Company and its subsidiaries that it and he will provide to the Company and the Directors (including the Independent Non-executive Directors) from time to time with all information necessary for the annual review by the Independent Non-executive Directors with regard to compliance of the terms of the Non-Competition Undertaking by the Controlling Shareholders and the enforcement of the Non-Competition Undertaking.

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

The Board comprising all the Independent Non-executive Directors have reviewed and confirmed that all the terms of the Non-Competition Undertaking have been complied with by the Controlling Shareholders for the year ended 31 December 2015.

I. Company Secretary

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

J. Shareholders' Rights

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

(1) Convening an Extraordinary General Meeting

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

(2) Putting Forward Proposals at General meetings

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

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

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

(4) Procedures for Raising Enquiries

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

Address:	Unit 207–9, 2/F., Tins Enterprises Centre, 777 Lai Chi Kok Road, Cheung Sha Wan, Kowloon, Hong Kong
Attention:	Board of Directors
Tel:	(86 10) 5697 1700
Fax:	(86 10) 5967 1791
Email:	investor@css-group.net

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

Tricor Investor Services Limited

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

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

K. Communication with Shareholders and Investors

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

L. Company's Constitutional Documents

There was no change in the Company's constitutional documents during the year.

羅兵咸永道

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

We have audited the consolidated financial statements of Century Sage Scientific Holdings Limited (the "Company") and its subsidiaries set out on pages 49 to 113, which comprise the consolidated balance sheet as at 31 December 2015 and the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended 31 December 2015, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015 and their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2016

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2015 RMB'000	2014 RMB'000
Revenue	5	**623,432**	748,535
Cost of sales	7	**(440,488)**	(517,583)
Gross profit		**182,944**	230,952
Selling expenses	7	**(34,685)**	(32,567)
Administrative expenses	7	**(85,847)**	(78,051)
Other gains/(loss) — net	6	**3,503**	(821)
Operating profit		**65,915**	119,513
Finance income	9	**159**	925
Finance costs	9	**(8,859)**	(8,298)
Finance costs — net	9	**(8,700)**	(7,373)
Share of loss of investments accounted for using the equity method	11	**(38)**	–
Profit before income tax		**57,177**	112,140
Income tax expense	12	**(7,090)**	(15,087)
Profit for the year		**50,087**	97,053
Profit attributable to:			
Owners of the Company		**50,087**	97,053
Earnings per share (expressed in RMB cents per share)			
— Basic and Diluted	13	**5.01**	11.14

The notes on pages 55 to 113 are integral parts of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Profit for the year	**50,087**	97,053
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**(2,253)**	(1,783)
Total comprehensive income for the year	**47,834**	95,270
Attributable to:		
Owners of the Company	**47,834**	95,270

The notes on pages 55 to 113 are integral parts of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2015	2014
	Note	**RMB'000**	RMB'000
Assets			
Non-current assets			
Property, plant and equipment	14	**58,677**	58,002
Intangible assets	15	**38,142**	20,736
Deferred income tax assets	27	**2,084**	3,277
Available-for-sale financial assets	16	**19,063**	–
Prepayments	18	**–**	5,000
Investments accounted for using the equity method	11	**26,942**	–
Other non-current assets	17	**1,322**	1,355
		146,230	88,370
Current assets			
Inventories	19	**122,775**	170,542
Trade and other receivables	18	**478,274**	348,362
Pledged bank deposits	20	**16,115**	6,668
Cash and cash equivalents	21	**62,082**	119,708
		679,246	645,280
Total assets		**825,476**	733,650
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	22	**7,933**	7,933
Share premium	22	**252,286**	252,286
Other reserves	24	**(58,031)**	(64,732)
Retained earnings	24	**209,185**	190,098
Total equity		**411,373**	385,585

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	25	**29,474**	–
Deferred income tax liabilities	27	**1,451**	1,821
		30,925	1,821
Current liabilities			
Trade and other payables	26	**200,562**	209,306
Current income tax liabilities		**5,646**	47,048
Borrowings	25	**176,970**	89,890
		383,178	346,244
Total liabilities		**414,103**	348,065
Total equity and liabilities		**825,476**	733,650
Net current assets		**296,068**	299,036
Total assets less current liabilities		**442,298**	387,406

The notes on pages 55 to 113 are integral parts of these consolidated financial statements.

The financial statements on pages 49 to 113 were approved for issue by the Board of Directors on 24 March 2016 and were signed on its behalf.

Lo Chi Sum
Director

Leung Wing Fai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Ordinary share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January, 2014		1	70,674	(68,729)	93,045	94,991
Comprehensive income						
Profit for the year		–	–	–	97,053	97,053
Other comprehensive income						
— currency translation differences		–	–	(1,783)	–	(1,783)
Total comprehensive income		–	–	(1,783)	97,053	95,270
Total contributions by and distributions to equity holders of the Company recognized directly in equity						
Issuance of new shares	22	1,983	212,819	–	–	214,802
Share issuance cost	22	–	(25,258)	–	–	(25,258)
Capitalisation issue of shares	22	5,949	(5,949)	–	–	–
Acquisition of a subsidiary		–	–	5,780	–	5,780
Total transaction with owners		7,932	181,612	5,780	–	195,324
Balance at 31 December , 2014		7,933	252,286	(64,732)	190,098	385,585
Balance at 1 January, 2015		**7,933**	**252,286**	**(64,732)**	**190,098**	**385,585**
Comprehensive income						
Profit for the year		**–**	**–**	**–**	**50,087**	**50,087**
Other comprehensive income						
— currency translation differences		**–**	**–**	**(2,253)**	**–**	**(2,253)**
Total comprehensive income		**–**	**–**	**(2,253)**	**50,087**	**47,834**
Total contributions by and distributions to equity holders of the Company recognized directly in equity						
Dividend to the shareholders	28	**–**	**–**	**–**	**(31,000)**	**(31,000)**
Employees share option scheme						
— value of employee services	23	**–**	**–**	**700**	**–**	**700**
Equity consideration for investment in an associate	11	**–**	**–**	**8,254**	**–**	**8,254**
Total transaction with owners		**–**	**–**	**8,954**	**(31,000)**	**(22,046)**
Balance at 31 December, 2015		**7,933**	**252,286**	**(58,031)**	**209,185**	**411,373**

The notes on pages 55 to 113 are integral parts of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Cash generated from operations	30	**7,661**	(61,190)
Interest paid		**(5,582)**	(4,237)
Income tax paid	30	**(47,287)**	(11,496)
Net cash used in operating activities		**(45,208)**	(76,923)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(11,263)**	(6,806)
Payment of pledged bank deposits		**(16,115)**	(2,371)
Collection of pledged bank deposits		**6,668**	4,909
Purchase of pledged key-man life insurance	16	**(18,689)**	–
Prepayment to purchase of intangible assets		**–**	(5,000)
Purchase of intangible assets		**(19,814)**	–
Prepayment for purchase of a subsidiary	18	**(16,756)**	(5,184)
Payment for purchase of an associate	11	**(18,726)**	–
Net cash used in investing activities		**(94,695)**	(14,452)
Cash flows from financing activities			
Proceeds from issue of new shares	22	**–**	214,802
Payment of share issuance costs	22	**–**	(25,258)
Proceeds from borrowings		**248,842**	100,047
Repayments of borrowings		**(132,288)**	(68,325)
Dividends paid to the shareholders		**(31,000)**	(60,000)
Net cash generated from financing activities		**85,554**	161,266
Net increase in cash and cash equivalents		**(54,349)**	69,891
Cash and cash equivalents at beginning of year	21	**119,708**	53,878
Exchange losses on cash and cash equivalents		**(3,277)**	(4,061)
Cash and cash equivalents at end of the year	21	**62,082**	119,708

The notes on pages 55 to 113 are integral parts of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Century Sage Scientific Holdings Limited (the "Company") was incorporated in the Cayman Islands on 18 December 2012 as an exempted company with limited liability under the Companies 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) sports event broadcast services, (iii) system maintenance services and (iv) the development and sales of broadcast and transmission equipment, as well as other related services, for the All-Media industry in the PRC. The Group has operations mainly in the mainland China.

