



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

2016

INTERIM REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

AUTHORISED REPRESENTATIVES

Mr. Leung Wing Fai
Ms. Ngai Kit Fong

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

INVESTMENT COMMITTEE

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

COMPANY SECRETARY

Ms. Ngai Kit Fong
FCIS, FCS(PE)

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Opto-Mechatronics Industrial Park
Tongzhou District
Beijing 101111
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CORPORATE INFORMATION

AUDITORS

PricewaterhouseCoopers

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

STOCK CODE

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WEBSITE AND CONTACT

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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 this interim report for the six months ended 30 June 2016 (the "Interim Period" or the "Reporting Period") of the Company and its subsidiaries (the "Group").

First of all, I would like to share with you several major trends of the industry.

The first trend is the emergence of a new landscape of media integration: merged media. In recent years, during various meetings and site visits, the relevant national leading group has emphasized the integrated development of traditional media and new media with which the internet thinking is strengthened, traditional media and new media are developed in a supplementary and integrated manner, cutting-edge technologies are relied upon, content improvement is highlighted in order to push forward the intensive integration of traditional and new media. The construction of new mainstream media has escalated as a national strategy.

During the Reporting Period, the Group's application solutions business has continued to record a remarkable performance featured by double-digit growth. In the announcements of the Company issued on 18 April 2016 and 3 June 2016 respectively, we announced that two of the Company's subsidiaries, Beijing Century Sage Scientific Systems and Technology Company Limited* (北京世紀睿科系統技術有限公司) and Century Sage Scientific (HK) Limited, have entered into contracts with Le Sports (樂視體育) with an aggregate value of over HKD300 million, and such contracts are expected to be completed this year. We are delighted to see that along with the rapid advancement of technologies and the national policies aiming to speed up development of integration of media, the Group expects further growth for its application solutions business as broadcast television clients are eager to produce, publish and manage new system for merged media. On the other hand, the emerging on-line media is also expanding their investment to build their own content creation platforms. Such factors are serving as great drivers for the application solutions business segment.

* For identification purposes only

CHAIRMAN'S STATEMENT

In compliance with the plans and guidelines of the State Administration of Press, Publication, Radio, Film and Television on merged media, and the concept of integrated development, the industry will boost the integration of frequency channels and new media including broadcast television websites, mobile client APPs, etc., in order to push forward sharing and interplay of factors including programs, technologies, platforms, talents, etc., and realize the change from broadcast television programs to products, from audience to users, from dispersive publishing to synchronized publishing, and from media service to modern media and comprehensive information service. In the meantime, the management systems will be further improved to give shape to orientation requirements and content criteria for various on-line and off-line media types. It is obvious that a new power engine will be introduced to the industry, the development plans backed up by state-of-the-art technologies will create a much sought-after new merged media landscape for China's broadcast television media industry, in which the Company is set to leave a fabulous footprint.

The second trend is the upcoming great leap of sports industry. On 5 May 2016, the General Administration of Sport of China published the *13th Five-year Plan for Sports Development* (《體育發展「十三五」規劃》) which outlines the principles of the Eighteenth National People's Congress (the "NPC") and the Third, Fourth and Fifth Plenary Sessions of the NPC, reflects ideas in President Xi Jinping's multiple speeches, blazes new trails, sparks vitality, realizes the strategic goals of revitalizing the country through sports and building a healthier China, strengthens the key area reform in sports, secure the comprehensive, well-balanced and sustainable development of mass sports, competitive sports, sports industry, sports culture, etc., so as to push the sports industry to a new height.

During the Reporting Period, Evertop Sports Cultural Media Co., Ltd.* (北京永達天恒體育文化傳媒有限公司) (previously known as 北京永達天恒文化傳媒有限公司) ("Evertop Sports"), a subsidiary of the Group, acted as one of the sponsors and host broadcaster of the UCI Women Tour of Chongming Island International Cycling Race in early May 2016, for which Evertop Sports also served as a title sponsor, being responsible for producing live broadcast program of the tournament. Such event enjoyed an extensive coverage and was rebroadcasted on multiple key television channels and new media platforms in the country. Such event is also a test stone showcasing the Company's capabilities in sport events operation, and the expansion of the Group's business from providing sports technical service to sport events commercial operation.

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CHAIRMAN'S STATEMENT

In addition, the *13th Five-year Plan for Sports Development* also suggests taking the opportunities brought by Beijing's hosting of 2022 Winter Olympic Games to promote the development of winter sports, popularize winter sports events and implement the *Mass Winter Sports Promotion and Popularizing Plan* (《群眾冬季運動推廣普及計劃》) during the 13th Five-year Plan period. In virtue of our rebroadcast and operation experience obtained in many previous winter sports events, the Group will harvest more gains in the near future.

The third trend is the focus on domestic high-end manufacturing, which is consistent with the third business segment of the Group. The proposal of "Made in China 2025" encourages innovation of domestic enterprises, clarifies the national strategy of strengthening high-end manufacturing, and calls for the change from "Made in China" to "Innovated in China", the change from speedy growth to premium quality, and the change from Chinese products to Chinese brands.

During the Reporting Period, the Group's self-developed products recorded a revenue growth of more than 60% compared with the six months ended 30 June 2015 (the "Corresponding Period"). In terms of client type, around half of the revenue is associated with non-media and non-broadcasting and television industries (such as public security, armed forces, fire-fighting services, etc.), demonstrating the initial success of our effort to expand our business through application of our core technologies to various usages along the industry value chain. The overseas revenue in the first half of this year is also considerable and we have had new clients from Nigeria, Kuwait, etc. To conclude, the dual track expansion strategy covering both multiple vertical markets and overseas market creates a bright prospect for the self-developed products business segment of the Group.

By the end of 2015, the Group acquired 49% equity interest of Beijing Gefei Technology Limited which has been restructured to become a joint-stock company named Beijing Gefei Technology Corporation* (北京格非科技股份有限公司) ("Gefei Technology"), engaging in research, development and production of core infrastructure system for broadcast television all media content creation and processing, and a series of playout, monitoring and control software systems. In just several months following the acquisition, Gefei Technology has contributed profit of the Group in terms of profit of an associate which is indicated in this interim report. The quotation of the shares of Gefei Technology on the National Equities Exchange and Quotations System in the People's Republic of China (the "NEEQ") (全國中小企業股份轉讓系統), or commonly known as the "New Third Board (新三板)", was approved on 27 July 2016. The stock code of Gefei Technology is 838964. We believe that the quotation of Gefei Technology, making it a public company, will help to provide an open platform to invite quality investors to join Gefei Technology for further business expansion, and further accelerate the business growth in the new merged media landscape.

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CHAIRMAN'S STATEMENT

On 13 May 2016, the Company issued an announcement regarding the acquisition of 55% equity interest in Beijing BroadVision Information Technology Company Limited* (北京經緯中天信息技術有限公司) ("BroadVision"), another key acquisition in the Group's effort to expand its self-developed products business, a key step to further refine and diversify the Group's new products and technologies, and a key deployment of the Group in the macroscopic context of promoting merged media by the Chinese government. As a leading all media comprehensive technology provider in China and as at the date of this interim report, BroadVision focuses on the provision of turnkey software solutions to internet protocol television (IPTV), over-the-top (OTT) video service operators, streaming video and mobile video service operation with more than 300 software solutions provided in China. BroadVision's solutions cover almost complete workflow and core applications of on-line and managed video platform ranging from content ingestion, production, management, presentation and playout, monetization and distribution. At this critical moment of launching the new landscape of merged media, the Directors believe that BroadVision's products and solutions will enjoy a bright prospect in market, thus creating more opportunities for the Group.

This marks that the Group's research and development business has given shape to a comprehensive technology integration platform featured by a complete video programs workflow containing acquisition, production and editing, playout and distribution, and interactive applications on mobile phone or other devices, including hardware and software research and development capabilities, a rare big platform-based comprehensive technology competence in media industry not only in China but also in the overseas market.

