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
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lo Chi Sum (盧志森)
Mr. Leung Wing Fai (梁榮輝)
Mr. Wong Kwok Fai (王國輝)

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)

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. Wong Kwok Fai

COMPANY SECRETARY

Ms. Ngai Kit Fong
FCIS, FCS(PE)

REGISTERED OFFICE

Cricket Square
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P. O. Box 2681
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Cayman Islands

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The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Cheung Sha Wan
Kowloon
Hong Kong

AUDITORS

PricewaterhouseCoopers

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Conyers 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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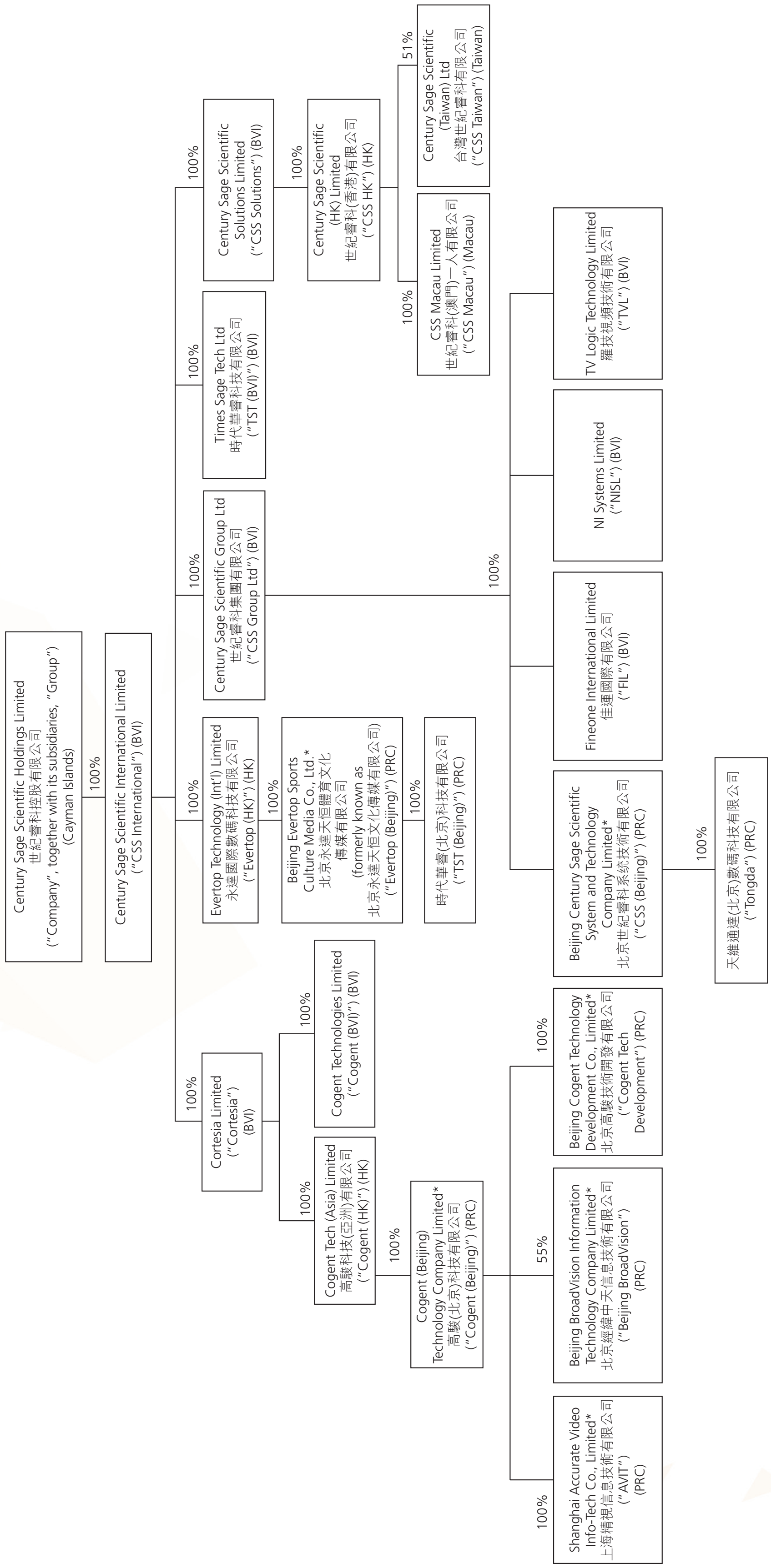

* *For identification purposes only*

CHAIRMAN'S STATEMENT

Dear shareholders,

The board (the "Board") of directors (the "Directors") of Century Sage Scientific Holdings Limited (the "Company") is pleased to present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 (the "Reporting Period" or the "Current Period").

By taking opportunities of media integration, the application solutions business segment of the Group continued to lead the industry.

In 2016, the new landscape of integrated media was forming, while the trend and features of integrated media became increasingly apparent. As the construction of new mainstream media became a national strategy, new media developed rapidly, increased their investment, and actively expanded their business to create their own content creation platforms. With the increasing formation of the new landscape of integrated media, the Group's customers became increasingly diversified. The Group was gaining customers both vertically and horizontally. It did not only have an increasing number of traditional radio and television customers, but also established good business partnership with more new media customers and industry customers. The rapid rise of new media cannot be separated from the support of advanced technology system. As a leading one-stop all-media supplier in China, the Group successfully secured and completed integrated media projects, including Henan Daxiang Merged Media Group project and Mango TV, and new online media projects, including PPTV Sports, Ali Sports and Le Sports, in terms of its application solutions business by virtue of our professional business and technical capabilities and innovation-driven operation philosophy during the Reporting Period.

Although the development of integrated media brought impact and pressure on traditional radio and television customers, we are pleased to see that they are longing for planning and preparing new system facilities to produce, broadcast and manage integrated media. Therefore, most of traditional radio and television customers are actively innovating and reforming their business and operation. Based on that, we anticipated that the application solutions business of the Group will see further growth in the future. During the Reporting Period, the Group remained an industry leader in partnership with traditional radio and television customers and won several key projects such as 4K and all-IP from CCTV and some provincial television stations.

According to The Outline of the 13th Five-Year Plan for National Economic and Social Development of the People's Republic of China *(《中華人民共和國國民經濟和社會發展第十三個五年規劃綱要》)* (the "13th Five-Year Plan"), President Xi Jinping pointed out that the radio, film and television industry as an important part of the national economic and social development must commit to reform and innovation, including production of 4K ultra high definition television programmes. In fact, 4K means not only technology, but also a brand new film watching experience. In simple terms, it is "higher, faster and better". "Higher" means ultra high quality; "faster" means faster frame rate; and "better" means better brightness and color presentation. It also makes higher and stricter requirements for project implementers. Looking back at the evolution of radio and television technology from analog to digital, from SD to HD and from HD to 4K, the pursuit of perfect image and picture quality is the goal of the evolution of radio and television technology. It is also a driving force to promote, advance and optimize application solutions business of the Group. During the Reporting Period, the Group's participation in the construction of some 4K projects not only enriched the Group's technical reserves and professional experience, but also further consolidated its position in the industry. With 4K's popularization, our Directors believe that we will have more business opportunities in the near future.

Meanwhile, another innovation of the radio, film and television industry mentioned in the 13th Five-Year Plan is to speed up the HD reform of local television channels. Since the launch of 9 HD channels, including CCTV 1, Beijing TV, Shanghai Oriental TV and Jiangsu Satellite Channel, in September 2009, the number of domestic HD channels has been growing. The Group was honored to participate in renovating the first generation of HD television of some television stations for 7 HD channels. As the Chinese government promotes the renovation of HD televisions of local television stations, these stations are actively catching up with such an effort. Benefiting from this, the Company continued to play an important role in the HD renovation projects of several provincial television stations (such as Hunan TV and Jilin TV) during the Reporting Period. With our increasing penetration of the vertical market of radio and television media during the Reporting Period, we have also added local radio and television customers from Anshun of Guizhou Province, Dezhou of Shandong Province, Haimen of Nantong City, Jiangsu Province, Yanbian of Jilin Province, Qiandong of Guizhou Province, Wuzhou City of Guangxi Province, Xinxiang City of Henan Province and Kashgar City of Xinjiang Uygur Autonomous Region, to name a few.

In the golden era of development of the sports industry, the Group's sports and events business segment achieved a further success.

In 2016, China's sports industry ushered in an important period of golden development. With the vigorous efforts of the state to promote and support the sports industry, the enthusiasm of the people to participate in sports activities is growing. The General Administration of Sport issued the 13th Five-Year Plan for Sports Development *(《體育發展「十三五」規劃》)* on 5 May 2016, which specifically mentioned that the Chinese government is about to transfer the undertaking of sports services that are suitable to be undertaken by the market and social organisations to eligible social organisations, enterprises, institutions, and entities. It will lead, foster and support the development of sports and social organisations such as sports associations, private non-enterprise sports entities, and sports foundations in an effort to drive innovation, stimulate vitality and further the development of sports.

During the Reporting Period, the Group's sports and events business segment has once again achieved a great performance. Evertop (Beijing), a wholly-owned indirect subsidiary of the Company, is transforming itself from a simple public signal production company to a sports IP integrated promotion service provider with integrated market development capacity. Not only did Evertop (Beijing) provide broadcast and production service for international cycling events, it also actively explored business rights and interests of sports and games to diversify source of revenue of the Group's sports and events business segment.