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

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

The consolidated financial statements were approved for issue by the board of directors on 24 March 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which is carried at fair value.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

- Amendment to HKAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

- Amendments from annual improvements to HKFRSs–2010–2012 Cycle, on IFRS 8, 'Operating segments', HKAS 16, 'Property, plant and equipment' and HKAS 38, 'Intangible assets' and HKAS 24, 'Related party disclosures'.

- Amendments from annual improvements to HKFRSs–2011–2013 Cycle, on HKFRS 3, 'Business combinations', HKFRS 13, 'Fair value measurement' and HKAS 40, 'Investment property'.

The new and amended standards are not material to the Group.

(b) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- HKFRS 15, "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction contracts" and related interpretations. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(c) New standards and interpretations not yet adopted *(Continued)*

- HKFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually use for risk management purposes.

- Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKFRS 9's full impact.

- HKFRS 16, "Lease" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces HKAS 17 "Leases", and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to the entity adopting HKFRS 15 "Revenue from contracts with customers" at the same time. The Group is currently assessing the impact of HKFRS 16.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries

2.3.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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

Acquisition-related costs are expensed as incurred

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re- measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

2.3.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Associates

An associate is an entity over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Gain or losses on dilution of equity interest in associates are recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

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

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(3) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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

Buildings	20–40 years
Vehicles and machinery	3–5 years
Furniture and office equipment	3–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other (losses)/gains — net", in the consolidated statements of comprehensive income.

2.8 Intangible assets

(a) Goodwill

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Intangible assets *(Continued)*

(b) Customer relationship

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

(c) Computer software

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

(d) Technology know-how

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

(e) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new and improved products) or expenditures incurred in the development related to the application and infrastructure development are recognised as intangible assets when the following criteria are met:

— it is technically feasible to complete the product so that it will be available for use;
— management intends to complete the product and use or sell it;
— there is an ability to use or sell the product;
— it can be demonstrated how the product will generate probable future economic benefits;
— adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
— the expenditure attributable to the product during its development can be reliably measured.

Directly attributable costs that are capitalised include the development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense is not recognised as an asset in a subsequent period.

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables, at fair value through profit or loss and available-for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by the directors of the Company. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (Notes 2.13 and 2.14).

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Impairment of financial assets

(a) Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost comprises acquisition cost purchased from third parties includes purchase price, related taxes, transportation cost and insurance cost but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for goods sold and services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks. In the consolidated and entity balance sheet are shown within borrowings in current liabilities.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.19 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. The tax penalty and associated interests are accounted for as current income tax.

The Group recognises tax liabilities for anticipated tax audit issues based on a single best estimate of the most likely outcome approach. Estimated settlement cost such as penalty, where applicable, are recognised under current income tax liabilities in the consolidated statement of financial position and income tax expense in the consolidated income statement.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Current and deferred income tax *(Continued)*

(b) Deferred income tax *(Continued)*

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

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

(c) Offsetting

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

2.20 Employee benefits

(a) Retirement benefits

The Group provides defined contribution retirement plans based on local laws and regulations. The plans cover full-time employees and provide for contributions at certain percentage of salary as determined by the respective local government authorities. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

(b) Share-based payment transactions among group entities

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after elimination of sales made within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Group's turnover includes, separately or in combination, the sales of application solutions services with equipments, the provision of consultancy services, professional services, maintenance services, customer support services, extended warranty and other services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Revenue recognition *(Continued)*

(a) Sales of equipments and products

Sales of standard equipments and related products are recognised when the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) Application solutions services

The Group uses the 'percentage of completion method' to determine the appropriate amount of revenue to recognise in a given period for the services element of the application solutions services. The stage of completion is measured by reference to the costs incurred up to the balance sheet date as a percentage of total estimated costs.

When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, revenue is recognised as services are provided. When it is probable that total costs to service the contract will exceed total revenue allocated to application solutions service, the expected loss is recognised as an expense immediately. When the outcome of a application solutions service contract cannot be estimated reliably, revenue is recognised only to the extent of costs incurred that are likely to be recoverable.

(c) Consultancy services and professional services

Consultancy services and professional services are provided in the form of fixed-price contracts. Sales of these services are recognised in the period the services are provided according to the contract term.

(d) Maintenance, extended warranty, training, and other supporting services

Maintenance, extended warranty, training and other supporting services are provided in the form of fixed-price contracts. Sales of these services are recognised in the period the services are provided, using a straight-line basis over the term of the contract.

(e) Multiple element arrangements

The Group offers certain arrangements whereby a customer can purchase equipments together with certain of the related application solutions service. When such multiple element arrangements exist, the total arrangement consideration is allocated to each element based on their relative fair values, as determined based on the current market price of each of the elements when sold separately.

To the extent that there is a discount on the arrangement, such discount is allocated between the elements of the contract in such a manner as to reflect the fair value of the elements.

(f) Rental income

Rental income from operating lease of equipments is recognised in the income statement on a straight-line basis over the term of the lease.

2.23 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.25 Dividend distribution

Dividend distribution to the Company's ordinary and preferred shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or board of directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, HK dollar and the GBP. Foreign exchange risk arose from future commercial transactions, recognised assets and liabilities which are not denominated in RMB.

Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to control the exposure of the foreign currency during the business operation. The foreign currency exposure is mainly due to the purchase of the equipments from all over the world and the management control the payment schedule to reduce the foreign exchange risk.

At 31 December 2015, if USD had weakened/strengthened by 5% against the RMB with all other variables held constant, post-tax profit for the year would have been RMB 466,000 (2014:RMB2,430,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of USD denominated cash and cash equivalents, trade and other receivables, trade and other payables.

At 31 December 2015, if HKD had weakened/strengthened by 5% against the RMB with all other variables held constant, post-tax profit for the year would have been RMB3,427,000 (2014: RMB265,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of HKD denominated cash and cash equivalents, trade and other receivables, trade and other payables and borrowings.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign exchange risk (Continued)

At 31 December 2015, if GBP had weakened/strengthened by 5% against the RMB with all other variables held constant, post-tax profit for the year would have been RMB203,000 (2014:RMB59,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of GBP denominated cash and cash equivalents, trade and other receivables, trade and other payables and borrowings.

At 31 December 2015, if EUR had weakened/strengthened by 5% against the RMB with all other variables held constant, post-tax profit for the year would have been RMB 37,000 (2014:RMB197,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of EUR denominated cash and cash equivalents, trade and other receivables, trade and other payables and borrowings.