During the Reporting Period, the Group has increased investment in the three business segments including application solutions, sports and events business, and self-developed products business underpinning the rapid growth in the upcoming years. Lastly, I would like to take this opportunity to express my sincere gratitude to all of our shareholders, directors and employees for their care and support to the Group.

Lo Chi Sum

Chairman

15 August 2016

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The year of 2016 marked the launching of the new landscape of merged media. During the Interim Period, the Group's application solutions business has continued to record a remarkable performance featured by double-digit growth. During this period, apart from the completion of key projects in Beijing, Hunan, Yunnan, Shenzhen, etc., we have also completed several projects featured by merged media and emerging on-line media, including the merged media platform project with Henan Daxiang Merged Media Group (河南大象融媒體集團有限公司) and some projects with Le Sports.

As a key component of information industry, media industry plays an increasingly important role in culture and information communication field. In recent years, during various meetings and site visits, the relevant national leading group has emphasised the integrated development of traditional media and new media with which the internet thinking is strengthened, traditional media and new media are developed in a supplementary and integrated manner, cutting-edge technologies are relied upon, content improvement is highlighted in order to push forward the intensive integration of traditional and new media in terms of content, channel, platform, operation and management. Such are significant driving forces for the industry, and the construction of new mainstream media has escalated as a national strategy.

On 2 July 2016, the State Administration of Press, Publication, Radio, Film and Television sent to various provinces, autonomous regions and municipalities the Notice #124 entitled *The Opinion on Further Speeding up of Integrated Development of Radio and Television Media and New Media* (《關於進一步加快廣播電視媒體與新興媒體融合發展的意見》), a notice regarded as a crucial guiding principle and regulatory policy encouraging the development of merged media. The Notice #124 aims to outline the principles of the NPC and the Third, Fourth and Fifth Plenary Sessions of the NPC, reflects ideas in President Xi Jinping's multiple speeches, implements *The Guiding Opinion on Promoting Integrated Development of Traditional and New Media* (《關於推動傳統媒體和新興媒體融合發展的指導意見》) jointly released by the General Office of the CPC Central Committee and General Office of the State Council, promotes transformation and upgrading of broadcast television media, and improves broadcast television media's influence, credibility and the power to guide public opinions via the internet channel. The goal is to achieve regional breakthroughs of integration of broadcast television media and new media and give shape to several basic business models within two years. In the latter half of the 13th Five-year Plan period, the integrated development will achieve comprehensive progress, giving birth to several new mainstream media featuring diversity in type, advanced tools and market competitiveness, creating several powerful new media groups and a new merged broadcast television media landscape in China with

MANAGEMENT DISCUSSION AND ANALYSIS

reasonable layout, well-ordered competition, distinctive features, diversified types and a sustainable growing capacity. The industry is now having some completely new growth drivers that are in line with new developments of our time, showcasing a much sought-after new landscape of integration of China's broadcast television media.

In sports and events business segment, Evertop Sports, a subsidiary of the Group, acted as one of the sponsors and host broadcaster of the UCI Women Tour of Chongming Island International Cycling Race in early May 2016. As a global top-notch event run by UCI (Union Cycliste Internationale), the 2016 UCI Women Tour of Chongming Island International Cycling Race is a top-grade world level cycling race held in China in addition to the Tour of Beijing (for which Evertop Sports also serves as a live broadcast service provider). To meet the demand of UCI and various European developed countries, Evertop Sports was invited to provide technical and production service, and enabled the event to be broadcast at CCTV Sports Channel for the 3-day complete live broadcast of the event. In the meantime, Evertop Sports was also the title sponsor of the event, which means that Evertop Sports shall not only produce television programs with international competitiveness by integrating resources based on event IP, but also greatly improve Chinese cycling events' contribution to sponsor benefits and market profitability in virtue of advanced technologies. Meanwhile, the Company's position has also shifted from a simple sports media content provider to a comprehensive sports IP integrating, packaging and marketing agency with diversified marketing capacity.

On 5 May 2016, the General Administration of Sport of China published the *13th Five-year Plan for Sports Development* (《體育發展“十三五”規劃》) which defines innovation as a great growth driver for the development of sports. The plan stipulates to encourage innovativeness of all players in the market, actively pushes forward innovations in theory, system, technology and culture so as to promote the campaign “entrepreneurship and innovations by all” in sports field and seek new models for the development of sports. The Chinese government will speed up functional change of governmental organisations and management of innovative social sporting organisations, further clarify the regulatory powers of sporting regulatory agencies, simplify approval procedures, relax market entry threshold, allow qualified social organisations, companies and institutions to undertake sporting services that are suitable for market and NGOs participation, and it is also anticipated that great efforts will be put to guide, foster and support the development of sporting organisations, private non-enterprise institutions, sports foundations, etc. *The 13th Five-year Plan for Sports Development* proposes practical approaches for deepening reforms and innovations in key areas and will create great vitality to boost the development of sports. We believe that in such context, the Group will achieve growth in respect of its sports and events business segment.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Interim Period, the Group's self-developed products recorded a revenue growth of more than 60% compared with the Corresponding Period, which is attributable to the growth of the Group's product line and wider client coverage and expansion of geographic coverage of the Group's products, which is also featured by an increasing penetration rate of the broadcast television market. For example, the Group had attracted new clients from many locations including Qiandong in Guizhou Province, Wuzhou in Guangxi Province, Kashgar City in Xinjiang Uygur Autonomous Region, Xinxiang City in Henan Province, Huangdao District in Qingdao, etc. In the meantime, during the Interim Period, around half of the revenue from our self-developed products is associated with non-media and non-broadcasting and television industries (e.g. public security, armed forces and fire-fighting services), demonstrating the initial success of our effort to expand our business through application of our core technologies to various usages along the industry value chain. The overseas revenue in the first half of this year is also considerable and we have had new clients from Nigeria, Kuwait, etc.

Under the initiative of "Made in China 2025", the Chinese government supports value-adding and hi-tech manufacturing industries, encourages innovation of domestic enterprises, clarifies the national strategy of strengthening high-end manufacturing, and calls for the change from "Made in China" to "Innovated in China", the change from growth speed to premium quality, and the change from Chinese products to Chinese brands. The Group will further deepen its operations in the domestic market and expand the overseas market along with the One Belt One Road Initiative by reproducing the success stories in domestic market to overseas markets.

By the end of 2015, the Group acquired 49% equity interest of Gefei Technology, engaging in research, development and production of core infrastructure system for broadcast television, all media content creation and processing, and a series of playout, monitoring and control software systems. The shares of Gefei Technology were recently approved to be quoted on the NEEQ, or commonly known as the "New Third Board (新三板)" on 27 July 2016 with stock code 838964. Gefei Technology has an extensive product line, further enriching the Group's product portfolio. Within several months following the acquisition, Gefei Technology has contributed profit of the Group in terms of profit of an associate which is indicated in this interim report. Moreover, on 13 May 2016, the Company issued an announcement regarding the acquisition of 55% equity interest of BroadVision, another key acquisition in the Group's effort to expand its self-developed products business, a key step to further refine and diversify the Group's new products and technologies, and a key deployment of the Group in the macroscopic context of promoting merged media by

MANAGEMENT DISCUSSION AND ANALYSIS

the Chinese government. As a leading all media comprehensive technology provider in China, BroadVision focuses on the provision of turnkey software solutions to internet protocol television (IPTV), over-the-top (OTT) video service operators, streaming video and mobile video service operators, with more than 300 software solutions provided in China as at the date of this interim report. BroadVision's platform integrates various workflow ranging from content acquisition in various format from various channels, content editing and processing, media asset management, content integration and broadcasting, multi-screen content layout and publishing, multi-mode application delivery, transmission and distribution, multi-terminal application support, etc., offering one-stop solution for process application management for multi-screen online new media. At this critical moment of launching the new landscape of merged media, the Directors believe that BroadVision's products and solutions will enjoy a bright prospect in the market, thus creating more business opportunities for the Group.