During the Reporting Period, Evertop (Beijing) successfully provided live broadcasting technologies and production services for 6 cycling races, including the UCI Women Tour of Chongming Island International Cycling Race held in Shanghai, Tour of Qinghai Lake International Road Cycling Race, and Tour of Hainan International Road Cycling Race. Meanwhile, it also took part in broadcasting triathlon events and provided production and broadcasting service of La Liga and business invitation service for a local TV channel with a full coverage around China. These projects underscore the Group's initial success in diversifying and developing its sports and events business segment. In the important development period of the sports industry, all segments will greet unprecedented development opportunities. Our Directors believe that the Company's sports and events business segment will bring more positive surprises in the near future.

CHAIRMAN'S STATEMENT

As innovative ideas drive technological progress, the Group's sales of self-developed products witness a rapid growth.

The year 2016 marked a rapid growth of the Group's sales of self-developed products segment. During the Reporting Period, the Group's revenue from its sales of self-developed products increased by nearly 70% as compared to the year ended 31 December 2015. Thanks to encouraging national policies on enterprise innovation and high-end manufacturing industry, Cogent (Beijing), a wholly-owned indirect subsidiary of the Company, actively promoted its technology and products to a state-of-the-art level, based on the domestic high-end manufacturing and by continuously stimulating innovation potential and improving technology innovation capability.

At present, the self-developed products of Cogent (Beijing) mainly include 4G portable transmission devices, satellite stations and microwave equipment. During the year 2016, the Group's independently researched and developed products were used in large-scale national activities (such as meetings of state leaders and large-scale summits, forums and dialogues). At the same time, customer groups covered by Cogent (Beijing) became diversified and approximately half of its revenue was from non-media and non-broadcasting and television industries (such as public security, armed forces, and fire-fighting services, etc.). In response to the "One Belt and One Road Initiative" and the Group's business development strategies, Cogent (Beijing) has also seized the opportunity to actively explore overseas markets. In 2016, it secured some overseas customers from, for example, Nigeria and Kuwait and duplicated its successful domestic experience in expanding its overseas business. Adhering to the dual track expansion strategy of several vertical markets and overseas markets, it is believed that Cogent (Beijing) will create a bright prospect for the sales of self-developed products segment of the Group.

The Group completed acquisitions of 100% of shares in AVIT, 49% of shares in Beijing Gefei Technology Corporation* (北京格非科技股份有限公司) ("Beijing Gefei"), of which the shares were approved to list on the National Equities Exchange and Quotations System (the "NEEQ") (全國中小企業股份轉讓系統), or commonly known as "New Third Board (新三板)" on 27 July 2016 with its stock code 838964, and 55% of shares in Beijing BroadVision, in January 2015, December 2015 and September 2016, respectively. After these acquisitions, the Group 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. Such comprehensive technology strength of a large-scale platform is rare in media industry not only in China but also in the overseas market.

The integration, connectivity and collaboration of the three major business segments of the Group provide a strong impetus for future business growth.

During the Reporting Period, the Group's three major business segments actively interacted with one another to achieve the technology integration and connectivity. It was fully demonstrated during the G20 Leaders Summit (the "G20 Summit") held in Hangzhou in September 2016. The Group provided the G20 Summit with not only application solutions service and live broadcasting service, but also self-developed 4G products, which were the only 4G transmission devices for the G20 Summit. The gradual formation of the new landscape that the Group's three major business segments mutually promotes, interact and collaborate with one another further consolidated the Group's brand awareness and reputation in the industry. Our Directors believe that it will give strong impetus to our future business growth and potential business opportunities for our future business development.

* *For identification purposes only*

CHAIRMAN'S STATEMENT

Looking back over the past year, the Group's business and operations maintained slower but stable performance with good momentum for growth despite the slowdown in global economy and trade growth and increased downward pressure of domestic economy. Looking forward to the coming year, we believe that the opportunity will be greater than the challenge and the new era will give birth to new opportunities. Looking ahead, the Group will firmly grasp the development opportunities, continue to closely follow the strategic development plan, explore the potential of the integrated media market, expand the sports industry business, and strengthen high-end product development, so as to attain a healthy and sustainable development.

On behalf of the Board and the management, I would like to express my heartfelt thanks to the Group's business partners, customers and investors for their support and to our staff for their dedication. I look forward to moving forward with all of you to write a new chapter for the Group in a flourishing new year and share the better performance of the Group.

Lo Chi Sum
Chairman

28 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The integration and transformation of media is a mission of the era. In 2016, the trend and features of media integration became increasingly apparent, while the integration of traditional media and new media expanded in width, accelerated in speed, and increased in strength continuously. The integrated development has become the future trend of global media industry.

Since media integration became a national strategy in 2014, a swathe of national policies has been released gradually, creating new opportunities for China's media integration and playing an important role in launching media integration. The promotion of the integration and development of traditional and new media was proposed in several national policies at various conferences and meetings, providing policy support and guarantee for media development. For instance,

- The Outline of the 13th Five-Year Plan for National Economic and Social Development of the People's Republic of China (*《中華人民共和國國民經濟和社會發展第十三個五年規劃綱要》*) released in March 2016 proposes to build modern media system and facilitate in-depth integration of traditional media and new media in terms of content, channel, platform, operation and management by taking advanced technology as support and content construction as foundation.

- On 2 July 2016, the State Administration of Press, Publication, Radio, Film and Television issued the Opinions on Further Acceleration of Integrated Development of Radio and Television Media and New Media (*《關於進一步加快廣播電視媒體及新型媒體融合發展的意見》*), which proposed to facilitate transformation and upgrading of radio and television media and make ground breaking progress in the integration of radio and television media and new media in local areas in two years.

- In July 2016, the Outline for National Informationization Development Strategy (*《國家信息化發展戰略綱要》*) issued by the General Office of the State Council proposed to facilitate integrated development of traditional media and new media and integrate various media resources and production elements effectively.

- In the Government Work Report presented by Premier Li Keqiang at the 5th Session of the 12th National People's Congress in March 2017, it proposed the objective of "Accelerating Cultivation of Culture Industry and Spreading Chinese Culture to Foreign Countries (*《加快培育文化產業，推動中國文化走出去》*)", including promoting socialist cultural and ethical progress and developing news and publication, radio, film, television and archive businesses, while accelerating cultivation of culture industry, strengthening regulation on the culture market, and promoting Chinese culture to foreign countries. In addition, Premier Li Keqiang stressed that efforts must be made to prepare for the Olympic Winter Games and the Paralympic Winter Games, so as to develop the mass sports, competitive sports, and sports industry.

As an ancient saying goes, "what should be taken is the situation and what cannot be lost is the opportunity", with the technological change of information communication on the rise today, the Group, as a national leading one-stop all-media provider, strives to keep in steps with the times, conform to the trend of media integration and development, and actively establish the philosophy of integration and development. In addition, the Group conducts business innovation and completed several projects of integrated media and new online media, such as the integrated media platform project of Henan Daxiang Merged Media Group and Mango TV, new online media projects of Le Sports, Ali Sports and PPTV Sports. Meanwhile, the penetration rate of vertical market of the Group's radio and television media is increasing and the newly added customer group includes local radio and television stations on district and county levels, such as Anshun in Guizhou Province, Dezhou in Shandong Province, Haimen in Jiangsu Province, Yanbian in Jilin Province, Qiandong in

Guizhou Province, Wuzhou in Guangxi Province, Kashgar in Xinjiang Uygur Autonomous Region, Xinxiang in Henan Province, and Huangdao District in Qingdao. Along with increasingly diversified categories of the Group's clients, including both traditional radio and television clients and new media players, the business coverage of the Group is expected to expand to other industries. In 2016, the Group also established strategic partnership with several enterprises and entities, including a well-known leading multinational networking technology corporation and media clients with rapid development. The Directors believe that such partnerships will present the Group with more business opportunities in the near future.

The year of 2016 was the year of growth for China's sports industry, which continued to generate more momentum. The Chinese government has launched a series of policies successively to promote prosperous development of the sports industry. For instance, the General Administration of Sport issued the 13th Five-Year Plan for Sports Development (*《體育發展「十三五」規劃》*) on 5 May 2016, which specifically mentioned that the Chinese government is about to transfer the undertaking of sports services that are suitable to be undertaken by the market and social organisations to eligible social organisations, enterprises, institutions and entities. It will lead, foster and support the development of sports and social organisations such as sports associations, private non-enterprise sports entities and sports foundations. The State Council issued the National Fitness Programme (2016–2022) (*《全民健身計劃 (2016–2022年)》*) on 23 June 2016 and the national enthusiasm for fitness was ignited.

Thanks to the national promotion of and support for the sports industry and the warm atmosphere of national participation in fitness and sports activities, the Group has attained outstanding performance in sports and events business in 2016. Evertop (Beijing), an indirect wholly-owned subsidiary of the Company which specialises in the production, broadcasting and operation of sports and events, had a continuous development in sports and events production and broadcasting of several international cycling races with its professional and high quality event production and broadcasting technology. For example, the Group provided broadcasting technologies and production services for six cycling races in 2016, including the UCI Women Tour of Chongming Island International Cycling Race held in Shanghai, Tour of Qinghai Lake International Road Cycling Race, and Tour of Hainan International Road Cycling Race. Moreover, the Group has also actively taken part in broadcasting, production, and operation of various sports events. For instance, Evertop (Beijing) provided live broadcasting service for the triathlon events organized by Wanda Group in Hefei and Xiamen in 2016 for its first time. In August 2016, Evertop (Beijing) started to provide production and broadcasting service of La Liga for a local TV channel with a full coverage around China, the audience ratings of which was ranked first place nationwide at some point. Nevertheless, Evertop (Beijing) has been challenging and surpassing itself. In 2016, it deeply explored commercial rights to diversify the business revenue of the Group from sports and events. The Directors believe that, as the size of the Chinese sports industry grows bigger and bigger, the sports industry will inevitably be commercialised, which perfectly commensurate with the Group existing business development strategies. The Directors are convinced that sports and events business of the Company will ride on an expressway.