(ii) Interest rate risk

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

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

As at 31 December 2015, if the interest rate on all borrowings had been 10% higher/lower with all other variables held constant, the Group's profit after tax for the year would have been decreased/increased by approximately RMB455,000 (2014:RMB327,000) respectively, mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

(iii) Price risk

The Group is exposed to equity price risk because of investments financial assets held by the Group and classified on the consolidated balance sheet either as available-for-sale financial assets or at fair value through profit or loss. The Group is not exposed to commodity price risk.

The Group's investments in equity would depend on the operation of the invested entity. Post-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale.

The Group is not exposed to equity securities price risk.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

Credit risk arises mainly from trade and other receivables and cash at bank. The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheets.

The credit risk of bank balances is limited because the counterparties are banks with good reputation and most of them are the state-owned banks.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure the follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balance at the end of each reporting periods to ensure adequate impairment losses are made for irrecoverable amounts. Given the constant repayment history, the directors are of the view that the risk of default by these counterparties is low.

As at 31 December 2015, there were five customers contributed over 38% (2014:68%) of the Group's total trade and other receivables.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and longer term. Management believes there is no significant liquidity risk as the Group has sufficient committed facilities to fund their operations.

The following table details the remaining contractual maturities at each of the reporting dates during the period of Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the year end dates during the year) and the earliest date the Group may be required to pay.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

Group

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000
At 31 December, 2015			
Trade and other payables			
(excluding non-financial liability)	**158,994**	**–**	**–**
Borrowings(including interest)	**180,880**	**27,358**	**2,764**
At 31 December, 2014			
Trade and other payables			
(excluding non-financial liability)	106,996	–	–
Borrowings(including interest)	92,164	–	–

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings include 'current and non-current borrowings' as shown in the consolidated balance sheets. Total capital is calculated as 'equity' as shown in the consolidated balance sheets plus net debt. Management considers the gearing ratio not applicable when the net debt is below zero.

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Total borrowings	**206,444**	89,890
Total equity	**411,373**	385,585
Total capital	**617,817**	475,475
Gearing ratio	**33%**	19%

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation

The table below analyses the group's financial instruments carried at fair value as at 31 December 2015 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Financial assets and liabilities are measured and recognized at fair value on a recurring basis and classified under the appropriate level of the fair value hierarchy.

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 31 December 2015.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Available-for-sale financial assets	–	–	**19,063**

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

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise commodity futures contracts.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, foreign exchange forward contracts) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

(c) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2015 and 2014:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
At beginning of the year	**–**	4,189
Addition	**18,689**	–
Fair value adjustment	**374**	(1,121)
Disposal	**–**	(3,068)
At end of the year	**19,063**	–

Valuation has been performed based on cash flows discounted using a rate based on the market interest and risk premium specific to the equity instrument.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.8(a). The recoverable amounts of cash-generating units ("CGU") have been determined based on value-in-use calculations. These calculations require the use of estimates.

According to the valuations results produced by the management of the Company based on the assumptions as disclosed in Note 15, management considered that no impairment charge was required against goodwill arising from acquisitions.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(b) Impairment of trade and other receivable

Management reviews its trade and other receivables for objective evidence of impairment. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered as objective evidence that a receivable is impaired. In determining this, management makes judgments as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect on the market and economic environment in which the debtor operates in. Where there is objective evidence of impairment, management makes judgments as to whether an impairment loss should be recorded as an expense.

Provision for impairment of trade and other receivables of the Group for the years ended 31 December 2015 are RMB1,133,000 (2014:RMB849,000) respectively.

(c) Recognition of income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(d) Revenue recognition

The Group uses the percentage-of-completion method in accounting for its contracts to deliver application solutions services. The stage of completion is measured by reference to the services performed to date compared to the estimated total costs for the contract. Significant assumptions are required to estimate the total contract costs and in making these estimates, management has relied on past experience and industry knowledge. Management monitors the progress of the contracts and reviews periodically the estimated total costs for each contract as the contract progresses. If the actual costs differ from management's estimates, the revenue cost of sales and provision for foreseeable losses would be adjusted.

As discussed in Note 2.22(e), for arrangements where multiple elements are provided to a customer, the Group would allocate the total arrangement consideration to each element. The margin allocated to service and equipment component would be determined with reference to the fair value of service only application solutions contract and equipment sales contract respectively. In determining this, management uses estimates by referring to the relative fair value. Given that the different element's revenue recognition time is different, the difference in the allocation of the price of each element would have impact to the amount of the revenue recognised in the each period.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(e) Impairment of inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value when there is an objective evidence that the cost of inventories may not be recoverable. The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also be not recoverable if the estimated costs to be incurred to make the sale have increased. The amount written off to the income statement is the difference between the carrying value and net realizable value of the inventories. In determining whether the cost of inventories can be recoverable, significant judgment is required. In making this judgment, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

5 SEGMENT INFORMATION

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

The Group has the following reportable segments during the year:

- Application solutions (including "Production and broadcast" and "Transmission")
- Sport event broadcast services
- System maintenance services
- Equipment development and sales

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

5 SEGMENT INFORMATION *(Continued)*

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

	Year ended 31 December 2015 RMB'000	2014 RMB'000
Segment revenue		
Application solutions		
— Production and broadcast	**385,984**	420,500
— Transmission	**128,770**	212,387
Subtotal	**514,754**	632,887
Sports event broadcast services	**57,397**	55,894
System maintenance services	**17,547**	27,165
Equipment development and sales	**33,734**	32,589
Total	**623,432**	748,535
Segment cost		
Application solutions		
— Production and broadcast	**(294,609)**	(316,418)
— Transmission	**(93,261)**	(143,402)
Subtotal	**(387,870)**	(459,820)
Sports event broadcast services	**(28,467)**	(29,235)
System maintenance services	**(8,592)**	(13,179)
Equipment development and sales	**(15,559)**	(15,349)
Total	**(440,488)**	(517,583)
Segment gross profit		
Application solutions		
— Production and broadcast	**91,375**	104,082
— Transmission	**35,509**	68,985
Subtotal	**126,884**	173,067
Sports event broadcast services	**28,930**	26,659
System maintenance services	**8,955**	13,986
Equipment development and sales	**18,175**	17,240
Total	**182,944**	230,952
Depreciation		
Application solutions		
— Production and broadcast	**5,909**	5,332
— Transmission	**1,968**	2,693
Subtotal	**7,877**	8,025
Sports event broadcast services	**917**	709
System maintenance services	**292**	344
Equipment development and sales	**517**	413
Total	**9,603**	9,491

5 SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2015, only one customer which is located in the PRC, accounted for greater than 10% of the Group's total revenues:

	Year ended 31 December			
	2015		2014	
	Amount	**% of total revenue**	Amount	% of total revenue
	RMB'000		RMB'000	
Customer A	**129,284**	**21%**	153,701	21%

Substantial amount of revenues of the Group were derived from the business carried out in the PRC. The revenue from external customers in the PRC and other countries and districts are disclosed as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Revenue		
Mainland China	**561,588**	721,371
Macau	**19,253**	12,478
Hong Kong	**32,101**	10,414
Others	**10,490**	4,272
	623,432	748,535

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Total of non-current assets other than deferred tax assets,available-for-sales financial assets, and investment in associates		
Mainland China	**98,141**	85,093

5 SEGMENT INFORMATION *(Continued)*

Breakdown of the revenue from all services is as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Analysis of revenue by category		
Sales of goods	**548,488**	665,476
Revenue from services	**74,944**	83,059
	623,432	748,535