Accordingly, the Group's research and development business has developed into a comprehensive technology integration platform featured by a complete video program workflow containing acquisition, production and editing, playout and distribution, and interactive applications on mobile phone or other devices, including hardware and software research and development capabilities, a comprehensive research and development capacity with special strategic importance at the launch of the new landscape of merged media. To conclude, the comprehensive technology platform plus dual track expansion strategy covering multiple vertical markets and the overseas markets represent valuable opportunities for the self-developed products business of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue of the Group increased by 12.2% from RMB259.2 million for the Corresponding Period to RMB291.0 million for the Interim Period. Compared with the Corresponding Period, the revenue of the “Product development and sales” has been increased significantly with a growth rate of 62.8%. The other two main segments of business, namely the “Application solutions” and the “Sports and events business” also have a relatively higher growth rate of 11.2% and 13.8% respectively. The “System maintenance services” has noted a slight decline of RMB1.1 million from RMB11.8 million to RMB10.7 million as compared to the Corresponding Period. The table below sets out the Group’s segmental revenue for the six months ended 30 June 2015 and 2016:

	For the six months ended 30 June			
	2016		2015	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Segment revenue				
Application solutions	255,336	87.7%	229,526	88.5%
Sports and events business	9,825	3.4%	8,632	3.3%
System maintenance services	10,674	3.7%	11,780	4.5%
Product development and sales	15,155	5.2%	9,311	3.6%
Total	290,990	100.0%	259,249	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS

Application solutions

Revenue generated by the Group's application solutions segment is the most substantial contributor to its revenue, representing approximately 88.5% and 87.7% respectively of the total revenue of the Group for the six months ended 30 June 2015 and 2016. It increased from RMB229.5 million for the Corresponding Period to RMB255.3 million for the Interim Period. The increase was mainly attributable to the increase in completion of projects as rendered to the Group's customers during the Interim Period, especially the merged media customers' projects.

Sports and events business

Revenue from sports and events business represented approximately 3.3% and 3.4% of the total revenue of the Group for the six months ended 30 June 2015 and 2016, respectively and increased from RMB8.6 million for the Corresponding Period to RMB9.8 million for the Interim Period, representing an increase of 13.8%. Such increase was mainly attributable to the increase in market demand for sports event broadcast and equipment leasing services and the Group's effort in expanding the segment business during the Interim Period.

System maintenance services

Revenue from system maintenance services represented approximately 4.5% and 3.7% of the total revenue of the Group for the six months ended 30 June 2015 and 2016, respectively and decreased from RMB11.8 million for the Corresponding Period to RMB10.7 million for the Interim Period, representing a decrease of 9.4%. Such decrease was mainly attributable to the decreasing demand for the Group's onsite support services during the Interim Period.

Product development and sales

Revenue from product development and sales represented approximately 3.6% and 5.2% of the total revenue of the Group for the six months ended 30 June 2015 and 2016, respectively and increased from RMB9.3 million for the Corresponding Period to RMB15.2 million for the Interim Period, representing an increase of 62.8%. Such increase was mainly attributable to an increase in the number of units of the Group's self-developed products sold during the Interim Period and the increased portfolio of products offering to the market. The widened portfolio also allowed the Group to address a wider customer base in China. Moreover, the exploration of the overseas market has also contributed about half of revenue of product development and sales.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales

For the six months ended 30 June 2015 and 2016, the Group's cost of sales was RMB179.8 million and RMB206.5 million respectively, representing an increase of 14.8%. Such increase was in line with the increase of the overall business volume during the Interim Period. The following table sets forth the cost of sales for each business segment for the six months ended 30 June 2015 and 2016:

	For the six months ended 30 June			
	2016		2015	
	RMB'000	% of total	RMB'000	% of total
Segment cost of sales				
Application solutions	(187,811)	91.0%	(167,129)	93.0%
Sports and events business	(6,557)	3.2%	(3,310)	1.8%
System maintenance services	(4,928)	2.4%	(5,344)	3.0%
Product development and sales	(7,178)	3.4%	(4,005)	2.2%
Total	(206,474)	100.0%	(179,788)	100.0%

The Group's cost of sales for the application solutions segment increased by 12.4% for the Interim Period, compared to the Corresponding Period, which was primarily due to the increase in revenue of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

For the six months ended 30 June 2015 and 2016, the Group's gross profit was RMB79.5 million and RMB84.5 million respectively. The Group's gross profit margin was 30.7% and 29.0% for the Corresponding Period and the Interim Period, respectively. The following table sets forth the gross profit and gross profit margin of each of the Group's segments during the periods:

	For the six months ended 30 June			
	2016		2015	
	RMB'000	Gross profit margin %	RMB'000	Gross profit margin %
Segment gross profit and gross profit margin				
Application solutions	67,525	26.4%	62,379	27.2%
Sports and events business	3,268	33.3%	5,322	61.7%
System maintenance services	5,746	53.8%	6,436	54.6%
Product development and sales	7,977	52.6%	5,307	57.0%
Total	84,516	29.0%	79,461	30.7%

The Group's gross profit was increased by 6.4% during the Interim Period. The gross profit margin was decreased gently from 30.7% to 29.0%. The decrease of the Group's gross profit margin was mainly attributable to a decrease in the gross profit margin for the sports and business events segment from 61.7% to 33.3%. The decrease of the gross profit margin of the sports and events business was mainly due to the transitioning of the Group's business model in the sports arena, that the Group is developing the "sports commercial operation business" aggressively in addition to its existing "sports broadcast technology services". We have subsidized some of the commercial operations during the Interim Period. For 2016, we will control the subsidy in phrases and the Directors believe our promotion efforts in the sports events will be realised. Therefore we expect good contribution from the new commercial operation business in the coming future.

In the "Application solutions" business, we also noted a slight decrease of gross margin of 0.8 percentage point from 27.2% to 26.4% that we believe is within a reasonable range of normal operation.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling expenses

Selling expenses for the six months ended 30 June 2015 and 2016 were RMB11.6 million and RMB13.5 million respectively, representing an increase of 16.4%. Such increase was mainly attributable to the increase in the employee benefit and the travelling expenses.

Administrative expenses

Administrative expenses for the six months ended 30 June 2015 and 2016 were RMB45.8 million and RMB40.4 million respectively, representing a decrease of 11.8%. Such decrease was mainly attributable to (i) the implementation of the expense control plan which led to the decrease of the office expense; and (ii) the decrease of the legal and professional fees which occurred for the acquisition arrangements during the Corresponding Period.

Finance costs

For the six months ended 30 June 2015 and 2016, finance costs of the Group were RMB2.9 million and RMB6.4 million respectively, representing an increase of 116.8%. Such increase was mainly attributable to the increase of the interest expense which increased in accordance with the increase of the borrowings.

Income tax expense

Income tax expense amounted to RMB3.4 million and RMB5.2 million respectively for the six months ended 30 June 2015 and 2016, representing an increase of 51.0%. The effective tax rate increased to approximately 19.4% for the Interim Period from approximately 17.1% for the Corresponding Period, which was primarily due to the increase of overseas revenue and profit from a higher effective tax rate region such as Hong Kong.

Profit for the period

As a result of the aforementioned factors, profit attributable to owners of the Company increased from RMB16.7 million for the Corresponding Period to RMB21.5 million for the Interim Period, representing an increase of 28.9%.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, financial resources and capital structure

Net cash used in the Group's operating activities amounted to RMB83.0 million and RMB112.8 million for the Corresponding Period and for the Interim Period respectively. The net cash outflow of the Group's operating activities in the Interim Period mainly arose from: (i) greater input into significant projects, such as LeTV sports; (ii) deferral in collection of trade receivables; and (iii) the increase of the research and development expenses due to strengthening of the research and development efforts.

Net cash used in the Group's investing activities amounted to RMB33.6 million and RMB34.2 million for the six months ended 30 June 2015 and 2016 respectively. The net cash outflow for the Interim Period mainly arose from the purchase of equipment and intangible assets, as well as the prepayment for the acquisition of BroadVision.