In the sales of self-developed products segment, the Group's revenue recorded a substantial growth of nearly 70% during the Current Period as compared with the year ended 31 December 2015 (the "Corresponding Period"). In the context of the "Made in China 2025", the Chinese government supports high value-added and high-tech manufacturing industries, encourages domestic enterprises to innovate and clarifies the national strategic planning of high-end manufacturing. Focusing on domestic high-end manufacturing, Cogent (Beijing), an indirect wholly-owned subsidiary of the Company, actively conducted research and development on high-end products during the Current Period. Its self-researched and developed product lines are being increasingly enriched, which mainly include 4G portable transmission devices, satellite stations and microwave devices. Its customers group is also becoming more diversified, with increasing customers from non-media and non-broadcasting and television industries (such as public security, armed forces and fire-fighting services, etc.). It fully demonstrated the preliminary success of the Group's expansion to multiple industries by launching products using its self-researched and developed core technologies. At the same time, the full implementation of the "One Belt and One Road Initiative" has created a rare historical opportunity for Chinese enterprises to "go out". The Group is also actively responding to the policy direction of the "One Belt and One Road Initiative" and clinging to this opportunity. Since its entry to the overseas market, the Group has successfully completed a number of projects overseas, including Zimbabwe, Morocco, Bhutan, Oman, Nigeria and Kuwait. The Group will continue to expand its overseas market business.

In December 2015, the Group acquired 49% equity interest of Beijing Gefei which is engaged in the development and production of core technology equipment systems for the production and processing of radio and television media and has a series of broadcast and monitoring software systems. On 27 July 2016, the quotation of shares of Beijing Gefei on the NEEQ, or commonly know as "New Third Board (新三板)", was approved with stock code 838964. On 13 May 2016, the Company issued an announcement to acquire 55% equity interest of Beijing BroadVision, a national leading software provider of integrated media platforms. This acquisition is another important milestone to expand the Group's self-research and development products business. It is not only a key step to further improve and diversify the Group's self research and development product landscape, but is also a key strategic plan of the Group in the backdrop of promotion of integrated media by the government. As the new landscape of integrated media is forming, the Directors believe that Beijing BroadVision's products and systems will be widely used and will create more business opportunities and considerable revenue for the Group.

Through the independent research and development on products and various key acquisitions, 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. The Directors believe that, as the new landscape of integrated media is forming, the all-round technology integration platform plus dual track expansion strategy of several vertical markets and overseas market will create a bright prospect for the sales of self-developed products segment of the Group.

The Group is pleased to see the advantage, which was resulted from business interaction and technology integration and connectivity within the Group, was fully demonstrated during the G20 Summit held in Hangzhou, the PRC, in September 2016, where the mutual promotion and synergy of three main business segments of the Group was fully shown. During the G20 Summit, CSS (Beijing) and Evertop (Beijing), which are indirect wholly-owned subsidiaries of the Company, provided application solutions and live broadcast services for the G20 Summit, while Cogent (Beijing) provided self-developed 4G transmission devices, which were the only 4G transmission devices used at the G20 Summit, to ensure smooth broadcast service during the event. It was a great honour of the Group to play an important role in such a significant international event that fully demonstrated the Group's competitive advantage of being "a leading China-based one-stop all-media provider".

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Principal Activities

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

Revenue

Our Group's revenue increased by approximately 6.3% from approximately RMB623.4 million for the year ended 31 December 2015 to approximately RMB662.9 million for the year ended 31 December 2016. The increase was attributable to an increase in revenues from the application solutions, and sales of self-developed products business segments.

	For the year ended 31 December			
	2016		2015	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Segment revenue				
Application solutions	528,877	79.7%	514,754	82.6%
Sports and events business	58,312	8.8%	57,397	9.2%
System maintenance services	18,936	2.9%	17,547	2.8%
Sales of self-developed products	56,763	8.6%	33,734	5.4%
Total	662,888	100.0%	623,432	100.0%

Application solutions

Revenue from application solutions increased by 2.7% from approximately RMB514.8 million for the Corresponding Period to approximately RMB528.9 million for the Current Period. The increase was mainly attributable to the increase in completion of projects as rendered to the Group's customers during year 2016, especially the merged media customers' projects. Revenue generated by the Group's application solutions segment is the most substantial contributor to its revenue, representing approximately 82.6% and 79.7% of the total revenue of the Group for the year ended 31 December 2015 and 2016 respectively. The decrease of the proportion of the revenue from application solutions over the total revenue was mainly due to the faster growth rate of the sales of self-developed products segment which contributed a higher proportion to the overall revenue in 2016.

Sports and events business

Revenue from sports and events business increased from approximately RMB57.4 million for the Corresponding Period to approximately RMB58.3 million for the Current Period, representing an increase of 1.6%. Such increase was mainly attributable to the sustained demand for sports and events business and the Group's effort in expanding the broadcast services in bicycle game during year 2016. Revenue generated from sports and events business represented approximately 9.2% and 8.8% of the total revenue of the Group for the year ended 31 December 2015 and 2016 respectively.

System maintenance services

Revenue from system maintenance services represented approximately 2.8% and 2.9% of the total revenue of the Group for the year ended 31 December 2015 and 2016, respectively and increased approximately from RMB17.5 million for the Corresponding Period to RMB18.9 million for the Current Period, representing an increase of 7.9%. Such increase was mainly attributable to the increase of the revenue of the application solutions segment which stimulated the demand of the system maintenance services.

Sales of self-developed products

Revenue from sales of self-developed products represented approximately 5.4% and 8.6% of the total revenue of the Group for the year ended 31 December 2015 and 2016, respectively, and increased significantly from RMB33.7 million for the year ended 31 December 2015 to RMB56.8 million for the year ended 31 December 2016, representing an increase of 68.3%. Such significant increase was mainly attributable to the effect of the Group's effort to launch innovative products which increased the market penetration and the market popularity, so as to increase the number of units of the Group's self developed equipment sold as we expanded our customer base.

Cost of sales

The Group's cost of sales increased by approximately 6.2% from RMB440.5 million for the year ended 31 December 2015 to RMB467.6 million for the Current Period. The increase was mainly attributable to the increase in the overall business volume during 2016. The following table sets forth the cost of sales for each business segment for the year ended 31 December 2015 and 2016:

	For the year ended 31 December			
	2016		2015	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Segment cost of sales				
Application solutions	400,080	85.6%	387,870	88.1%
Sports and events business	29,114	6.2%	28,467	6.5%
System maintenance services	9,947	2.1%	8,592	2.0%
Sales of self-developed products	28,475	6.1%	15,559	3.4%
Total	467,616	100.0%	440,488	100.0%

The Group's cost of sales for the application solutions segment increased by 3.1% for the Current Period, compared to the Corresponding Period, which was primarily due to the increase in revenue of the Group.

Gross profit and gross profit margin

The Group's gross profit was RMB182.9 million and RMB195.3 million for the year ended 31 December 2015 and 2016, respectively. The Group's gross profit margin was 29.3% and 29.5% for the year ended 31 December 2015 and 2016, respectively. The following table sets out the gross profit and gross profit margin of each of the Group's segments for the year ended 31 December 2015 and 2016:

	For the year ended 31 December			
	2016		2015	
	RMB'000	**Gross profit margin %**	RMB'000	Gross profit margin %
Segment gross profit and gross profit margin				
Application solutions	**128,797**	**24.4%**	126,884	24.6%
Sports and events business	**29,198**	**50.1%**	28,930	50.4%
System maintenance services	**8,989**	**47.5%**	8,955	51.0%
Sales of self-developed products	**28,288**	**49.8%**	18,175	53.9%
Total	**195,272**	**29.5%**	182,944	29.3%

The Group's gross profit was increased by 6.7% in the Current Period when compared to the Corresponding Period. The gross profit margin was increased gently from 29.3% for the Corresponding Period to 29.5% for the Current Period. The increase in the Group's gross profit margin was mainly attributable to the increase in the gross profit for the sales of self-developed products segment, since the revenue of such segment increased by 68.3% in the Current Period when compared to the Corresponding Period.

Application solutions

The Group's gross profit from provision of application solutions increased gently by 1.5% from RMB126.9 million for the year ended 31 December 2015 to RMB128.8 million for the year ended 31 December 2016 while the Group's gross profit margin of the segment decreased slightly from 24.6% for the year ended 31 December 2015 to 24.4% for the year ended 31 December 2016. The Group believes the slight fluctuation in the gross profit of the segment is within a reasonable range of normal operation.

Sports and events business

The Group's gross profit from sports and events business increased by approximately 0.9% from RMB28.9 million for the year ended 31 December 2015 to RMB29.2 million for the year ended 31 December 2016. Gross profit margin for such segment decreased slightly from 50.4% for the year ended 31 December 2015 to 50.1% for the year ended 31 December 2016. The Group has maintained a healthy portfolio of sport events which contributed to a stable business and gross profit during 2016.

System maintenance services

The Group's gross profit from system maintenance services increased slightly by approximately 0.4% from RMB8.95 million for the year ended 31 December 2015 to RMB8.99 million for the year ended 31 December 2016. The gross profit margin of the segment decreased from 51.0% for the year ended 31 December 2015 to 47.5% for the year ended 31 December 2016.The decrease in the gross profit margin was mainly attributable to the increase in the cost of some repair contracts which was executed and recognised in the Current Period.