6 OTHER GAINS/(LOSS) — NET

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Insurance reimbursement	**11**	3
Losses from disposal of property, plant and equipment	**(985)**	(305)
Fair value change in available-for-sale financial assets	**374**	(1,121)
Government grants	**3,070**	–
Others	**1,033**	602
	3,503	(821)

7 EXPENSE BY NATURE

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Inventory costs (Note 19)	405,621	465,632
Servicing and agency costs	11,326	23,304
Employee benefit expenses (Note 8)	73,769	59,471
Transportation costs	8,048	8,730
Business tax and other transaction taxes	1,203	3,245
Depreciation expense (Note 14)	9,603	9,491
Amortisation expenses of Intangible assets (Note 15)	2,408	169
Business development	5,716	7,644
Travelling and transportation expenses	12,076	11,121
Exhibition and conference	731	3,052
Advertising costs	3,440	1,122
Auditor's remuneration	2,700	2,500
Legal fee and professional charges	6,852	2,162
Operating lease rentals	4,241	3,137
Office expenses	5,471	4,994
Provision for inventory obsolescence (Note 19)	652	(335)
Provision for bad debts (Note 18)	284	507
Bank charges	2,645	1,184
Share issuance cost (Note 22)	–	19,091
Others	4,234	1,980
	561,020	628,201

8 EMPLOYEE BENEFIT EXPENSES (EXCLUDING DIRECTOR'S EMOLUMENTS)

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Wages and salaries	52,835	39,971
Bonus	6,445	11,295
Welfare and other allowance	8,503	4,711
Pension costs — defined contribution plans	5,286	3,494
Share based compensation expenses (Note 23)	700	–
	73,769	59,471

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

(a) Pension costs — defined contribution plans

The Group has arranged for its Hong Kong employees to join the MPF Scheme. Under the MPF Scheme, each of the Group companies (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employers and employees are subject to a cap of HK$1500 per month and thereafter contributions are voluntary.

Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on fixed percentage of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefit of the employees during the year.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the group for the year are 5 directors (2014:5 directors) whose emoluments are reflected in the analysis shown in Note 35. There is no emoluments payable to other individuals during the year (2014: none).

9 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Finance expenses		
— Interest expenses on bank borrowings	**(5,582)**	(4,237)
— Net foreign exchange loss	**(3,277)**	(4,061)
	(8,859)	(8,298)
Finance income		
— Interest income on short-term bank deposits	**159**	925
Net finance costs	**(8,700)**	(7,373)

10 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2015:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Effective equity interests held
Directly owned:				
Century Sage Scientific International Limited ("CSS International")	British virgin islands ("BVI"), limited liability company	Investment holding company, Hong Kong	10,000 ordinary shares of USD1 each	100%
Indirectly owned:				
Cortesia Limited ("Cortesia")	BVI, limited liability company	Investment holding company, Hong Kong	1 ordinary shares of USD1 each	100%
Century Sage Scientific Group Ltd ("CSS Group Ltd")	BVI, limited liability company	TV broadcast application solutions industry, the PRC	1 ordinary shares of USD50 each	100%
Century Sage Scientific Solutions Limited	BVI, limited liability company	Investment holding company, Hong Kong	1 ordinary shares of USD1 each	100%
北京世紀睿科系統技術有限公司 (Beijing Century Sage Scientific System and Technology Company Limited) ("CSS Beijing")	The PRC, limited liability company	TV broadcast application solutions industry, the PRC	20,000,000 ordinary shares of RMB 1 each	100%
北京世紀睿科工程技術有限公司 (Beijing Century Sage Scientific Engineering and Technology Company Limited) ("CSS Engineering")	The PRC, limited liability company	TV broadcast application solutions industry, the PRC	500,000 ordinary Shares of RMB 1 each	100%
Times Sage Tech Ltd	BVI, limited liability company	TV broadcast system integration industry, the PRC	1 ordinary Shares of 1USD each	100%
時代華睿(北京)科技有限公司 (Times Sage (Beijing) Tech Company Limited) ("TST Beijing")	The PRC, limited liability company	TV broadcast application solutions industry, the PRC	12,000,000 ordinary shares of RMB1 each	100%
EverTop Technology (Int'l) Limited	Hong Kong ("HK"), limited liability company	TV broadcast application solutions industry, the PRC	2 ordinary Shares of HKD1 each	100%
北京永達天恒文化傳媒有限公司 (Beijing Evertop Culture Media Co.Ltd, formerly known as Beijing Yongda Tianheng International Digital and Technology Co., Ltd)	The PRC, limited liability company	TV broadcast application solutions industry, the PRC	12,000,000 ordinary Shares of RMB1 each	100%
Cogent Technologies Limited (formerly known as CGT Technologies Limited)	BVI, limited liability company	TV broadcast application solutions industry, the PRC	1 ordinary shares of USD1 each	100%
Cogent Tech (Asia) Limited	HK, limited liability company	Investment Holding Company, Hong Kong	1 ordinary Shares of HKD1 each	100%
高駿(北京)科技有限公司 (Gao Jun (Beijing) Technology Company Limited) ("CTL Beijing")	The PRC, limited liability company	TV broadcast application solutions industry, the PRC	11,000,000 ordinary Shares of RMB1 each	100%
Century Sage Scientific (HK) Limited ("CSS (HK)")	HK, limited liability company	TV broadcast application solutions industry, Hong Kong	10,000 ordinary shares of HKD1 each	100%
Fineone International Limited.	BVI, limited liability company	Equipment trading , the PRC	1 ordinary Shares of USD 1 each	100%
TV Logic Technology Limited	BVI, limited liability company	Equipment trading, the PRC	1 ordinary Shares of USD1 each	100%

10 SUBSIDIARIES *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Effective equity interests held
NI systems Limited	BVI, limited liability company	Equipment trading, the PRC	1 ordinary Shares of USD 1 each	100%
天維通達(北京)數碼科技有限公司 (Tianwei Tongda (Beijing) Digital Technology Company Limited)	The PRC, limited liability company	TV broadcast application solutions industry, the PRC	6,000,000 ordinary shares of RMB 1 each	100%
上海精視信息技術有限責任公司 (Shanghai Accurate Video Info-Tech Co., Limited) ("AVIT")	The PRC, limited liability company	R&D of TV broadcasting and multi-media production , the PRC	4,500,000 ordinary shares of RMB 1 each	100%

The amount recognised in the balance sheet is as follows:

	2015 RMB'000	2014 RMB'000
Associates	**26,942**	–

The amounts recognised in the income statement are as follows:

	2015 RMB'000	2014 RMB'000
Associates	**(38)**	–

Investment in a associate

Set out below is the associate of the Group as at 31 December 2015 which, in the opinion of the directors, is immaterial to the Group. The associate as listed below has share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Name of entity	Place of business, country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Beijing Gefei Technology Development Company Limited* (北京格非科技發展有限公司) ("Beijing Gefei")	Beijing	49%	associate	Equity

(i) In December 2015, the group acquired 49% equity interest of Beijing Gefei at a total consideration of RMB26,980,000 which shall be settled by the Company by a combination of cash in the amount of RMB18,726,000, and allocations of 8,396,000 shares of the Company's shares at fair value of RMB8,254,000. The principal activities of Beijing Gefei includes research and development of software and equipment and sales of software system for the All-Media industry in the PRC.