Net cash generated from the Group's financing activities amounted to RMB34.6 million and RMB110.2 million for the six months ended 30 June 2015 and 2016. The net cash generated from financing activities for the Interim Period was mainly attributable to the increase of the proceeds from bank loans.

Charge on assets

As at 30 June 2016, bank borrowings of RMB75,000,000 (31 December 2015: RMB77,400,000) were secured by the buildings of the Group, net book value of which amounted to RMB41,606,000 (31 December 2015: RMB42,848,000); trade receivables of RMB26,152,390 (31 December 2015: RMB26,735,001), and guaranteed by Beijing Zhongguancun Sic-tech Financing Guarantee Co., Ltd. Bank borrowings of RMB169,186,000 (31 December 2015: RMB91,935,000) was secured by insurance policies of the Group classified as financial assets at fair value through profit or loss amounted to RMB40,958,000 (31 December 2015: RMB19,063,000), and trade receivables of RMB72,729,291 (31 December 2015: nil).

Gearing position

The gearing ratio, represented total borrowings divided by total equity multiplied by 100%, was 50.2% and 75.2% respectively as of 31 December 2015 and 30 June 2016. The total borrowings of the Group increased from RMB206.4 million as at 31 December 2015 to RMB321.6 million as at 30 June 2016. Such increase was mainly attributable to the new borrowings of RMB100.8 million working capital loan for some significant projects.

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar (“USD”), Hong Kong Dollar (“HKD”) and the Great British Pound (“GBP”). Foreign exchange risk arose from future commercial transactions, recognised assets and liabilities which are not denominated in Renminbi (“RMB”).

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

Interest rate risk

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

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

Significant investments, mergers and acquisitions

As disclosed in the announcement of the Company dated 13 May 2016, the Company entered into an agreement in respect of the acquisition of 55% equity interest of BroadVision. Please refer to the relevant announcement for the further details. Except for the acquisition mentioned above, the Group had no significant investments, mergers and acquisitions during the Interim Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent liabilities

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

As at 30 June 2016, except for the legal dispute as disclosed above, the Directors were not aware of any other significant events that would have resulted in material contingent liabilities.

Dividends

The final dividend of approximately HKD6.0 million (equivalent to RMB5.0 million) for the year 2015 was declared and approved at the annual general meeting of the Company held on 6 June 2016, and the payment was made on 30 June 2016.

The Directors do not recommend the distribution of any interim dividend for the Interim Period (2015: Nil).

Employees and remuneration policies

As at 30 June 2016, the Group had a total of 338 employees (as at 31 December 2015: 359 employees).

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

FUTURE OUTLOOK

The Group expects reasonable growth in all of its three main business segments, namely the application solutions, the sports and events business and the self-developed products business.

Under the new landscape of the merged media era, along with the rapid advancement of technologies and the national policies aiming to speed up development of integration of media, the Group expects further growth for its application solutions business as broadcast television clients are eager to produce, publish and manage new systems for merged media. On the other hand, the emerging on-line media is also expanding their investment to build their own content creation platforms. Such factors are serving as great drivers for this business segment.

As the Notice #46 sets a goal of achieving a yearly revenue of no less than RMB5 trillion in sports industry by 2025, the Group is confident in the outlook of the sports industry. In addition, on 5 May 2016, the General Administration of Sport of China published the *13th Five-year Plan for Sports Development*, which calls for further development of the sports industry. The continuous development of the sports industry in the future will benefit from demographic dividend, favorable policies, commercialisation and decentralisation drive, consumption upgrading, etc. The Group's subsidiary, Evertop Sports, will endeavour to maintain its performance and advance its steps in sports technical service and sports event commercial operation segments utilising its sound resources in the sports industry.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of the Group's sale of self-developed products, the Group will endeavour to adhere to the relevant national policies. The proposal of "Made in China 2025" encourages innovation of domestic enterprises, clarifies the national strategy of strengthening high-end manufacturing, and calls for the change from "Made in China" to "Innovated in China", the change from growth speed to premium quality, and the change from Chinese products to Chinese brands. As mentioned above, by the end of 2015, the Group acquired 49% equity interest of Gefei Technology, the shares of which were approved to be quoted on NEEQ on 27 July 2016. We believe that the quotation of Gefei Technology, making it a public company, will help to provide an open platform to invite quality investors to join Gefei Technology for further business expansion, and accelerate its business growth in the new merged media landscape. Moreover, on 13 May 2016, the Company announced the acquisition of 55% equity interest of BroadVision and the acquisition procedure is expected to be completed in the second half of this year. This marks that the Group's research and development business has given shape to a comprehensive technology integration platform featured by a complete video program workflow containing acquisition, production and editing, playout and distribution, and interactive applications on mobile phone or other devices, including hardware and software research and development capabilities, which is highly competent in media industry not only in China but also in the overseas market. To conclude, our diversified product portfolio plus dual track expansion strategy covering multiple vertical markets and the overseas market will create a bright prospect for the self-developed products business segment of the Group.

CAPITAL STRUCTURE

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group had a total assets of approximately RMB1,018.9 million (31 December 2015: approximately RMB825.4 million) which was financed by current liabilities of approximately RMB497.4 million (31 December 2015: approximately RMB383.2 million) and shareholders' equity of approximately RMB428.0 million (31 December 2015: approximately RMB411.4 million).

As at 30 June 2016, the Group's current ratio was 1.54 (31 December 2015: 1.77) and the gearing ratio was 75.1% (31 December 2015: 50.2%).

The cash and cash equivalents of the Group as at 30 June 2016 were mainly denominated in HKD, USD, Euro and RMB.

SUBSEQUENT EVENTS AFTER THE INTERIM PERIOD

The shares of an associate of the Group, Gefei Technology, were approved to be quoted on NEEQ on 27 July 2016, the stock number of which is 838964.

SHARE AWARD PLAN AND SHARE OPTION SCHEME

SHARE AWARD PLAN

In order to recognise and reward the contribution of certain eligible participants to the growth and development of the Group, the Company adopted the share award plan (the “Share Award Plan”) on 24 March 2014. The Share Award Plan does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”).

(a) Summary of terms

(i) Purpose and participants

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

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

SHARE AWARD PLAN AND SHARE OPTION SCHEME

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

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

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

(ii) Award of Shares and pool of awarded Shares

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

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

SHARE AWARD PLAN AND SHARE OPTION SCHEME

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

The making of an award to any connected person must be approved by majority of the independent non-executive directors 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.

SHARE AWARD PLAN AND SHARE OPTION SCHEME

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

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

(v) Vesting of the awarded Shares

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

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

(vi) Remaining life

Subject to any earlier termination in accordance with its rules, the Share Award Plan will remain in force for a period of 10 years commencing on 24 March 2014. As at the date of this interim report, the Share Award Plan had a remaining life of approximately eight years.

SHARE AWARD PLAN AND SHARE OPTION SCHEME

(b) Movement of the awarded Shares

During the six months ended 30 June 2016, a total of 6,025,000 Shares were awarded to the eligible participants and 280,000 awarded Shares were vested in the name of a selected participant under the Share Award Plan. A total of 13,609,868 Shares were remained unvested as at 30 June 2016.

Meanwhile, the Share Award Plan Trustee purchased 1,090,000 Shares at a total cost (including transaction costs) of approximately HKD0.55 million on the Stock Exchange during the Interim Period.

The movement of the awarded Shares under the Share Award Plan during the Interim Period is as follows:

Participants	Date of Award	Number of Awarded Shares				Outstanding as at 30 June 2016
		Outstanding as at 1 January 2016	Awarded during the Interim Period	Vested during the Interim Period	Lapsed/ cancelled during the Interim Period	
6 selected participants						
in aggregate	26 March 2015	7,864,868 ^{Note 1}	-	-	-	7,864,868
99 selected participants						
in aggregate	18 May 2016	-	6,025,000 ^{Note 2}	280,000	-	5,745,000
		7,864,868	6,025,000	280,000	-	13,609,868

Notes:

- 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.
- Except the 280,000 awarded Shares which were vested in the name of a selected participant on the date of award, 5,745,000 awarded Shares together with any dividends and other distributions declared and made in respect of the awarded shares will be vested to the selected participants on 18 May 2019.