Sales of self-developed products

The Group's gross profit from sales of self-developed products increased by approximately 55.6% from RMB18.2 million for the year ended 31 December 2015 to RMB28.3 million for the year ended 31 December 2016 while gross profit margin decreased from 53.9% for the year ended 31 December 2015 to 49.8% for the year ended 31 December 2016. The increase in gross profit was mainly attributable to the increase of the equipment sales, such as the sale of 4G system and signal processing and transmission products during the Current Period.

Other gains — net

Other gains was approximately RMB3.5 million and RMB4.8 million for the year ended 31 December 2015 and 2016, respectively, the value added tax refund and government subsidy was decreased from RMB5.2 million for the year ended 31 December 2015 to RMB4.2 million for the year ended 31 December 2016 while the fair value gains on financial assets at fair value through profit or loss was increased from RMB0.4 million for the year ended 31 December 2015 to RMB1.3 million for the year ended 31 December 2016. Others were the loss from disposal of the obsolete and damaged inventory, property, plant and equipment and other assets.

Selling and administrative expenses

Selling expenses increased by approximately 2.3% from RMB34.7 million for the year ended 31 December 2015 to RMB35.5 million for the year ended 31 December 2016. The increase in selling expense was mainly attributable to the increase in the labour cost for the sales staffs and the travelling expense.

Administrative expenses increased by approximately 8.5% from RMB85.8 million for the year ended 31 December 2015 to RMB93.1 million for the year ended 31 December 2016. The increase in administrative expense was mainly attributable to (i) the increase in the research and development expense by 35.6% from RMB14.5 million for the year ended 31 December 2015 to RMB19.7 million for the year ended 31 December 2016; and (ii) the increase in the amortisation of the intangible assets expense.

Net finance costs

Net finance costs increased by approximately 47.1% from RMB8.7 million for the year ended 31 December 2015 to RMB12.8 million for the year ended 31 December 2016. The increase was mainly attributable to the increase in interest expenses and the exchange loss associated with the Group's project financing and short-term borrowings for its working capital requirements.

Income tax expenses

Income tax expenses amounted to RMB7.1 million and RMB8.9 million for the year ended 31 December 2015 and 2016, respectively, representing an increase of 25.3%. The effective tax rate increased to approximately 14.5% for the year ended 31 December 2016 from approximately 12.4% for the year ended 31 December 2015, primarily due to the decrease in the deductable expenses for the year ended 31 December 2016.

Profit for the Current Period

As a result of the foregoing factors, profit attributable to owners of the Company increased by approximately 4.8% from RMB50.1 million for the year ended 31 December 2015 to RMB52.5 million for the year ended 31 December 2016. The net profit margin of the Company was maintained at 8% for the Current Period and the Corresponding Period.

Liquidity, financial resources and capital structure

Net cash used in the Group's operating activities amounted to RMB92.2 million for the year ended 31 December 2016 (as at 31 December 2015: approximately RMB45.2 million). The net cash outflow of the Group's operating activities mainly arose from (i) the execution of projects procurement; and (ii) deferral in collection of trade receivables.

Net cash used in the Group's investing activities amounted to RMB64.3 million for the year ended 31 December 2016 (as at 31 December 2015: approximately RMB94.7 million). The net cash outflow for the year ended 31 December 2016 mainly arose from the payment for the acquisition of Beijing BroadVision, the purchase of financial assets, equipment, intangible assets and the pledged deposits placed for the issuance of trade related documents.

Net cash generated from the Group's financing activities amounted to RMB149.5 million for the year ended 31 December 2016 (as at 31 December 2015: approximately RMB85.6 million). The net cash generated from financing activities of the Group for the year ended 31 December 2016 was mainly attributable to the proceeds from bank loans which was partially offset by the payment of dividend declared for the year ended 31 December 2015.

As at 31 December 2016, the Group had current assets of approximately RMB842.4 million (as at 31 December 2015: approximately RMB679.2 million) and current liabilities of approximately RMB542.4 million (as at 31 December 2015: approximately RMB383.2 million). The current ratio (which is calculated by dividing current assets by current liabilities) was approximately 1.55 as at 31 December 2016, which was decreased as compared with the current ratio of approximately 1.77 as at 31 December 2015.

As at 31 December 2016, the Group had cash and cash equivalents of approximately RMB76.8 million, which was mainly comprised of approximately RMB39.9 million, RMB25.0 million in HKD and RMB10.0 million in USD. As at 31 December 2015, the Group had cash and cash equivalents of approximately RMB62.1 million, which was mainly comprised of approximately RMB59.5 million and RMB2.0 million in HKD. The effective interest rate on cash deposits ranged from 0.35% to 0.5% per annum for the year ended 31 December 2016 (2015: 0.3% to 0.7%).

As at 31 December 2016, the Group had borrowings of approximately RMB361.0 million, which was comprised of approximately RMB109.1 million, RMB225.9 million in HKD and RMB26.0 million in USD. As at 31 December 2015, the Group had borrowing of approximately RMB206.4 million, which was comprised of approximately RMB103.8 million and RMB102.6 million in HKD. The bank borrowing bear effective interest rate of 3.72% annually for the year ended 31 December 2016 (2015: 6.1%).

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

Foreign exchange exposure

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

The management of the Group has set up a policy to require the Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to control the exposure of the foreign currency during the business operation. The foreign currency exposure is mainly due to the purchase of the equipment from all over the world and the management controls on 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 on the Group was minimal and there was no significant adverse effect on normal operations. During the Current Period, the Group did not commit to any financial instruments to hedge its exposure to foreign exchange risk. However, the management of the Group monitors foreign exchange exposure of the Group and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

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

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

Charge over assets of the Group

As at 31 December 2015 and 31 December 2016 respectively, bank borrowings of RMB77,400,000 and RMB76,700,000 were secured by the buildings of the Group, net book value of which amounting to RMB42,848,000 and RMB40,366,800, and trade receivables of which amounting to RMB26,735,001 and RMB25,834,502, respectively.

Gearing position

The gearing ratio, which represented total borrowings divided by total equity multiplied by 100%, was 50.2% and 78.2% respectively as of 31 December 2015 and 2016. The total borrowings of the Group increased from RMB206.4 million as at 31 December 2015 to RMB361.0 million as at 31 December 2016. Such increase was mainly attributable to the new borrowings of RMB167.3 million long-term financing for the Le TV project. The total borrowings as at 31 December 2016 mainly comprised RMB82.1 million working capital loans, RMB147.7 million long-term borrowings and RMB131.2 million loans from project financing.

Significant investments, acquisitions and disposals

During the Current Period, the Group acquired 55% equity interest of Beijing BroadVision which became a subsidiary of the Company after completion of the acquisition. 11,904,761 shares of the Company were issued at the issue price of HK$1 per share under the general mandate of the Company on 28 September 2016 as consideration shares for the acquisition. Please refer to the announcement of the Company dated 13 May 2016 for details.

In addition, for the year ended 31 December 2015, the Group acquired 49% equity interest of Beijing Gefei which became an associate of the Group after completion of the acquisition. 8,396,000 shares of the Company were issued at the issue price of HK$1.8 per share under the general mandate of the Company on 23 May 2016 as consideration share of the acquisition. Please refer to the announcements of the Company dated 14 August 2015, 26 April 2016 and 12 May 2016 for details.

Except for the acquisition mentioned above, the Group had no significant investments, mergers and acquisitions during the Current Period.

Capital and operating lease commitments and contingent liabilities

As at 31 December 2016, the Group had capital commitment amounting to approximately RMB1,264,000 for the investment of an associate (as at 31 December 2015: Nil) and operating lease commitment amounting to RMB7,927,000 (as at 31 December 2015: approximately RMB1,531,000).

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 (the "Client"), the end-user of the systems. The contractual claim amounting RMB6.77 million was brought by the Claimant against this subsidiary and the Client in relation to the outstanding amount payable for the sale of the systems. On 16 December 2014, the Claimant withdrew the lawsuit against this subsidiary. The contractual claim between the Claimant and the Client was still under trial for the year ended 31 December 2016. In light of the quality problems in the systems supplied by the Claimant, the fact that the Client was the end user of the systems and bore the ultimate obligation to settle payments, and that the Group acted as a third party in the legal proceedings, the Directors consider that the ultimate outcome of the legal dispute will not have a material adverse effect on the financial statements and therefore, no provision has been made for the year ended 31 December 2016.

As at 31 December 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.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at the date of this report.

SHARE AWARD PLAN AND SHARE OPTION SCHEME

Share Award Plan

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

(a) Summary of terms

(i) Purpose and participants

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

(aa) any employee (whether full-time or part-time, including any executive director of the Company, any of the subsidiaries or any entity (the "Share Award Plan Invested Entity") in which any member of us holds an equity interest (the "Share Award Plan Eligible Employee");

(bb) any non-executive directors (including independent non-executive directors) of the Company, any of the subsidiaries or any Share Award Plan Invested Entity;

(cc) any supplier of goods or services to any member of us or any Share Award Plan Invested Entity;

(dd) any customer of any member of us or any Share Award Plan Invested Entity;

(ee) any person or entity that provides research, development or other technological support to any member of us or any Share Award Plan Invested Entity;

(ff) any shareholder of any member of us or any Invested Entity or any holder of any securities issued by any member of us or any Share Award Plan Invested Entity;

(gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of us or any Share Award Plan Invested Entity; and

(hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to our development and growth;

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

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

(ii) Award of Shares and pool of awarded Shares

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

(aa) such Shares as may be (1) transferred to the Share Award Plan Trustee from any person (other than the Group) by way of gift, or (2) purchased by the Share Award Plan Trustee by utilising the funds received by the Share Award Plan Trustee from any person (other than the Group) by way of gift, but subject to the limitations set out in paragraph (iv) below;

(bb) such Shares as may be purchased by the Share Award Plan Trustee on the Stock Exchange by utilising the funds allocated by the Board out of our resources (the "Group Contribution"), but subject to the limitations set out in paragraph (iv) below;

(cc) such Shares as may be subscribed for at par value by the Share Award Plan Trustee by utilising Group Contribution, but subject to the limitations set out in (iv) below; and

(dd) such Shares which remain unvested and revert to the Share Award Plan Trustee in accordance with the rules of the Share Award Plan.