10 SUBSIDIARIES *(Continued)*

Summarised financial information for associates

Set out below are the summarised financial information for Beijing Gefei, which is accounted for using the equity method.

Summarised balance sheet

	As at 31 December 2015 RMB'000
Current	
Assets	92,747
Liabilities	(58,686)
Total current net assets	34,061
Non-current	
Assets	24,583
Liabilities	(3,583)
Total non-current net assets	21,000
Net assets	55,061

Summarised statement of comprehensive income

	Year ended 31 December 2015 RMB'000
Revenue	68,262
Profit before income tax	7,082
Income tax expense	(67)
Total comprehensive income	7,015

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in associates.

Summarised financial information	As at 31 December 2015 RMB'000
Opening net assets	55,061
Profit for the period	(77)
Closing net assets	54,984
Interest in associates (49%)	26,942
Carrying value	26,942

12 INCOME TAX EXPENSE

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Current income tax — PRC enterprise income tax	6,506	16,955
Adjustments in respect of prior years	(239)	(2,155)
Withholding income tax	–	1,000
Deferred income tax (Note 27)	823	(713)
Income tax expense	7,090	15,087

12 INCOME TAX EXPENSE *(Continued)*

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Profit before income tax	**57,177**	112,140
Tax calculated at statutory tax rates applicable to profits in the respective companies	**14,294**	28,035
Tax effects of		
— Expenses not deductible for tax purpose	**2,454**	2,052
— Adjustments in respect of prior years	**(239)**	(2,155)
— Withholding income tax	**–**	1,000
— Effect of preferential tax rate	**(9,419)**	(13,845)
Income tax expense	**7,090**	15,087

Cayman Islands income tax

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

BVI income tax

The Company's subsidiaries in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from the British Virgin Islands income tax.

Hong Kong profits tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate at 16.5% for the years ended 31 December 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 two years.

PRC enterprise income tax ("EIT")

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

CSS Beijing and TST Beijing have obtained the High and New Technology Enterprise ("HNTE") qualification, in which the applicable income tax rate during the approved period is 15%.

CTL Beijing obtained a "Software Production Enterprise" qualification in 2012. According to the law on corporate income tax Caishui201227 and Guofa20114, CTL Beijing is entitled to enjoy the preferential taxation policy of "two year exemptions and three year 50% reduction on EIT". Hence, the applicable EIT tax rate for CTL Beijing is 0% for the years ended 31 December 2012 and 2013, and 12.5% for the years ending 31 December 2014, 2015 and 2016.

12 INCOME TAX EXPENSE *(Continued)*

PRC withholding tax

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

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

13 EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the years ended 31 December 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:

	Year ended 31 December	
	2015	2014
Profit attributable to owners of the Company (in RMB'000)	**50,087**	97,053
Weighted average number of ordinary shares in issue (in thousand) (i)	**1,000,621**	871,233
Basic earnings per share (RMB cents per share)	**5.01**	11.14

(i) The calculation of basic earnings per share for year ended 31 December 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.

The calculation of basic earnings per share for year ended 31 December 2015 was adjusted by considering the impact of 8,396,000 shares of the Company's shares to be issued related to the acquisition of 49% equity interest in Beijing Gefei (Note 7).

(b) Diluted

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

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Vehicles and machinery RMB'000	Furniture fittings and other equipment RMB'000	Total RMB'000
Cost				
At 1 January 2014	55,955	11,988	10,107	78,050
Additions	1,053	3,204	2,549	6,806
Disposals	–	(411)	(74)	(485)
Acquisition of a subsidiary	–	–	1,102	1,102
At 31 December 2014	57,008	14,781	13,684	85,473
Accumulated depreciation				
At 1 January 2014	(6,515)	(5,670)	(5,975)	(18,160)
Disposals	–	174	6	180
Change for the year (Note 5)	(4,146)	(4,163)	(1,182)	(9,491)
At 31 December 2014	(10,661)	(9,659)	(7,151)	(27,471)
Net book value				
At 31 December 2014	46,347	5,122	6,533	58,002
Cost				
At 1 January 2015	57,008	14,781	13,684	85,473
Additions	662	6,864	3,737	11,263
Disposals	(1,895)	(32)	(184)	(2,111)
At 31 December 2015	55,775	21,613	17,237	94,625
Accumulated depreciation				
At 1 January 2015	(10,661)	(9,659)	(7,151)	(27,471)
Disposals	1,498	(193)	(179)	1,126
Change for the year	(3,318)	(4,628)	(1,657)	(9,603)
At 31 December 2015	(12,481)	(14,480)	(8,987)	(35,948)
Net book value				
At 31 December 2015	43,294	7,133	8,250	58,677

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

14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation expense of RMB8,956,000 (2014:RMB8,127,000) for the year ended 31 December 2015 has been charged in administrative expenses. Depreciation expense of RMB647,000 (2014:RMB1,364,000) for the year ended 31 December 2015 has been charged in cost of sales.

As at 31 December 2015, the buildings with the cost amounting to RMB66,353,000 (2014:RMB51,722,000) have been pledged for a mortgage loan of RMB25,000,000 (2014:RMB26,000,000) (Note 25).

15 INTANGIBLE ASSETS

	Goodwill RMB'000	Computer software RMB'000	Customer relationships RMB'000	Technical Knowhow RMB'000	Total RMB'000
Year ended 31 December 2014					
Opening net book amount	–	–	–	–	–
Additions	–	207	–	–	207
Acquisition of a subsidiary	12,100	2,798	4,609	1,191	20,698
Amortisation charge	–	(72)	(77)	(20)	(169)
Closing net book amount	12,100	2,933	4,532	1,171	20,736
At 31 December 2014					
Cost	12,100	3,005	4,609	1,191	20,905
Accumulated amortisation	–	(72)	(77)	(20)	(169)
Net book value	12,100	2,933	4,532	1,171	20,736
Year ended 31 December 2015					
Opening net book amount	12,100	2,933	4,532	1,171	20,736
Additions	–	15,000	–	4,814	19,814
Amortisation charge	–	(998)	(1,071)	(339)	(2,408)
Closing net book amount	12,100	16,935	3,461	5,646	38,142
At 31 December 2015					
Cost	12,100	18,005	4,609	6,005	40,719
Accumulated amortisation	–	(1,070)	(1,148)	(359)	(2,577)
Net book value	12,100	16,935	3,461	5,646	38,142

Amortisation expense of RMB2,408,000 (2014: RMB169,000) for the years ended 31 December 2015 has been charged in administrative expenses.

15 INTANGIBLE ASSETS *(Continued)*

Impairment tests for goodwill

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

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

The key assumptions used for value-in-use calculations as at 31 December 2015 are as follows:

	As at 31 December 2015
Gross margin	**66.6%**
Growth rate	**4.0%**
Discount rate	**12.0%**

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

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

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

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
At beginning of the year	**–**	4,189
Addition	**18,689**	–
Fair value adjustment	**374**	(1,121)
Disposal	**–**	(3,068)
At end of the year	**19,063**	–

The available-for-sale financial assets in 2015 represented a key-man life insurance policy. The Group is the beneficiary of the insurance policies. The insurance policy was pledged to the bank as securities for certain facilities granted to the Group.