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

SHARE AWARD PLAN AND SHARE OPTION SCHEME

SHARE OPTION SCHEME

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

(a) Summary of terms

(i) Purpose and participants

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

- (aa) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of the subsidiaries or any entity (the “Invested Entity”) in which any member of the Group holds an equity interest;
- (bb) any non-executive directors (including independent non-executive directors) of the Company, any of the subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of the Group or any Invested Entity;
- (dd) any customer of any member of the Group or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to the Group or any member of any Invested Entity;
- (ff) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

SHARE AWARD PLAN AND SHARE OPTION SCHEME

(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 this interim 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 interim report, the number of share options available for issue under the Share Option Scheme was 72,042,000, representing approximately 7.14% of the total issued Shares as at the date of this interim report.

SHARE AWARD PLAN AND SHARE OPTION SCHEME

(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.

SHARE AWARD PLAN AND SHARE OPTION SCHEME

(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 interim 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 Interim Period is as follows:

Grantee	Date of grant	Exercise price (HK\$)	Outstanding as at 1 January 2016	Number of share options				Outstanding as at 30 June 2016
				Granted	Exercised	Cancelled	Lapsed	
Executive Directors								
Sun Qingjun	9 April 2015	1.84	1,018,000 (Note 1)	-	-	-	-	1,018,000 (Note 1)
	7 April 2016	0.77	-	1,018,000 (Note 2)	-	-	-	1,018,000 (Note 2)
Zhou Jue	9 April 2015	1.84	1,018,000 (Note 1)	-	-	-	-	1,018,000 (Note 1)
	7 April 2016	0.77	-	1,018,000 (Note 2)	-	-	-	1,018,000 (Note 2)
Huang He	9 April 2015	1.84	1,018,000 (Note 1)	-	-	-	-	1,018,000 (Note 1)
	7 April 2016	0.77	-	1,018,000 (Note 2)	-	-	-	1,018,000 (Note 2)
Geng Liang	9 April 2015	1.84	1,018,000 (Note 1)	-	-	-	-	1,018,000 (Note 1)
	7 April 2016	0.77	-	1,018,000 (Note 2)	-	-	-	1,018,000 (Note 2)
Senior Management Members								
Wong Kwok Fai	9 April 2015	1.84	1,358,000 (Note 1)	-	-	1,358,000 (Note 3)	-	0
	7 April 2016	0.77	-	1,358,000 (Note 2)	-	-	-	1,358,000 (Note 2)
So Yun Wah	9 April 2015	1.84	678,000 (Note 1)	-	-	678,000 (Note 3)	-	0
	7 April 2016	0.77	-	678,000 (Note 2)	-	-	-	678,000 (Note 2)
Li Lianmin	9 April 2015	1.84	382,000 (Note 1)	-	-	382,000 (Note 3)	-	0
	7 April 2016	0.77	-	682,000 (Note 2)	-	-	-	682,000 (Note 2)
Others								
42 Employees	9 April 2015	1.84	7,726,000 (Note 1)	-	-	6,122,000 (Note 3)	1,604,000 (Note 3)	0
43 Employees	7 April 2016	0.77	-	6,752,000 (Note 2)	-	-	-	6,752,000 (Note 2)
Total			14,216,000	13,542,000	-	8,540,000	1,604,000	17,614,000

SHARE AWARD PLAN AND SHARE OPTION SCHEME

Notes:

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

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

- (i) 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.
- (2) 12,912,000 share options (the "Type A Options") of which 4,072,000 Type A Options granted to four Directors shall expire on the 4th anniversary of the date of the offer letter to each of the grantees granting to them the options to subscribe for the shares of the Company (the "Grant Date"), or the earlier determination of the Share Option Scheme.

The Type A Options shall be exercisable in two tranches. The respective exercise dates of the Type A Options are as follows:

- (i) Tranche I: beginning on the 2nd anniversary of the Grant Date: up to 50% of such Type A Options granted; and
- (ii) Tranche II: beginning on the 3rd anniversary of the Grant Date: the rest of such Type A Options granted.

The remaining 630,000 share options (the "Type B Options") shall expire on the 5th anniversary of the Grant Date, or the earlier determination of the Share Option Scheme.

The Type B Options shall be exercisable in two tranches. The respective exercise dates of the Type B Options are as follows:

- (i) Tranche I: beginning on the 3rd anniversary of the Grant Date: up to 50% of such Type B Options granted; and
- (ii) Tranche II: beginning on the 4th anniversary of the Grant Date: the rest of such Type B Options granted.

The closing price of the Company's shares on 8 April 2015 and 6 April 2016 (the trading days immediately before the dates on which the options were granted) was HK\$2.00 and HK\$0.75 respectively.

SHARE AWARD PLAN AND SHARE OPTION SCHEME

Out of the Type A Options and Type B Options to subscribe for an aggregate of 13,542,000 underlying shares of the Company, (i) an aggregate of 4,072,000 options were granted to four Directors; (ii) an aggregate of 8,540,000 options were granted to 42 employees ("Old Employees", each being an "Old Employee") of the Group and the number of options granted to each of them was the same as the number of options granted to them on 9 April 2015 which were subsequently cancelled in April 2016; and (iii) 930,000 options were granted to five employees of the Group, of which one of them is an Old Employee.

- (3) 8,540,000 options granted under the Share Option Scheme on 9 April 2015 to the Old Employees were cancelled in April 2016. 1,604,000 options granted under the Share Option Scheme on 9 April 2015 were lapsed due to the resignation of the several employees of the Group.

OTHER INFORMATION

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

The Company has made specific enquiry of all Directors and all Directors have confirmed with the Company that they complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions for the Interim Period.

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

As at 30 June 2016, so far as the Directors are aware of, the Directors and the Company's chief executive, and their respective associates had the following interests in the Shares and underlying Shares and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have been taken under such provisions of the SFO) or pursuant to the Model Code, or were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO:

Name of Director	Name of Group member/associated corporation	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Mr. Lo Chi Sum ("Mr. Lo")	The Company	Interest of controlled corporation (Note 2)	667,500,000 Shares (L)	66.19%
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)	5.95%
Mr. Leung	Future Miracle Limited	Beneficial owner	1 share	100%
Mr. Sun Qingjun	The Company	Beneficial owner	2,036,000 Shares (L) (Note 5)	0.20%

OTHER INFORMATION

Name of Director	Name of Group member/associated corporation	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Mr. Zhou Jue	The Company	Beneficial owner	2,036,000 Shares (L) (Note 5)	0.20%
Mr. Huang He	The Company	Beneficial owner	2,036,000 Shares (L) (Note 5)	0.20%
Mr. Geng Liang	The Company	Beneficial owner	2,036,000 Shares (L) (Note 5)	0.20%

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

As at 30 June 2016, 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 provision of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of shareholder	Capacity/nature of interest	Number of Shares held (Note 1)	Approximate percentage of shareholding
Cerulean Coast Limited	Beneficial owner (Note 2)	667,500,000 (L)	66.19%
Future Miracle Limited	Beneficial owner (Note 3)	60,000,000 (L)	5.95%
Ms. Wang Hui	Interest of spouse (Note 4)	60,000,000 (L)	5.95%

OTHER INFORMATION

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 2,036,000 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 interim report.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities other than the purchase of the Company’s shares by the Share Award Plan Trustee. Pursuant to the Share Award Plan, the Share Award Plan Trustee purchased a total of 1,090,000 shares of the Company at a total cost (including transaction costs) of approximately HKD0.55 million on the Stock Exchange during the Interim Period.

CORPORATE GOVERNANCE

The Board has committed to maintaining high corporate governance standards. Throughout the six months ended 30 June 2016, the Company continued to apply the principles set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the “CG Code”).