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

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

(iii) Subscription and purchase of Shares by the Share Award Plan Trustee

(aa) The Share Award Plan Trustee may purchase Shares on the Stock Exchange at the prevailing market price or off the market. In respect of off-market transactions, purchases shall not be made with any connected person, nor shall the purchase price be higher than the lower of the following: (1) the closing market price on the date of such purchase, and (2) the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange.

(bb) In the event that the Board considers it appropriate for the Share Award Plan Trustee to subscribe Shares by utilising the Group Contribution, the Share Award Plan Trustee shall, upon the instructions of the Board, apply to the Company for the allotment and issue of the appropriate number of new Shares as instructed by the Board. Such allotment and issue shall only be made upon (i) shareholders' approval in general meeting to authorise the Directors to allot and issue new Shares to the Share Award Plan Trustee, subject to the limitations set out in paragraph (iv) below and (ii) the Listing Committee of the Stock Exchange has granted the listing of and permission to deal in such Shares, which may be allotted and issued by the Company to the Share Award Plan Trustee pursuant to the Share Award Plan.

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

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

(v) *Vesting of the awarded Shares*

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

(aa) the date specified on the notice of the award given by the Board to the Share Award Plan Trustee (which shall not be earlier than the first business day immediately following the expiry of six months after the Listing Date); and

(bb) where applicable, the date on which the condition(s) or performance target(s) (if any) to be attained by such Selected Participant as specified in the related notice of award have been attained and notified to the Share Award Plan Trustee by the Board in writing.

(vi) *Remaining life*

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

(b) Movement of the awarded Shares

During the year ended 31 December 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 12,884,868 Shares were remain unvested as at 31 December 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 Current Period.

Movement of the awarded Shares under the Share Award Plan during the Current Period is as follows:

			Number of Awarded Shares			
Participants	Date of Award	Outstanding as at 1 January 2016	Awarded during 2016	Vested during 2016	Lapsed/ cancelled during 2016	Outstanding as at 31 December 2016
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 (Notes 2 and 3)	280,000	725,000	5,020,000
		7,864,868	6,025,000	280,000	725,000	12,884,868

Notes:

1. 25% of the awarded Shares together with any dividends and other distributions declared and made in respect of the awarded Shares will be vested on 21 November 2017, 21 November 2018, 21 November 2019 and 21 November 2020 respectively.

2. Except the 280,000 awarded Shares which were vested in the name of a selected participant on the date of award, 5,020,000 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.

3. 100,000 unvested shares of the Company were awarded to Mr. Wong Kwok Fai on 18 May 2016. Mr. Wong has been appointed as an executive Director with effect from 12 March 2017.

Save as disclosed above, none of the above Selected Participants are directors of the Company.

Share Option Scheme

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

(a) Summary of terms

(i) Purpose and participants

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

(aa) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of the subsidiaries or any entity (the "Invested Entity") in which any member of the Group holds an equity interest;

(bb) any non-executive directors (including independent non-executive directors) of the Company, any of the subsidiaries or any Invested Entity;

(cc) any supplier of goods or services to any member of the Group or any Invested Entity;

(dd) any customer of any member of the Group or any Invested Entity;

(ee) any person or entity that provides research, development or other technological support to the Group or any member of any Invested Entity;

(ff) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

(hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group,

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

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

(ii) Total number of Shares available for issue

The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group shall not in aggregate exceed 30% of the issued share capital (the "Issued Share Capital") of the Company from time to time. The total number of Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Group) to be granted under the Share Option Scheme and any other share option schemes of the Group as may from time to time be adopted by the Company as permitted under the Listing Rules initially must not, in aggregate, exceed 10% of the Issued Share Capital as at the time dealings in the Shares first commence on the Main Board of the Stock Exchange (i.e. as at 7 July 2014) (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). The maximum number of Shares that may be granted under the Share Option Scheme was 100 million Shares, representing 10% of the total issued Shares as at 7 July 2014, being the listing date of the Company on the Stock Exchange. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting with such participant and his associates abstaining from voting. As at the date of this annual report, as the 200,000 share options conditionally granted on 2 July 2015 were not accepted by the relevant grantee, the total number of Shares available for issue under the Share Option Scheme was 72,242,000, representing approximately 7.08% of the total issued Shares as at the date of this annual report.

(iii) Maximum entitlement of each participant

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

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

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

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

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

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

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

(vii) Basis of determining the exercise price

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

(viii) Remaining life

Subject to any earlier termination in accordance with its rules, the Share Option Scheme shall remain in force for a period of 10 years commencing on 13 June 2014. As at the date of this annual report, the Share Option Scheme had a remaining life of approximately seven years.

(b) Movement of the share options

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

				Number of share options				
Grantee	Date of grant	Exercise price (HK$)	Outstanding as at 1 January 2016	Granted	Exercised	Cancelled	Lapsed	Outstanding as at 31 December 2016
Executive Director								
Wong Kwok Fai (Note 5)	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)
Senior Management Members								
Sun Qingjun (Note 6)	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 (Note 6)	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 (Note 6)	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 (Note 6)	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)
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)
Ng Kwok Chung	7 April 2016	0.77	–	200,000 (Note 2)	–	–	–	200,000 (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
42 Employees	7 April 2016	0.77	–	6,552,000 (Note 2)	–	–	372,000 (Note 4)	6,180,000 (Note 2)
Total			14,216,000	13,542,000	–	8,540,000	1,976,000	17,242,000

Notes:

(1) These share options shall expire on the 5th anniversary of the date of the offer letter to the grantee granting to him the options to subscribe for the shares of the Company, or the earlier determination of the Share Option Scheme. These share options shall be exercisable in two tranches. The respective exercise dates of the options are as follows:

(i) 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.

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 several employees of the Group.

(4) 372,000 options granted under the Share Option Scheme on 7 April 2016 were lapsed due to the resignation of several employees of the Group.

(5) Mr. Wong Kwok Fai was appointed as an executive Director on 12 March 2017.

(6) On 12 March 2017, four executive Directors, namely Mr. Sun Qingjun, Mr. Zhou Jue, Mr. Huang He and Mr. Geng Liang ceased to act as executive Directors.

Please refer to note 23(ii) for the fair value of share options granted during the Current Period and the accounting policy adopted for the share options.

FUTURE OUTLOOK

The Group expects solid growth in its three main business segments, namely the application solutions, the sports and events business and the sales of 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 integrated media, the Group expects further growth in its application solutions business as broadcast television clients are eager to produce, publish and manage new system for merged media. Meanwhile, the emerging on-line media is also expanding its investment to build its own content creation platforms. In addition, the central and some important provincial and municipal television stations in the PRC begin to deploy and implement 4K technology which has become an important development direction of the radio and television industry. The Group also took part in certain 4K technology research and development, design and implementation projects during the Current Period. While central, provincial and municipal television stations are endeavouring to upgrade and transform their systems, local television stations are also actively reforming in multiple aspects. As indicated by the large-scale high definition projects of many local television stations as shown in the orders received by the Group in 2015 and 2016, the production and broadcasting of high definition programmes have been placed on the agenda of local television stations, in an attempt to diversify and enhance their business development. The Group will continue to increase its business coverage, provide professional service for and maintain good business cooperation with all its clients.

On 5 March 2017, Premier Li Keqiang delivered a Government Work Report during the opening meeting of the 5th Session of the 12th National People's Congress. In his report, Premier Li Keqiang pointed out that the Chinese government will develop the cultural business and industry in various aspects, including to strengthen the building of socialist spiritual civilisation and reach consensus and gather forces with the "Chinese Dream" and the core socialist values to prosper philosophy and social science and creation of literature and arts, to develop news publications, radio, film and television, and archive businesses, to build new type of Chinese think tanks and to strengthen protection and utilisation of cultural relics and intangible cultural heritage, to promote national reading, to strengthen popularisation of scientific knowledge, and to improve equitable basic public culture service.

The Directors believe that the Group is expected to have more business opportunities and greater economic returns by its leading technologies and quality services as it is able to adapt to the speedy expansion and advancement of the media industry.

As the Notice #46 entitled The Opinion on Speeding Up of Development and Promotion of Sports Consumption (*《國務院關於加快發展體育產業，促進體育消費的若干意見》*) sets a target of RMB5 trillion production volume of the sports industry by 2025, the Group is confident in the outlook of the sports industry. In 2016, the General Administration of Sport of China also published the 13th Five-Year Plan for Sports Development (*《體育發展「十三五」規劃》*), which calls for further development of the sports industry.

In the Government Work Report at the 5th Session of the 12th National People's Congress, Premier Li Keqiang also proposed to accelerate cultivation of the cultural industry and strengthen regulation on the cultural market. He also suggested promoting the Chinese culture to foreign countries. In addition, he stressed that efforts must be made to prepare and stage the Olympic Winter Games and the Paralympic Winter Games, develop the sports for general public, competitive sports, the sports industry, and launch national fitness, so to enable more people to enjoy sports and stay healthy. The nation will be full of vitality and vigor if its people are healthy and optimistic.