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

Discounted cash flow ("DCF") model was applied to determine the fair value of the investments in key-man life insurance policies. The significant assumptions and inputs used in the DCF model were as follows:

	As at 31 December 2015
Mortality rate	**0.15%**
Discount rate	**2.2%**

17 OTHER NON-CURRENT ASSETS

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

18 TRADE AND OTHER RECEIVABLES

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Included in non-current assets		
Prepayments	**–**	5,000
Included in current assets		
Trade receivables	**371,749**	278,674
Less: provision for impairment of trade receivable	**(1,133)**	(849)
Trade receivables — net	**370,616**	277,825
Other receivables		
Amount due from customers for contract work	**1,866**	1,365
Deposit for guarantee certificate over tendering and performance	**30,533**	13,278
Prepayments	**35,251**	38,001
Deposit for acquisition of a subsidiary	**16,756**	–
Cash advance to employees	**6,914**	7,818
Others	**16,338**	10,075
Current portion	**478,274**	348,362
	478,274	353,362

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

18 TRADE AND OTHER RECEIVABLES *(Continued)*

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
The aggregate costs incurred and recognised profits to date	**1,866**	1,365
Less: Progress billings	**–**	(178)
Net balance sheet position for ongoing contracts	**1,866**	1,187

(ii) Deposits for guarantee certificate over tendering and performance are placed with third parties for performing the contracts and the deposits are interest free and will be returned when the contracts complete.

(iii) The amount represented a refundable deposit paid related to an proposed acquisition of 100% equity interest of an target company amounting to HKD20,000,000 (equivalent RMB16,756,000). Due to certain conditions precedent as set out in the agreement have not been satisfied or waived as at 31 December 2015, the acquisition will not proceed and the related deposit is to be repaid to the group.

(iv) 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 so 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 2015, the ageing analysis of the trade receivables based on revenue recognition date is as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Up to 3 months	**144,065**	137,438
3 to 6 months	**69,260**	54,358
6 months to 1 year	**57,353**	57,328
1 to 2 years	**74,198**	28,169
2 to 3 years	**25,919**	1,065
Over 3 years	**954**	316
	371,749	278,674

As of 31 December 2015, trade and other receivables of RMB226,730,000 (2014:RMB140,387,000) were over 3 months but not impaired. These relate to a number of independent customers with good reputation and background. No impairment allowance was made in respect of these balances.

18 TRADE AND OTHER RECEIVABLES *(Continued)*

The ageing analysis of these trade receivables is as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
3 to 6 months	**69,260**	54,358
6 months to 1 year	**57,353**	57,328
1 to 2 years	**74,198**	28,169
2 to 3 years	**25,919**	1,065
	226,730	140,920

As of 31 December 2015, trade and other receivables of RMB1,133,000 (2014:RMB849,000) were impaired. The amount of the provision was RMB1,133,000 (2014: RMB849,000) as of 31 December 2015. The impaired receivables mainly relate to customers which are in unexpected financial difficulties.

The ageing of these receivables is as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
2 to 3 years	**743**	533
Over 3 years	**390**	316
	1,133	849

18 TRADE AND OTHER RECEIVABLES *(Continued)*

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Trade receivables		
RMB	**357,448**	249,532
United State Dollar ("USD")	**11,466**	26,293
Hong Kong Dollar ("HKD")	**1,702**	2,000
	370,616	277,825
Other receivables		
RMB	**70,614**	59,442
Hong Kong Dollar ("HKD")	**19,508**	1,337
United State Dollar ("USD")	**17,180**	10,633
Euro ("EUR")	**356**	3,173
British Sterling ("GBP")	**–**	952
	107,658	75,537
	478,274	353,362

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
At beginning of the year	**(849)**	(342)
Provision for impairment	**(284)**	(507)
At end of the year	**(1,133)**	(849)

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

As of 31 December 2015, the trade receivables amounting to RMB26,735,001 (2014:RMB21,277,000) were pledged for a secured bank loan of RMB14,000,000 (2014:RMB20,500,000) (Note 25).

19 INVENTORIES

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Equipments and parts	**99,093**	60,020
Contract work in progress	**26,319**	112,507
	125,412	172,527
Provision for inventory	**(2,637)**	(1,985)
	122,775	170,542

The cost of inventories recognised as expense is included in 'cost of sales' amounted to RMB 405,621,000 (2014: RMB465,632,000) for the year ended 31 December 2015.

20 PLEDGED BANK DEPOSITS

The amounts represent deposits placed in banks for guarantees issued for trade finance facilities used by the Group. The deposits have a maturity period within one year and carry interest rate range from 0.3% to 0.7% per annum for the years ended 31 December 2015 (2014:0.35% to 0.5%).

21 CASH AND CASH EQUIVALENTS

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Cash on hand	**186**	83
Cash at banks	**61,896**	119,625
Cash and cash equivalents	**62,082**	119,708

21 CASH AND CASH EQUIVALENTS *(Continued)*

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
RMB	**59,458**	61,349
HKD	**2,027**	35,609
USD	**547**	21,567
GBP	**36**	500
Others	**14**	683
	62,082	119,708

The conversion of RMB into foreign currencies for the purpose of dividends is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The effective interest rate on cash deposits ranged from 0.3% to 0.7% per annum for the year ended 31 December 2015 (2014:0.35% to 0.5%).

22 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Share premium	Total
		HK$'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	10,000	1	1	70,674	70,675
Sub-division of shares (i)	90,000	–	–	–	–
Capitalisation issue (ii)	749,900,000	7,499	5,949	(5,949)	–
Issuance of ordinary shares (iii)	250,000,000	2,500	1,983	212,819	214,802
Share issuance costs(iv)	–	–	–	(25,258)	(25,258)
Balance at 31 December 2014 and 31 December 2015	1,000,000,000	10,000	7,933	252,286	260,219

22 SHARE CAPITAL AND SHARE PREMIUM *(Continued)*

(i) Sub-division of shares

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

(ii) Capitalisation issue

Pursuant to a written resolution of all the shareholders of the Company passed on 13 June 2014 and conditional on the share premium account of the Company being credited as a result of the issue of new shares pursuant to the initial public offering of the Company's shares, the Company issued additional 749,900,000 shares, credited as fully paid, to the existing shareholder of the Company. The company's share was listed on the Main Board of the Stock Exchange of Hong Kong on 7 July 2014.

(iii) Issuance of new ordinary shares

On 7 July, 2014, upon its listing on the Main Board of the Stock Exchange of Hong Kong Limited, the Company issued 250,000,000 new ordinary shares at par value of HK$0.01 per share for cash consideration of HK$1.08 each, and raised gross proceeds of approximately HKD270,000,000 (equivalent to RMB214,802,000).

(iv) Share issuance costs

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

23 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 in April 2015, representing 14,216,000 shares. 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.

Total expenses of RMB 700,000 were recognized in the consolidated statement of comprehensive income for the year.

Since the share option pricing model requires input of highly subjective assumptions, fair values calculated are therefore inherently subjective and the model may not necessarily provide a reliable measure of share option expense.

23 SHARE BASED PAYMENTS *(Continued)*

(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 31 December 2015	14,216,000

Details of the exercise prices and the respective numbers of share options which remained outstanding as at 31 December 2015 are as follows:

Exercisable period	Exercise price	Number of share options outstanding 31 December 2015
Tranche I	HK$1.84	7,108,000
Tranche II	HK$1.84	7,108,000
		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 RMB 5,983,264. 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.