OTHER INFORMATION

The Group has applied these principles and adopted all code provisions, where applicable, of the CG Code as our own code of corporate governance. The Directors consider that the Company has complied with the applicable code provisions under the code on Corporate Governance Practices as set out in the CG Code, save as the following:

- Under the code provision A.2.1 of the CG Code, 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 establish and set out in writing. Currently, the roles of the chairman and the chief executive officer of the Group (the “CEO”) was not separated and was performed by the same individual, Mr. Lo Chi Sum, who acted as both the chairman and CEO throughout the Interim Period. The Directors will meet regularly to consider major matters affecting the operations 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 management of the Group and believes that this structure will enable the Group to make and implement decisions promptly and efficiently.

AUDIT COMMITTEE

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

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

The Group’s unaudited condensed consolidated interim results have been reviewed by PricewaterhouseCoopers, the auditors of the Company, in accordance with International Standard on Review Engagement 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION



羅兵咸永道

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

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 40 to 70, which comprises the interim consolidated balance sheet of Century Sage Scientific Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2016 and the related interim consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and condensed consolidated interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 August 2016

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited six months ended 30 June	
		2016 RMB'000	2015 RMB'000
Revenue	6	290,990	259,249
Cost of sales	6	(206,474)	(179,788)
Gross profit	6	84,516	79,461
Selling expenses		(13,498)	(11,595)
Administrative expenses		(40,366)	(45,776)
Other income		1,121	794
Operating profit	8	31,773	22,884
Finance income		51	154
Finance costs		(6,375)	(2,940)
Finance costs — net		(6,324)	(2,786)
Share of post-tax profits of an associate	7	1,216	—
Profit before income tax		26,665	20,098
Income tax expense	9	(5,181)	(3,430)
Profit for the period		21,484	16,668
Profit attributable to:			
Owners of the Company		21,484	16,668

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited six months ended 30 June	
		2016 RMB'000	2015 RMB'000
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Currency translation differences		(784)	(1,144)
Other comprehensive loss for the period, net of tax		(784)	(1,144)
Total comprehensive income for the period		20,700	15,524
Total comprehensive income for the period attributable to:			
Owners of the Company		20,700	15,524
Earnings per share (expressed in RMB per share)			
— Basic & diluted	19	0.02	0.02

The notes on pages 47 to 70 are an integral part of the interim financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	54,443	58,677
Intangible assets	11	38,687	38,142
Deferred income tax assets	12	5,112	2,084
Financial assets at fair value through profit or loss	5.3	40,958	19,063
Investments in an associate	7	28,158	26,942
Trade and other receivables	13	77,871	–
Other non-current assets		9,907	1,322
		255,136	146,230
Current assets			
Inventories		192,606	122,775
Trade and other receivables	13	528,142	478,274
Pledged bank deposits		17,545	16,115
Cash and cash equivalents		25,462	62,082
		763,755	679,246
Total assets		1,018,891	825,476
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	8,004	7,933
Share premium	14	260,469	252,286
Other reserves	15	(66,159)	(58,031)
Retained earnings	15	225,669	209,185
Total equity		427,983	411,373

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	17	92,214	29,474
Deferred income tax liabilities	12	1,266	1,451
		93,480	30,925
Current liabilities			
Trade and other payables	18	252,966	200,562
Current income tax liabilities		15,077	5,646
Borrowings	17	229,385	176,970
		497,428	383,178
Total liabilities		590,908	414,103
Total equity and liabilities		1,018,891	825,476

The notes on pages 47 to 70 are an integral part of the interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Attributable to owners of the Company				Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	
Balance at 1 January , 2016	7,933	252,286	(58,031)	209,185	411,373
Comprehensive income					
Profit for the period	-	-	-	21,484	21,484
Other comprehensive income					
Currency translation differences	-	-	(784)	-	(784)
Total comprehensive income for the period ended 30 June 2016	-	-	(784)	21,484	20,700
Transactions with owners					
Dividend	-	-	-	(5,000)	(5,000)
Employees share award and option scheme — value of employee services	-	-	910	-	910
Issue of ordinary share for the equity consideration for investment in an associate	71	8,183	(8,254)	-	-
Total transactions with owners, recognised directly in equity	71	8,183	(7,344)	(5,000)	(4,090)
Balance as at 30 June 2016	8,004	260,469	(66,159)	225,669	427,983

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Attributable to owners of the Company				Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	
Balance at 1 January, 2015	7,933	252,286	(64,732)	190,098	385,585
Comprehensive income					
Profit for the period	–	–	–	16,668	16,668
Other comprehensive income					
Currency translation differences	–	–	(1,144)	–	(1,144)
Total comprehensive income for the period ended 30 June 2015	–	–	(1,144)	16,668	15,524
Transactions with owners					
Dividend	–	–	–	(31,000)	(31,000)
Employees share award and option scheme — value of employee services	–	–	398	–	398
Total transactions with owners, recognised directly in equity	–	–	398	(31,000)	(30,602)
Balance as at 30 June 2015	7,933	252,286	(65,478)	175,766	370,507

The notes on pages 47 to 70 are an integral part of the interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Cash flows from operating activities		
Cash generated from operations	(106,638)	(38,095)
Interest paid	(4,515)	(2,640)
Income tax paid	(1,622)	(42,242)
Net cash used in operating activities	(112,775)	(82,977)
Cash flows from investing activities		
Purchases of property, plant and equipment	(576)	(3,779)
Payment of pledged bank deposits	(17,544)	(15,696)
Collection of pledged bank deposits	16,115	6,668
Purchase of financial assets at fair value through profit or loss	(22,325)	–
Purchases of intangible assets	(2,393)	(5,000)
Prepayments for acquisition of a subsidiary	(7,500)	(15,772)
Net cash used in investing activities	(34,223)	(33,579)
Cash flows from financing activities		
Proceeds from borrowings	390,172	112,381
Repayments of borrowings	(275,017)	(77,804)
Dividend	(5,000)	–
Net cash generated from financing activities	110,155	34,577
Net decrease in cash and cash equivalents	(36,843)	(81,979)
Cash and cash equivalents at beginning of period	62,082	119,708
Exchange difference	223	1,329
Cash and cash equivalents at end of the period	25,462	39,058

The notes on pages 47 to 70 are an integral part of the interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

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) application solutions, (ii) sports and events business, (iii) system maintenance services and (iv) the development and sales of broadcast and transmission equipment, as well as other related services, for the delivery of various formats of media content in the PRC. The Group has operations mainly in the mainland China.

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

This interim financial information was approved for issue by the board of directors of the Company on 15 August 2016.

This interim financial information has not been audited.

2. BASIS OF PREPARATION AND PRESENTATION

This interim financial information for the six months ended 30 June 2016 has been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”), “Interim financial reporting”. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements.

Amendments to HKFRSs effective for the financial year ending 31 December 2016 do not have a material impact on the Group.

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

4. ESTIMATES

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

In preparing this interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

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

The interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

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

5.2 Liquidity risk

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

5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2016 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).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

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

5.3 Fair value estimation *(Continued)*

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 30 June 2016.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Financial assets at fair value through profit or loss	–	–	40,958

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
Financial assets at fair value through profit or loss	–	–	19,063

There were no transfers among level 1, 2 and 3 during the period.