It is expected that Evertop (Beijing) will continue to have a good performance in sports and events broadcast in 2017. With profound industry resources, it will continue to develop in sports events such as cycling and marathon and explore more opportunities of sports events, so as to further develop its businesses in sports technical service and commercial operation of sports events.

In terms of the Group's sales of self-developed products segment, the Group will endeavour to develop in accordance with 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, calls for the change from "Made in China" to "Innovated in China" and the change from growth speed to premium quality and the change from Chinese products to Chinese brands. As mentioned above, in December 2015, the Group acquired 49% equity interest of Beijing Gefei, the shares of which were approved to be quoted on NEEQ on 27 July 2016. The Group believes that the quotation of Beijing Gefei, making it a public company, will help to provide an open platform to invite quality investors to join Beijing Gefei for further business expansion and accelerate its business growth in the new merged media landscape. During the Current Period, the Company announced the acquisition of 55% equity interest of Beijing BroadVision, a leading domestic software provider in integrated media platforms. This shows 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, and this integration platform is highly competent in media industry not only in China but also in the overseas market. To conclude, the Group's diversified product portfolio together with its dual track expansion strategy covering multiple vertical markets and the overseas market will create a bright prospect for the sales of self-developed products business segment of the Group.

Based on the synergies among its three business segments, namely application solutions, sports and events business and sales of self-developed products segment of the Group as reflected in several key projects during the Current Period, benefiting from the beneficial policies applicable to the industry in which the Group operates, and in the context that the Chinese government accelerates cultivation of the cultural industry and promotes Chinese culture to foreign countries, the Directors believe that the Group will be able to excel and further develop in this era of media integration and development, prosperity of the sports industry, and national promotion on self-developed products manufacturing and innovation, and thus the Group will be able to achieve greater breakthroughs and better results in the near future.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Lo Chi Sum (盧志森), aged 57, is the founder, chief executive officer and chairman of the Group and an executive Director. Mr. Lo is also the chairman of each of the Nomination Committee and Investment Committee of the Company and a member of the Remuneration Committee of the Company. He became a director of the Company since December 2012. He is primarily responsible for the overall business strategies and business operation of the Group. Mr. Lo completed the programme of diploma in business management organised jointly by the Hong Kong Management Association and the Hong Kong Polytechnic University in February 1986. He obtained a master's degree in business administration from the Shanghai Jiao Tong University (上海交通大學) in 2006, and he graduated from the doctoral programme in business administration from Wuhan University (武漢大學) in 2013. During 2009 to 2015, Mr. Lo has been awarded seven times as an "Outstanding Entrepreneur in Technological Innovation" (科技創新優秀企業家) or "Outstanding Individual in Scientific and Technological Innovation" (科技創新優秀個人獎) by China Radio and TV Equipment Industry Association* (中國廣播電視設備工業協會). Mr. Lo has accumulated substantial experience in the all-media industry.

In 2007, Mr. Lo invested in the all-media industry in the PRC and set up CSS (Beijing) in April 2007. Since then he has been in charge of the overall business strategies and business operation of the Group. Mr. Lo is a director of CSS (Beijing), Cogent (BVI), Evertop (HK), NISL, Evertop (Beijing), CSS International, CSS (Group) Ltd, Cortesia, Cogent (HK), CSS (HK) and CSS Solutions. Mr. Lo was the sole shareholder and sole director of Cerulean Coast Limited which was interested in approximately 65.42% of the total issued Shares of the Company as at the date of this annual report. Please refer to the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" in the Directors' Report for details of his interest in the Shares and underlying shares of the Company.

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

Mr. Leung Wing Fai (梁榮輝), aged 48, is the chief operating officer of the Group and an executive Director. Mr. Leung is also a member of each of the Remuneration Committee and Investment Committee of the Company. He became a director of the Company since May 2013. Mr. Leung joined the Group in April 2007 as deputy operating officer of CSS (Beijing) and he was designated as the chief operating officer of the Group in April 2012. Mr. Leung is in charge of overall business operation of the Group. Mr. Leung is a director of CSS (Beijing), NISL, TVL, TST (BVI), TST (Beijing), CSS Engineering, Cogent (BVI), Evertop (HK), Evertop (Beijing), CSS International, CSS Group Ltd, CSS (HK), Cortesia, Cogent (HK) and CSS Solutions. Mr. Leung was the sole shareholder and sole director of Future Miracle Limited which was interested in approximately 5.88% of the total issued Shares of the Company as at the date of this annual report. Please refer to the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" in the Directors' Report for details of his interest in the Shares and underlying shares of the Company.

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

* *For identification purposes only*

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

Mr. Wong Kwok Fai (王國輝), aged 45, has been appointed as an executive Director and a member of the Investment Committee of the Company on 12 March 2017. He is currently also the chief solutions officer of the product and application development centre of the Group and the president of TST (Beijing), a wholly-owned subsidiary of the Company. He is primarily responsible for facilitating the development of any new and advanced product media solutions, the business operation and management of TST (Beijing). Mr. Wong joined the Group in August 2007 as engineering manager of transmission and broadband division. He was then in charge of management in transmission and broadband. Mr. Wong was promoted as vice president of engineering of TST (Beijing) in March 2010.

Mr. Wong graduated with a bachelor's degree in engineering from the University of Hong Kong in November 1995, and a master's degree in business administration from the University of Melbourne in March 2008.

Mr. Wong has over 15 years of experience in the all-media industry. Before he joined the Group, from June 1995 to July 1998, Mr. Wong served as an assistant engineer at ACE and he was responsible for the provision of technical service or related technical support activities. During the period from June 1998 to July 2007, Mr. Wong served as an engineering manager at NDS, and was responsible for technical management and engineering in broadcast transmission.

Independent Non-Executive Directors ("INED")

Dr. Ng Chi Yeung, Simon (吳志揚), aged 59, was appointed as an INED of the Company in June 2014. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee of the Company. Dr. Ng is a solicitor practising in Hong Kong since 1986. Dr. Ng was admitted as a solicitor of the High Court of Hong Kong advocate and solicitor in 1986. Dr. Ng was awarded with a bachelor's of laws degree from the Manchester Polytechnic (now known as Manchester Metropolitan University) in May 1986, a master's degree in Chinese and Comparative Law from the City University of Hong Kong in November 1997 and a doctoral degree in worship studies from the Robert Webber Institute for Worship Studies in June 2013.

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Hung Muk Ming (洪木明), aged 52, was appointed as an INED of the Company in June 2014. Mr. Hung is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee of the Company. Mr. Hung graduated with a bachelor's degree in social science from the University of Hong Kong in 1990, and a master's degree in corporate governance from the Hong Kong Polytechnic University in August 2008. Mr. Hung was admitted as an associate of the Chartered Association of Certified Accountants in January 1994, a fellow of the Association of Chartered Certified Accountants in January 1999, a fellow of Hong Kong Institute of Certified Public Accountants in July 2001, an associate of the Institute of Chartered Secretaries and Administrations and an associate of the Hong Kong Institute of Chartered Secretaries, respectively, in February 2009, a fellow of the Hong Kong Institute of Directors in November 2009 and a certified tax adviser of the Taxation Institute of Hong Kong in January 2013.

Mr. Hung has over 20 years of experience in financial industry in Hong Kong, and he started his full-time work in August 1990. From then on, he joined PricewaterhouseCoopers, Certified Public Accountants, during the period from August 1990 to November 1994, as a staff accountant and senior accountant. He was mainly engaged in auditing and accounting work during such period. From November 1994 to July 2001, Mr. Hung served as an accounting manager at Embryform Group Limited, a company engaged in the design, manufacturing, marketing, distribution and retail of lingerie, where he was involved in the accounting, financial, treasury, internal control and shipping functions, assisted in strategic business and financial planning of the business. From July 2001 to September 2002, he joined Hong Kong Exchanges and Clearing Limited as a finance manager, which he was responsible for the overall financial and accounting matters. From October 2002 to January 2005, he was employed by Hoi Meng Group Limited, an apparel manufacturer in Asia, as financial controller, which he was responsible for the company's overall financial, accounting, tax, company secretarial and legal matters. From February 2005 to February 2017, Mr. Hung served as financial controller at Guangdong Ming Crown Group Limited, a company engages in hotel, real estate construction, port logistics and industrial manufacturing industry; Mr. Hung was also responsible for the overall financial, accounting, tax, company secretarial and legal matters. Since February 2017, Mr. Hung has served as a director at Hua Guan New Materials Company Limited, a subsidiary company of Guangdong Ming Crown Group Limited and he is responsible for financial matters.

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

Mr. Mak Kwok Wing (麥國榮), aged 62, was appointed as an INED of the Company in May 2015. Mr. Mak is a member of each of the Audit Committee and Remuneration Committee of the Company. He is a member of the Chartered Professional Accountants of Ontario and the Institute of Chartered Accountants of Ontario. He has over 18 years of experience in accounting, auditing, tax, finance and investment. He is currently a senior consultant of LaVallee Inc., a home decor fragrance manufacturer, distributor and retailer operating under Pretty Valley Natural Commodity Franchise Company (滙美舍) in the PRC. Prior to his current position, he has worked in Toronto, Canada from 2001 to 2003 as the auditor of Korean (Toronto) Credit Union and Korean Catholic Church Credit Union where he was responsible for the development and implementation of audit procedures for these two financial institutions. In 2004, Mr. Mak was appointed as the managing director of the Peel Condominium Corporation No. 492, a management company for managing the property and assets of a commercial complex in Ontario, Canada.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Zhou Jue (周珏), aged 45, is currently a director and chief executive officer of CSS (Beijing). Mr. Zhou joined the Group in September 2007 as vice president of CSS (Beijing) and since then, Mr. Zhou was primarily responsible for application solutions and services of all-media broadcasting of the Group in the PRC. Mr. Zhou was promoted as chief executive officer of CSS (Beijing) in April 2012. Mr. Zhou served as an executive Director from May 2013 to March 2017. Mr. Zhou is a director of TST (Beijing), CSS Group Ltd and Evertop (Beijing).