24 RESERVES AND RETAINED EARNINGS

	Other reserves					
	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 year	–	–	–	–	97,053	97,053
Dividends relating to 2014	–	–	–	–	–	–
Currency translation difference	–	(1,783)	–	–	–	(1,783)
Acquisition of a subsidiary	–	–	5,780	–	–	5,780
Balance at 31 December 2014 and 1 January 2015	(70,612)	(1,770)	5,780	1,870	190,098	125,366
Profit for the year	–	–	–	–	50,087	50,087
Dividends relating to 2014	–	–	–	–	(31,000)	(31,000)
Share option reserve (Note 23)	–	–	700	–	–	700
Equity consideration for investment in an associate (Note 11)	–	–	8,254	–	–	8,254
Currency translation difference	–	(2,253)	–	–	–	(2,253)
Balance at 31 December 2015	(70,612)	(4,023)	14,734	1,870	209,185	151,154

25 BORROWINGS

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Non-current		
Bank borrowings	**29,474**	–
Current		
Bank borrowings	**176,970**	89,890
Total borrowings	**206,444**	89,890

Bank borrowings bear effective interest rate of 6.1% (2014:6.0%) annually for the year ended 31 December 2015.

As at 31 December 2015, the scheduled repayment dates of the Group's bank borrowing, as set out in loan arrangements without considering the effect of any repayment on demand clause, are as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Within 1 year	**176,970**	89,890
Between 1 and 2 years	**26,796**	–
Between 2 and 5 years	**2,678**	–
	206,444	89,890

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Wholly repayable within 5 years	**206,444**	89,890

As at 31 December 2015, bank borrowings of RMB77,400,000 (2014:RMB61,500,000) are secured by the buildings of the Group, cost of which amounting to RMB66,353,000 (2014:RMB51,722,000) (Note 14), trade receivables of RMB 26,735,000 (2014:RMB21,277,000) (Note 18), and guaranteed by Beijing Zhongguancun Sic-tech Financing Guarantee Co., Ltd.

25 BORROWINGS *(Continued)*

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
6 months or less	**176,970**	89,890

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount		Fair Value	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank borrowings	**29,474**	–	**30,122**	–

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 6.1% (2014: 6.0%) and are within level 2 of the fair value hierarchy.

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
HKD	**102,636**	20,890
RMB	**103,808**	69,000
	206,444	89,890

26 TRADE AND OTHER PAYABLES

	Year ended 31 December 2015 RMB'000	2014 RMB'000
Trade payables	**95,501**	34,602
Amounts due to customers for contract work	**–**	178
Advances from customers	**40,888**	101,800
Employee benefits payable	**3,719**	7,037
Other taxes payable	**51,797**	56,608
Receipt in advance	**680**	510
Accrual for professional service fee	**2,558**	2,193
Others	**5,419**	6,378
	200,562	209,306

At 31 December 2015 the ageing analysis of the trade payables based on invoice date is as follows:

	Year ended 31 December 2015 RMB'000	2014 RMB'000
Up to 3 months	**77,193**	18,435
3 to 6 months	**2,850**	4,969
6 months to 1 year	**4,748**	388
1 to 2 years	**7,077**	8,030
2 to 3 years	**962**	1,002
Over 3 years	**2,671**	1,778
	95,501	34,602

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

	Year ended 31 December 2015 RMB'000	2014 RMB'000
RMB	**65,219**	15,686
USD	**18,227**	16,982
GBP	**5,705**	428
HKD	**530**	42
EUR	**4,620**	1,464
JPY	**1,200**	–
	95,501	34,602

27 DEFERRED INCOME TAX

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

	Year ended 31 December 2015 RMB'000	2014 RMB'000
Deferred tax assets:		
— Deferred tax asset to be recovered after more than 12 months	**1,616**	1,130
— Deferred tax asset to be recovered within 12 months	**468**	2,147
	2,084	3,277
Deferred tax liabilities:		
— Deferred tax liabilities to be recovered after more than 12 months	**1,081**	1,451
— Deferred tax liabilities to be recovered within 12 months	**370**	370
	1,451	1,821
Deferred tax assets — net	**633**	1,456

The movement in deferred income tax assets is as follows:

	Provision for impairment loss on trade and other receivables RMB'000	Provision for inventory obsolescence RMB'000	Accrued payroll expenses RMB'000	Tax losses RMB'000	Total RMB'000
Deferred tax assets					
At 1 January 2014	41	201	1,285	1,068	2,595
Credited to the income statement	76	75	469	62	682
At 31 December 2014	117	276	1,754	1,130	3,277
Credited to the income statement	53	22	(1,754)	486	(1,193)
At 31 December 2015	**170**	**298**	**–**	**1,616**	**2,084**

27 DEFERRED INCOME TAX *(Continued)*

The movement in deferred income tax liabilities is as follows:

	Fair value surplus arising from acquisition of subsidiaries RMB'000
Deferred tax liabilities	
At 1 January 2014	–
Acquisition of a subsidiary	1,852
Credited to the income statement	(31)
At 31 December 2014	1,821
Credited to the income statement	(370)
At 31 December 2015	1,451

As at 31 December 2015, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside of the PRC, for which no deferred income tax liability had been provided, were approximately RMB83,792,000 (2014:RMB85,588,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to a foreign investor in the foreseeable future based on management's estimation of overseas funding requirements.

28 DIVIDENDS

Pursuant to the resolutions by the annual general meeting of the Company held on 15 June 2015, a final dividend of RMB0.031 per ordinary share amounting to RMB31,000,000 for the year ended 31 December 2014 was approved and paid to the shareholders.

The board of directors has resolved not to declare a final dividend for the year ended December 31, 2015.

	2015 **RMB'000**	2014 RMB'000
Interim dividend paid of RMB- (2014: RMB nil) per ordinary share	–	–
Proposed final dividend of RMB — (2014: RMB0.031) per ordinary share	–	31,000
	–	31,000

29 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables RMB'000	Available-for-sale RMB'000	Total RMB'000
At 31 December 2015			
Assets as per balance sheet			
Available-for-sale financial assets	–	19,063	19,063
Trade and other receivables excluding prepayments	443,023	–	443,023
Cash and cash equivalents	62,082	–	62,082
Restricted cash	16,115	–	16,115
	521,220	19,063	540,283

	Other financial liabilities at amortised cost RMB'000
At 31 December 2015	
Liabilities as per balance sheet	
Borrowings	206,444
Trade and other payables excluding non-financial liabilities	200,562
	407,006

	Loans and receivables RMB'000
At 31 December 2014	
Assets as per balance sheet	
Trade and other receivables excluding prepayments	305,361
Cash and cash equivalents	119,708
Restricted cash	6,668
	431,737

29 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Other financial liabilities at amortised cost RMB'000
At 31 December 2014	
Liabilities as per balance sheet	
Borrowings	89,890
Trade and other payables excluding non-financial liabilities	209,306
	299,196

30 CASH GENERATED FROM OPERATIONS

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Profit before income tax	**57,177**	112,140
Adjustments for:		
— Provision for bad debts (Note 18)	**284**	507
— Provision for inventory obsolescence (Note 19)	**652**	(335)
— Amortisation of other non-current assets	**2,408**	190
— Amortisation of deferred income tax liabilities (Note 27)	**(370)**	31
— Depreciation of property, plant and equipment (Note 14)	**9,603**	9,491
— Finance costs (Note 9)	**5,582**	4,061
— Fair value adjustment of available-for-sale financial assets (Note 16)	**(374)**	1,121
— Share based compensation expenses (Note23)	**700**	–
— Decrease in inventories	**47,115**	221,464
— Increase in trade and other receivables	**(109,075)**	(234,372)
— Decrease in trade and other payables	**(6,041)**	(175,488)
Cash generated from operations	**7,661**	(61,190)

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Cash consideration paid	**–**	10,195
Cash and cash equivalents in the subsidiary acquired	**–**	(5,011)
	–	5,184

30 CASH GENERATED FROM OPERATIONS *(Continued)*

(c) In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Net book amount (Note 14)	**985**	305
Loss on disposal of property, plant and equipment (Note 6)	**(985)**	(305)
	–	–

(d) Non-cash transactions

The principal non-cash transaction is the issue of 8,396,000 shares at fair value of RMB8,254,000 as consideration for the acquisition discussed in Note 11.