Fair value measurements using significant unobservable inputs:

	Key-man life insurance RMB'000
Opening balance at 1 January 2016	19,063
Addition	21,466
Fair value adjustment	429
Closing balance at 30 June 2016	40,958

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

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

5.3 Fair value estimation *(Continued)*

The financial assets at fair value through profit or loss in 30 June 2016 represented two key-man life insurance policies. 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:

Mortality rate	3.9%
Discount rate	4%

6. SEGMENT INFORMATION

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

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

- Application solutions
- Sports and events business
- System maintenance services
- Product development and sales

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

6. SEGMENT INFORMATION *(Continued)*

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Segment revenue		
Application solutions	255,336	229,526
Sports and events business	9,825	8,632
System maintenance services	10,674	11,780
Product development and sales	15,155	9,311
Total	290,990	259,249
Segment cost		
Application solutions	(187,811)	(167,129)
Sports and events business	(6,557)	(3,310)
System maintenance services	(4,928)	(5,344)
Product development and sales	(7,178)	(4,005)
Total	(206,474)	(179,788)
Segment gross profit		
Application solutions	67,525	62,397
Sports and events business	3,268	5,322
System maintenance services	5,746	6,436
Product development and sales	7,977	5,306
Total	84,516	79,461
Depreciation		
Application solutions	3,993	3,887
Sports and events business	154	146
System maintenance services	167	199
Product development and sales	237	158
Total	4,551	4,390

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

7. INVESTMENT IN AN ASSOCIATE

In December 2015, the Group acquired 49% equity interest of Beijing Gefei Technology Corporation (“Beijing Gefei”) at a total consideration of RMB26,980,000 which were settled by the Company by a combination of cash in the amount of RMB18,726,000, and allotments of 8,396,000 shares of the Company’s shares at fair value of RMB8,254,000. The relevant shares were issued in May 2016. The principal activities of Beijing Gefei includes research and development of software and equipment and sales of software system for the media industry in the PRC.

	Six months ended 30 June 2016 RMB'000
At 1 January 2016	26,942
Share of post-tax profits of an associate	1,216
At 30 June 2016	28,158

The Group’s share of the results in Beijing Gefei and its aggregated assets and liabilities are shown below:

	Six months ended 30 June 2016 RMB'000
Assets	91,455
Liabilities	51,500
Revenues	11,713
Share of profit	1,216
Percentage held	49%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

8. OPERATING PROFIT

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Equipment costs	202,011	132,880
Servicing and agency costs	8,966	17,067
Business development	3,982	3,663
Depreciation and amortisation	6,399	5,320
	221,358	158,930

9. INCOME TAX EXPENSE

Cayman Islands income tax

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

Hong Kong profits tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for the year ended 31 December 2015 and six months ended 30 June 2016 on the estimated assessable profit for the year. Hong Kong profits tax amounted at RMB7,065,143 (year ended 31 December 2015: nil) was provided for profit amounted at RMB42,819,046, (year ended 31 December 2015: nil) which was subject to Hong Kong profits tax during the period.

PRC enterprise income tax ("EIT")

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

9. 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 it is the beneficial owner of the dividend received from the invested enterprises in the PRC and obtained the approval of enjoying the treaty rate from the PRC tax authorities. The withholding tax imposed on the dividend income received from the Group's PRC entities will reduce the Company's net income.

The income tax expense of the Group for the six months ended 30 June 2016 is analysed as follows:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Current income tax	8,394	3,917
Deferred income tax	(3,213)	(487)
Income tax expense	5,181	3,430

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

10. DIVIDENDS

A dividend of RMB5,000,000 that relates to the year ended 31 December 2015 was paid in June 2016.

The board of directors of the Company has resolved not to declare an interim dividend in respect of the six months ended 30 June 2016 (for the six months ended 30 June 2015: nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

11. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment RMB'000	Intangible assets RMB'000
Six months ended 30 June 2016		
Net book value or valuation		
Opening amount as at 1 January 2016	58,677	38,142
Additions	576	2,601
Disposals	(259)	–
Depreciation	(4,551)	(2,056)
Closing amount as at 30 June 2016	54,443	38,687
Six months ended 30 June 2015		
Net book value or valuation		
Opening amount as at 1 January 2015	58,002	20,736
Additions	3,322	–
Depreciation	(4,390)	(930)
Closing amount as at 30 June 2015	56,934	19,806

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

12. DEFERRED INCOME TAX

Deferred income tax assets

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Opening balance at 1 January	2,084	3,277
Credited to profit or loss	3,028	301
Closing balance at 30 June	5,112	3,578

Deferred income tax liabilities

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Opening balance at 1 January	1,451	1,821
Credited to profit or loss	(185)	(185)
Closing balance at 30 June	1,266	1,636

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

13. TRADE AND OTHER RECEIVABLES

The majority of the Group's sales are on letter of credit or documents against payment. The remaining amounts are with credit terms of 60 days and which are mostly covered by customers' standby letters of credit or bank guarantees. At 30 June 2016 and 31 December 2015, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at	
	30 June 2016 RMB'000	31 December 2015 RMB'000
Trade receivables	474,915	371,749
Less: provision for impairment of trade receivable	(1,463)	(1,133)
Trade receivables — net	473,452	370,616
Other receivables		
Amount due from customers for contract work (a)	—	1,866
Deposit for guarantee certificate over tendering and performance (b)	40,095	30,533
Prepayments	46,415	35,251
Deposit for acquisition of subsidiaries (c)	17,093	16,756
Cash advance to staff	7,363	6,914
Others	21,595	16,338
	606,013	478,274
Less: non-current portion of trade receivables	77,871	—
Current portion	528,142	478,274

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

13. TRADE AND OTHER RECEIVABLES *(Continued)*

As of 31 December 2015 and 30 June 2016, the fair values of trade and other receivables of the Group approximate their carrying amounts.

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

	As at	
	30 June 2016 RMB'000	31 December 2015 RMB'000
The aggregate costs incurred and recognized profits to date	–	1,866
Less: Progress billings	–	–
Net balance sheet position for ongoing contracts	–	1,866

- (b) Deposits for guarantee certificate over tendering and performance are placed at third parties for tendering and performing the contracts. The deposits which are interest free will be returned upon completion of the tendering or contracts.
- (c) The amount represented a refundable deposit paid related to an proposed acquisition of 100% equity interest of Vision World Investment Limited amounting to HKD20,000,000 (equivalent RMB17,093,000). 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

13. TRADE AND OTHER RECEIVABLES *(Continued)*

Invoices issued to our customers are payable on issuance and no credit terms are stipulated in our project contracts generally. The majority of the Group's trade receivables will be settled within 3 months based on the historical record. The Group has put in place control measures that our accounting and finance department will keep regular tracking of outstanding receivables, and our head of sale department would supervise our sale personnel to closely monitor and follow up with our customers on settlement of the outstanding receivables. At 31 December, 2015 and 30 June, 2016, the ageing analysis of the trade receivables based on revenue recognition date is as follows:

	As at	
	30 June 2016 RMB'000	31 December 2015 RMB'000
Up to 3 months	238,585	144,065
3 to 6 months	53,621	69,260
6 months to 1 year	62,515	57,353
1 to 2 years	61,279	74,198
2 to 3 years	57,519	25,919
Over 3 years	1,396	954
	474,915	371,749

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

	As at	
	30 June 2016 RMB'000	30 June 2015 RMB'000
At beginning of the period	(1,133)	(849)
Provision for impairment	(330)	(284)
At end of the period	(1,463)	(1,133)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

14. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares HK\$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2016	1,000,000,000	10,000	7,933	252,286	260,219
Issue of ordinary shares for the equity consideration for investment in an associate (Note 7)	8,396,000	84	71	8,183	8,254
Balance at 30 June 2016	1,008,396,000	10,084	8,004	260,469	268,473
Balance at 1 January 2015 and 30 June 2015	1,000,000,000	10,000	7,933	252,286	260,219

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

15. RESERVES AND RETAINED EARNINGS

	Merger reserve RMB'000	Translation reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2016	(70,612)	(4,023)	16,604	209,185	151,154
Profit for the period	-	-	-	21,484	21,484
Dividend	-	-	-	(5,000)	(5,000)
Currency translation difference	-	(784)	-	-	(784)
Employee share award and option scheme	-	-	910	-	910
Issue of ordinary share for the equity consideration for investment in an associate (Note 7)	-	-	(8,254)	-	(8,254)
Balance at 30 June 2016	(70,612)	(4,807)	9,260	225,669	159,510
Balance at 1 January 2015	(70,612)	(1,770)	7,650	190,098	125,366
Profit for the period	-	-	-	16,668	16,668
Dividend	-	-	-	(31,000)	(31,000)
Currency translation difference	-	(1,144)	-	-	(1,144)
Employee share award and option scheme	-	-	398	-	398
Balance at 30 June 2015	(70,612)	(2,914)	8,048	175,766	110,288

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

16. SHARE BASED PAYMENTS

(i) Share Award Plan

The Company has adopted a share award plan (the "Share Award Plan") on 24 March 2014, which is administered by a trustee (the "Trustee"). The major shareholder of the Company, Cerulean Coast Limited, have reserved and set aside a total of 22,500,000 award shares and held by the Trustee. The Share Award Plan involves granting of existing shares held by the Trustee and no new shares will be issued pursuant to the Share Award Plan.