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

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

Mr. Sun Qingjun (孫清君), aged 52, is currently a director and chief executive officer of Evertop (Beijing). Mr. Sun joined the Group in December 2007 and since then he has been in charge of application solutions and services of all-media broadcasting of the Group in the PRC. Mr. Sun served as an executive Director from May 2013 to March 2017. Mr. Sun is a director of CSS (Beijing), CSS Group Ltd, and a director and chief executive officer of TST (Beijing).

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

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

* *For identification purposes only*

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Huang He (黃河), aged 48, is currently a director and chief executive officer of CSS (Beijing). Mr. Huang joined the Group in November 2007 and since then he has been in charge of application solutions and services of all-media broadcasting of the Group in the PRC. Mr. Huang served as an executive Director from May 2013 to March 2017. Mr. Huang was a director of CSS Group Ltd and Evertop (Beijing).

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

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

Mr. Geng Liang (耿亮), aged 48, is currently the chief executive officer of Cogent (Beijing). Mr. Geng joined the Group in April 2012 and since then he has been in charge of professional technical services of the Group in the PRC. Mr. Geng served as an executive Director from May 2013 to March 2017. Mr. Geng graduated with a bachelor's degree in engineering from Beijing Institute of Technology (北京理工大學) in July 1990, subsequently, with a master's degree in engineering from the Beijing Institute of Technology (北京理工大學) in February 1993. Mr. Geng is a director of CSS (HK), Evertop (Beijing) and Evertop (HK).

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

* *For identification purposes only*

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. So Yun Wah (蘇潤華), aged 46, is the vice president of marketing of the Group. Mr. So joined the Group in March 2009 as vice president of marketing of CSS (Beijing). He is primarily responsible for marketing development of the Group in the PRC. Mr. So is also a director of FIL and Tongda.

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

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

Mr. Ng Kwok Chung (吳國驄), aged 54, is the technical director of the Group. Mr. Ng joined the Group in September 2010 as technical director of CSS (Beijing). Since then, he was responsible for content production and broadcast engineering of the Group. Mr. Ng obtained a higher diploma in electronic engineering with distinction from the Hong Kong Polytechnic College (now known as the Hong Kong Polytechnic University) in November 1984.

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

Mr. Li Lianmin (李連民), aged 47, is the vice president of engineering of the Group. He is responsible for content production and broadcast engineering of the Group. Mr. Li joined the Group in January 2008 as general manager of engineering department of CSS (Beijing). He was then responsible for the technical management in engineering department. Mr. Li obtained a diploma of applied electronic technology from the Beijing Union University (北京聯合大學) in June 1992, and graduated with a master's degree in engineering from the University of Electronic Science and Technology (電子科技大學) in 2010.

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

* *For identification purposes only*

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Tian Tian (田甜), aged 34, is the financial controller of the Group. Ms. Tian joined the Group in October 2014 and since then she was responsible for the finance management of the Group. Ms. Tian graduated with a bachelor's degree in financial management from Wuhan University (武漢大學) in July 2004 and a master's degree in accounting from University of International Business and Economics (對外經濟貿易大學). She was admitted as a member of the Chinese Institute of the Certificated Public Accountants in 2008.

Ms. Tian has over 10 years working experience in professional service of accounting and finance. Before she joined the Group, she was employed as a manager by PricewaterhouseCoopers Zhong Tian LLP, Beijing Branch.

COMPANY SECRETARY

Ms. Ngai Kit Fong （倪潔芳） is a director, Corporate Services of Tricor Services Limited ("Tricor"), a global professional services provider specializing in integrated Business, Corporate and Investor Services. She has over 27 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Ngai is a Chartered Secretary and a Fellow of both The Hong Kong Institute of Chartered Secretaries ("HKICS") and The Institute of Chartered Secretaries and Administrators ("ICSA") in the United Kingdom. Ms. Ngai is a holder of the Practitioner's Endorsement from HKICS. (Note: The Company has engaged Tricor as external service provider and appointed Ms. Ngai as the Company's company secretary since 6 March 2014.)

DIRECTORS' REPORT

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

DIRECTORS

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

Executive Directors

Mr. Lo Chi Sum (盧志森)
Mr. Leung Wing Fai (梁榮輝)
Mr. Zhou Jue (周珏) *(ceased with effect from 12 March 2017)*
Mr. Sun Qingjun (孫清君) *(ceased with effect from 12 March 2017)*
Mr. Huang He (黃河) *(ceased with effect from 12 March 2017)*
Mr. Geng Liang (耿亮) *(ceased with effect from 12 March 2017)*
Mr. Wong Kwok Fai (王國輝) *(appointed with effect from 12 March 2017)*

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)

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

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

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

The Directors have resolved to recommend the payment of a final dividend of HK0.6 cent (equivalent to RMB0.54 cent) per ordinary share of the Company for the year ended 31 December 2016 (2015: HK0.6 cent), amounting to approximately HK$6 million (equivalent to approximately RMB5.4 million). Subject to the approval of the ordinary shareholders of the Company (the "Shareholders") at the forthcoming annual general meeting (the "AGM"), the proposed final dividend will be payable to the Shareholders whose names appear on the register of members of the Company on 22 June 2017 and payable on 6 July 2017.

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

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 20 June 2017 to 22 June 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. (Hong Kong time) on 19 June 2017.

DIRECTORS' REPORT

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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 HK$0.55 million on the Stock Exchange during the Current Period.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in the consolidated statement of changes in equity on pages 70 to 71 and in note 24 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distribution to equity holders, comprising the share premium, exchange fluctuation reserve and accumulated loss, amounted to approximately RMB453.9 million (as at 31 December 2015: approximately RMB403.4 million).

MAJOR CUSTOMERS AND SUPPLIERS

For the Current Period, revenue from the Group's five largest customers accounted for approximately 42.3% (2015: 36.9%) of the Group's total revenue and the revenue from the largest customer included therein accounted for approximately 18.1% (2015: 20.8%) of the Group's total revenue.

For the Current Period, supplies from the Group's five largest suppliers accounted for approximately 18.4% (2015: 11.3%) of the Group's total operating cost and supplies from the largest supplier included therein accounted for approximately 5.2% (2015: 4.2%) of the Group's total operating cost.

None of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers for the year ended 31 December 2016.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group had a total of 329 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.

In respect of the remuneration paid or payable to the members of senior management (except Directors) of the Company for the year ended 31 December 2016, the remuneration paid or payable to members of the senior management of the Company by band is set out below:

	Number of individuals
Nil to RMB700,000	2
RMB700,001 to RMB1,000,000	3
	5

In order to recognise and reward the contribution of certain eligible participants to the growth and development of the Group, the Company adopted the Share Award Plan on 24 March 2014.

In order to reward or make incentive to the employees, Directors and other selected participants for their contributions to our Group, the Company conditionally adopted the Share Option Scheme on 13 June 2014. Please refer to the section headed "Share Award Plan and Share Option Scheme" in this annual report for details.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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

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

DIRECTORS' REPORT

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

In accordance with article 105 of the Articles, Mr. Hung Muk Ming and Mr. Mak Kwok Wing will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming AGM.

Pursuant to article 109 of the Articles, Mr. Wong Kwok Fai, who has been appointed by the Board as an executive Director with effect from 12 March 2017 shall hold office until the forthcoming AGM and, being eligible, offer himself for re-election at the forthcoming AGM.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

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

DIRECTORS' REMUNERATION

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

Particulars of the Directors' remuneration for the year ended 31 December 2016 are set out in note 36 to the consolidated financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

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

PERMITTED INDEMNITY PROVISION

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

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

DIRECTORS' REPORT

FINANCIAL REPORTING AND AUDIT

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACTS

Apart from the particulars disclosed in note 31 to the consolidated financial statements, there were no other transactions, arrangement or contracts of significance in relation to the Company's business, to which the holding company of the Company or any of the Company's subsidiaries or fellow subsidiaries was a party subsisting at the end of the year ended 31 December 2016 or at any time during the year ended 31 December 2016 in which a Director or an entity connected with the Director had, whether directly or indirectly, a material interest.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

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

No contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries was entered into.

MANAGEMENT CONTRACTS

For the year ended 31 December 2016, other than the service contracts of the Directors, there was no contract entered into by the Company relating to its management and administration or subsisting during the year under review which is substantial to the entire or any part of the business of the Group.

CONNECTED TRANSACTIONS

Details of the related party transactions of the Company for the year ended 31 December 2016 and undertaken in the usual course of business are set out in note 31 to the consolidated financial statements. None of these related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

NON-COMPETITION UNDERTAKINGS

Each of the controlling shareholders of the Company (the "Controlling Shareholders") (namely, Cerulean Coast Limited ("Cerulean Coast") and Mr. Lo Chi Sum ("Mr. Lo")) has given an unconditional and irrevocable non-compete undertakings (the "Non-competition Undertaking") to the Group not to directly or indirectly engage in the business which competes or may compete with the Group, on terms and conditions as disclosed in the prospectus dated 24 June 2014 (the "Prospectus"). For details of the Non-competition Undertaking, please refer to pages 149 to 151 of the Prospectus.