31 RELATED PARTY TRANSACTIONS

Group

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

(a) Other than the key management compensation and benefits and interests of directors as disclosed in the financial statements, there were no significant related party transactions for the years ended 31 December 2014 and 31 December 2015.

(b) Key management compensation

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Salaries and other allowance	**7,405**	5,708
Pension costs — defined contribution plans	**306**	229
Share based compensation	**316**	–
	8,027	5,937

32 COMMITMENTS

(a) Capital commitments

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

Group

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Technical knowhow and relevant development services	**–**	10,000

(b) Operating lease commitments

The Group leases various offices and warehouses under both cancellable and non-cancellable operating lease agreements. The non-cancellable lease terms are between 1 and 4 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. The Group is required to give at least a month notice for the termination of these agreements. The lease expenditure and related management fee, water and electricity (if necessary) charged to the income statement during the year is disclosed (Note 5).

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

Group

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
No later than 1 year	**933**	1,217
Later than 1 year and no later than 2 years	**583**	738
Later than 2 year and no later than 3 years	**15**	554
	1,531	2,509

33 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 the 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. On 16 December 2014, the Claimant withdrew the lawsuit against this subsidiary. The contractual claim between the Claimant and the Client was still under trial for the year ended 31 December 2015. In light of the quality problems in the systems supplied by the Claimant, and the fact that the Client was the end user of the systems and bore the ultimate obligation to settle payments, and that the Group acted as a third party in the legal proceedings, the directors consider that the ultimate outcome of the legal dispute will not have a material adverse effect on the financial statements and therefore no provision has been made for the year ended 31 December 2015.

34 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
Assets			
Non-current assets			
Investments in subsidiaries		**76,455**	76,455
Amount due from subsidiaries		**170,393**	–
		246,848	76,455
Current assets			
Amount due from subsidiaries		**12,298**	170,393
Trade and other receivables		**16,756**	–
Cash and cash equivalents		**1**	1
		29,055	170,394
Total assets		**275,903**	246,849
Equity			
Share capital		**7,933**	7,933
Share premium		**252,286**	252,286
Other reserve	(i)	**14,734**	5,780
Retained earnings	(i)	**950**	(19,414)
Total equity		**275,903**	246,585
Liabilities			
Current liabilities			
Amount due to subsidiaries		**–**	264
Total liabilities		**–**	264
Total equity and liabilities		**275,903**	246,849

The balance sheet of the Company was approved by the Board of Directors on 24 March 2016 and was signed on its behalf

Director *Director*

34 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(i) Reserve movement of the Company

	Retained earnings RMB'000	Other reserves RMB'000
Balance at 1 January 2014	126	–
Loss for the year	(19,540)	–
Acquisition of a subsidiary	–	5,780
Balance at 31 December 2014	(19,414)	5,780
Balance at 1 January 2015	(19,414)	5,780
Profit for the year	51,364	–
Dividends relating to 2014	(31,000)	–
Share option reserve	–	700
Investment in a associate	–	8,254
Balance at 31 December 2015	950	14,734

35 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The emoluments of every director of the Company and the chief executive of the Group paid, payable by companies of the Group during the year are set out below:

Year end 31 December 2015

Name	Fees	Salary	Share-based compensation	Employer's contribution to a retirement benefit scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Zhou Jue	–	968	79	97	1,144
Mr. Huang He	–	968	79	68	1,115
Mr. Sun Qingjun	–	968	79	98	1,145
Mr. Leung Wing Fai	–	952	–	14	966
Mr. Geng Liang	–	946	79	14	1,039
Independent non-executive directors					
Mr. Ng Chi Yeung	237	–	–	–	237
Mr. Ma Guoli	87	–	–	–	87
Mr. Hung Muk Ming	237	–	–	–	237
Mr. Mak Kwok Wing	150	–	–	–	150
Chairman chief executive officer and executive director					
Mr. Lo Chi Sum	–	1,893	–	14	1,907

35 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

Year end 31 December 2014

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

On 13 May 2015, Mr. Ma Guoli resigned whereas Mr. Mak Kwok Wing was appointed as an independent non-executive director of the Company.

For the year ended 31 December 2015, the five individuals whose emoluments were the highest in the Group include 5 directors (2014:5 director) whose emoluments are reflected in the analysis presented above.

During the year, none of the directors of the Company and the five highest paid individuals of the Group (i) received any emolument from the Group as an inducement to join or upon joining the Group; (ii) received any compensation for loss of office as a director or management of any member of the Group; or (iii) waived or has agreed to waive any emoluments.

(b) Directors' retirement benefits

No retirement benefits were paid to or receivable by directors' and chief executive's services in connection with the management of the affairs of the company or its subsidiary undertaking (2014: Nil).

(c) Directors' termination benefits

No termination on the appointment of director and chief executive of the company and certain subsidiaries occurred in 2015, thus no related termination benefits was paid.

(d) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

FIVE YEARS' FINANCIAL SUMMARY

A five years' financial summary of the results and of the assets and liabilities of the Group is set out below. This summary does not form part of the audited financial statements.

	Year Ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Revenue	**623,432**	748,535	628,758	568,065	468,902
Cost of sales	**(440,488)**	(517,583)	(435,198)	(389,557)	(347,287)
Gross profit					
Selling expenses	**(34,685)**	(32,567)	(33,356)	(73,786)	(56,648)
Administrative expenses	**(85,847)**	(78,051)	(62,928)	(23,636)	(18,282)
Other income	**3,503**	(821)	361	588	272
Operating profit	**65,915**	119,513	97,637	81,674	46,957
Finance income	**159**	925	84	126	101
Finance costs	**(8,859)**	(8,298)	(3,575)	(2,334)	(1,503)
Finance costs — net	**(8,700)**	(7,373)	(3,491)	(2,208)	(1,402)
Share of loss of investments accounted for using the equity method	**(38)**	–	–	–	–
Profit before income tax	**57,177**	112,140	94,146	79,466	45,555
Income tax expense	**(7,090)**	(15,087)	(16,391)	(15,712)	(8,814)
Profit for the year	**50,087**	97,053	77,755	63,754	36,741
Earnings per share					
Basic (RMB)	**5.01**	11.14	10.37	8.50	4.90
Diluted (RMB)	**5.01**	11.14	10.37	8.50	4.90
Assets and liabilities					
Total assets	**825,476**	733,650	631,011	493,162	518,946
Total liabilities	**414,103**	348,065	536,020	415,899	477,475
Total equity	**411,373**	385,585	94,991	77,263	41,471