Movement of the awarded shares under the Share Award Plan during the period is as the following:

	Number of Awarded shares
At 1 January 2016	7,864,868
Granted	6,025,000
Vested	(280,000)
At 30 June 2016	13,609,868
At 1 January 2015	–
Granted	8,864,868
Vested	(1,000,000)
At 30 June 2015	7,864,868

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date. The fair value of awarded shares granted during the six months ended 30 June 2016 was RMB0.544 per share.

The outstanding 7,864,868 awarded shares will be vested in four tranches on 21 November 2017, 2018, 2019 and 2020 respectively. And the outstanding 5,745,000 awarded shares will be vested on 18 May 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

16. SHARE BASED PAYMENTS *(Continued)*

(ii) Share option Scheme

The Company has adopted a share option scheme (the "Share Option Scheme") on 13 June 2014.

On 9 April 2015, the board of directors of the Company approved a share option of 14,216,000 shares at the exercise price of HK\$1.84 (the "2015 Scheme"). The options were divided into 2 tranches at the grant date. The first tranche of 50% of the option can be exercised beginning on the 3rd anniversary of the grant date and the remaining tranche will become exercisable on the 4th anniversary of the grant date.

On 7 April 2016, the board of directors of the Company approved a share option of 13,542,000 shares at the exercise price of HK\$0.77 (the "2016 Scheme") representing the following:

Type A: 12,912,000 share options under the 2016 Scheme were divided into 2 tranches at the grant date. The first tranche of 50% of the option can be exercised beginning on the 2nd anniversary of the grant date and the remaining tranche will become exercisable on the 3rd anniversary of the grant date. The incremental fair value of new 2016 Scheme at the date of modification (compared with the 2015 Scheme) would be spread over the vesting period of the new 2016 Scheme.

Type B: The remaining 630,000 share options under the 2016 Scheme were divided into 2 tranches at the grant date. The first tranche of 50% of the option can be exercised beginning on the 3rd anniversary of the grant date and the remaining tranche will become exercisable on the 4th anniversary of the grant date.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

16. SHARE BASED PAYMENTS *(Continued)*

(ii) Share option Scheme *(Continued)*

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. 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.

	Type A	Type B
Risk free rate	0.873%	0.950%
Dividend yield	0.8%	0.8%
Expected volatility	51.19%	50.13%

The fair value of Type A and Type B share option granted during the six months ended 30 June 2016 was RMB0.279 per share and RMB0.302 per share respectively.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

17. BORROWINGS

	As at	
	30 June 2016 RMB'000	31 December 2015 RMB'000
Non-current Bank borrowings	92,214	29,474
Current Bank borrowings	229,385	176,970
	321,599	206,444

As at 30 June 2016, bank borrowings of RMB75,000,000 (31 December 2015: RMB77,400,000) was secured by the buildings of the Group, net book value of which amounted to RMB41,606,000 (31 December 2015: RMB42,848,000); trade receivables of RMB26,152,390 (31 December 2015: RMB26,735,001), and guaranteed by Beijing Zhongguancun Sic-tech Financing Guarantee Co., Ltd. Bank borrowings of RMB169,186,000 (31 December 2015: RMB91,935,000) was secured by insurance policies of the Group classified as financial assets at fair value through profit or loss amounted to RMB40,958,000 (31 December 2015: RMB19,063,000), and trade receivables of RMB72,729,291 (31 December 2015: nil).

Movements in borrowings are analyzed as follows:

	RMB'000
Six months ended 30 June 2016	
Opening amount as at 1 January 2016	206,444
Proceeds of new borrowings	390,172
Repayments of borrowings	(275,017)
Closing amount as at 30 June 2016	321,599

Interest expense on borrowings for the six months ended 30 June 2016 is RMB4,515,475 (30 June 2015: RMB2,640,236). The weighted average annual effective interest rate is 4.35% (2015: 5.85%).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

18. TRADE AND OTHER PAYABLES

	As at	
	30 June 2016 RMB'000	31 December 2015 RMB'000
Trade payables	154,767	95,501
Progress payment by customers	37,682	40,888
Employee benefits payable	786	3,719
Other taxes payable	51,495	51,797
Receipt in advance	680	680
Accrual for professional service fee	2,800	2,558
Others	4,756	5,419
	252,966	200,562

At 30 June 2016, the ageing analysis of the trade payables based on invoice date was as follows:

	As at	
	30 June 2016 RMB'000	31 December 2015 RMB'000
Up to 3 months	144,766	77,193
3 to 6 months	3,587	2,850
6 months to 1 year	1,108	4,748
1 to 2 years	2,963	7,077
2 to 3 years	747	962
Over 3 years	1,596	2,671
	154,767	95,501

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

19. EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the six months ended 30 June 2015 and 2016 are calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares deemed to be in issue during each respective year:

	Six months ended 30 June	
	2016	2015
Profit attributable to owners of the Company (in RMB'000)	21,484	16,668
Weighted average number of ordinary shares in issue	1,000,874,104	1,000,000,000
Basic earnings per share (RMB)	0.02	0.02

(b) Diluted

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

20. COMMITMENTS

(a) Capital commitments

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

	As at	
	30 June 2016 RMB'000	31 December 2015 RMB'000
Acquisition of a subsidiary (i)	20,000	–

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

20. COMMITMENTS *(Continued)*

(a) Capital commitments *(Continued)*

- (i) In May 2016, the Group entered to an agreement to acquire 55% equity interest of Beijing BroadVision Information Technology Company at an aggregate consideration of RMB27,500,000 which were settled by the Company by a combination of cash in the amount of RMB17,500,000, and allotments of 11,904,761 shares of the Company's shares at fair value of RMB10,000,000. As at 30 June 2016, the acquisition was not yet completed and a deposit amounting to RMB7,500,000 has been paid by the Group and recorded as other non-current assets. Beijing BroadVision Information Technology Company is a software supplier which focuses on the provision of solutions to internet protocol television and over-the-top video service operators.

(b) Operating lease commitments

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

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

	As at	
	30 June 2016 RMB'000 Unaudited	31 December 2015 RMB'000 Audited
No later than 1 year	2,682	933
Later than 1 year and no later than 2 years	2,261	583
Later than 2 years	5,041	15
	9,984	1,531

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

21. RELATED PARTY TRANSACTIONS

The ultimate holding company of the Group is Cerulean Coast Limited, which owns 66.19% of the Company's shares. The remaining 33.81% of the shares are widely held. The ultimate controlling party of the Group is Mr. Lo Chi Sum.

During the period ended 30 June 2016, the related parties that had transactions with the Group were as follows:

(a) Key management compensation

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Salaries and other allowance	3,464	3,127
Pension costs — defined contribution plans	161	100
	3,625	3,227

22. CONTINGENCIES

In March 2014, one of the subsidiaries of the Group was involved in a contractual dispute with a supplier of television broadcasting systems (the "Claimant"). The Claimant supplied certain television broadcasting systems to this subsidiary, who provided the application solution services for the systems to a client in Hunan ("Client"), the end-user of the systems. The contractual claim amounting RMB6.77 million was brought by the Claimant against this subsidiary and the Client in relation to the outstanding amount payable for the sale of the systems. In light of the quality problems in the systems supplied by the Claimant, and the Client is the end user of the system and bear the ultimate obligation to settle payments, the directors consider that the ultimate outcome of the legal dispute will not have a material adverse effect on the financial statements and therefore no provision has been made for the six months ended 30 June 2016.