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

SHARE AWARD PLAN AND SHARE OPTION SCHEME

Details of movements in the share awards and share options during the year ended 31 December 2016 are set out in the section headed "Share Award Plan and Share Option Scheme" in this annual report.

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

As at 31 December 2016, the Directors and the Company's chief executive, and their respective associates had the following interests in the Shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have been taken under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), or were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO:

Name of Director	Name of Group member/associated corporation	Capacity/ nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Mr. Lo	The Company	Interest of controlled corporation (Note 2)	667,500,000 Shares (L)	65.42%
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)	5.88%
Mr. Leung	Future Miracle Limited	Beneficial owner	1 share	100%
Mr. Sun Qingjun (Note 6)	The Company	Beneficial owner	2,036,000 Shares (L) (Note 5)	0.20%
Mr. Zhou Jue (Note 6)	The Company	Beneficial owner	2,036,000 Shares (L) (Note 5)	0.20%
Mr. Huang He (Note 6)	The Company	Beneficial owner	2,036,000 Shares (L) (Note 5)	0.20%
Mr. Geng Liang (Note 6)	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 31 December 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 provisions of Divisions 2 and 3 of Part XV of the SFO were as follow:

Name of shareholder	Capacity/Nature of interest	Number of Shares held (Note 1)	Approximate percentage of shareholding
Cerulean Coast Limited	Beneficial owner (Note 2)	667,500,000 (L)	65.42%
Future Miracle Limited	Beneficial owner (Note 3)	60,000,000 (L)	5.88%
Ms. Wang Hui	Interest of spouse (Note 4)	60,000,000 (L)	5.88%

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 annual report.
6. Mr. Sun Qingjun, Mr. Zhou Jue, Mr. Huang He and Mr. Geng Liang ceased to be executive Directors with effect from 12 March 2017.

AUDIT COMMITTEE, REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

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

SUFFICIENCY OF PUBLIC FLOAT

During the Reporting Period and up to the date of this Directors' Report, the Company has maintained the prescribed public float under the Listing Rules based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company comprises all the three INEDs, namely Mr. Hung Muk Ming (committee chairman), Mr. Mak Kwok Wing and Dr. Ng Chi Yeung, Simon. It has reviewed with the management the audited consolidated financial statements of the Group for the year ended 31 December 2016.

DIRECTORS' REPORT

AUDITORS

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

BUSINESS REVIEW

Business Performance and Future Outlook

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

Principal Risks and Uncertainties

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

Environmental Policies

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

Compliance with Relevant Laws and Regulations

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

Relationship with Employees

People are the Group's most valuable asset. The Group emphasizes communication with staff and provides them with training and career development opportunities. It also recognises good performance and provides a variety of activities for staff to help them achieve a balance between work and life. The Group has established a good relationship with its employees throughout the year.

Relationship with Customers

The Group strives to deliver outstanding experiences and meaningful value to customers. To ensure continuous improvement of the quality of service, the Group pro-actively seeks customer feedback. The Group's superior service has been widely recognised, as evidenced by the growing customer base during the year.

Relationship with Suppliers

The Group has established a long standing cooperation relationship with its suppliers. We also consistently uphold and strengthen our cooperation with suppliers.

CHARITABLE DONATIONS

During the year, the charitable contributions and other donations made by the Group amounted to nil.

Please refer to the paragraph headed "Charitable Activities" in the Environmental, Social and Governance Report of this annual report for details.

CHANGES IN DIRECTORS' INFORMATION

The changes in directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

(1) Mr. Lo Chi Sum and Mr. Leung Wing Fai, executive Directors, have renewed their service contracts for a term of three years from 12 March 2017. Pursuant to the service contracts, Mr. Lo and Mr. Leung are entitled to annual salary of HK$1,920,000 and HK$960,000 respectively and a discretionary management bonus to be determined by the Board.

(2) Since February 2017, Mr. Hung Muk Ming has served as a director at Hua Guan New Materials Company Limited, a subsidiary company of Guangdong Ming Crown Group Limited.

EVENTS AFTER REPORTING PERIOD

On 12 March 2017, Mr. Zhou Jue, Mr. Sun Qingjun, Mr. Huang He and Mr. Geng Liang ceased to be executive Directors. On the same date, Mr. Wong Kwok Fai was appointed as an executive Director.

Save as disclosed above, the Group does not have any material subsequent events after the Current Period.

On behalf of the Board
Lo Chi Sum
Chairman

Hong Kong, 28 March 2017

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

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

The Board is of the view that throughout the year ended 31 December 2016, the Company has complied with all the code provisions as set out in the CG Code, except for code provision A.2.1 with details set out below.

A. Model Code for Securities Transactions

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

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

Specific enquiry has been made of all the Directors and all the relevant employees and they have confirmed that they have complied with the required standard set out in the Securities Dealing Code throughout the year ended 31 December 2016.

B. Board of Directors

The Board oversees the Company's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

(1) Board Composition

As at the date of this annual report, the Board comprised six Directors, consisting of three executive Directors and three independent non-executive Directors and changes to the Board members during the year ended 31 December 2016 and up to the date of this annual report are set out below:

Executive Directors:

Mr. Lo Chi Sum *(Chairman, Chief Executive Officer, Chairman of each of the Nomination Committee and the Investment Committee and member of the Remuneration Committee)*
Mr. Leung Wing Fai *(member of each of the Remuneration Committee and the Investment Committee)*
Mr. Zhou Jue *(ceased on 12 March 2017)*
Mr. Sun Qingjun *(ceased on 12 March 2017)*
Mr. Huang He *(ceased on 12 March 2017)*
Mr. Geng Liang *(ceased on 12 March 2017)*
Mr. Wong Kwok Fai *(member of the Investment Committee) (appointed on 12 March 2017)*

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

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

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

(2) Chairman and Chief Executive Officer

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

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

(3) Independent Non-executive Directors

During the year ended 31 December 2016, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

(4) Appointment and Re-election of Directors

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

Each of the independent non-executive Directors is appointed for an initial term of two years renewable automatically for successive term of one year each commencing from the next day after the expiry of the current term of their appointment and is subject to retirement by rotation once every three years under the Articles.

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

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

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

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

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

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

(6) Continuous Professional Development of Directors

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

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

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

The records of training received by each Director for the year ended 31 December 2016 are summarised as follows:

Directors	Type of Training (Note)
Mr. Lo Chi Sum	A
Mr. Leung Wing Fai	A
Mr. Zhou Jue*	A
Mr. Sun Qingjun*	A
Mr. Huang He*	A
Mr. Geng Liang*	A
Dr. Ng Chi Yeung, Simon	A, B
Mr. Hung Muk Ming	A, B
Mr. Mak Kwok Wing	B

* ceased to act as Directors on 12 March 2017

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops
B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

C. Board Committees

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

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

(1) Audit Committee

The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditors, review the financial information and oversee the financial reporting, risk management and internal control systems of the Company.

During the year under review, the Audit Committee held two meetings to review the annual financial results and reports for the year ended 31 December 2016, the interim financial results and report for the six months ended 30 June 2016 and the risk management and internal control systems of the Company.

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

(2) Remuneration Committee

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

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

(3) Nomination Committee

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

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

For the purpose of implementation of the Board Diversity Policy, the measurable objectives adopted include (a) at least one-third of the members of the Board shall be independent non-executive directors; and (b) at least one of the members of the Board shall have obtained accounting or other professional qualifications. For the year ended 31 December 2016, the board has fulfilled the measurable objectives of the Board Diversity Policy.

During the year under review, the Nomination Committee held one meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to make recommendation on the re-election of the retiring directors at the annual general meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and did not recommend any changes to the measurable objectives set for implementing diversity on the Board.

(4) Investment Committee

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

No meeting has been held by the Investment Committee during the year ended 31 December 2016.

(5) Corporate Governance Functions

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

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

D. Attendance Records of Directors

The attendance record of each Director at the Board meetings, Board committee meetings and the general meetings of the Company held during the year ended 31 December 2016 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Lo Chi Sum	10/10	2/2*	4/4	1/1	1/1
Leung Wing Fai	10/10	2/2*	4/4	1/1*	1/1
Zhou Jue	10/10	–	–	–	1/1
Sun Qingjun	10/10	–	–	–	1/1
Huang He	10/10	–	–	–	1/1
Geng Liang	10/10	–	–	–	1/1
Ng Chi Yeung, Simon	9/10	2/2	4/4	1/1	0/1
Hung Muk Ming	10/10	2/2	4/4	1/1	1/1
Mak Kwok Wing	9/10	2/2	4/4	–	0/1

* by invitation

During the year ended 31 December 2016, an annual general meeting of the Company was held on 6 June 2016. Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of executive Directors during the year.

E. Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control system of the Group and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. Highlights of the Group's risk management and internal control systems include the following:

- Code of Conduct — The Company's code of conduct explicitly communicates to each employee its values, acceptable criteria for decision-making and its ground rules for behavior.

- Process to identify and manage significant risks and material internal control defects — Significant risks or internal control defects identified by the management during the ordinary business operation of the Group will be reported to the Board as soon as practicable for further evaluating and management. A Board meeting will be held to conduct review and evaluation on the significant risks or internal control defects and appropriate actions will be taken to control the risks or to improve the internal control defects. During the Current Period, no significant risks, or material internal control failings or weaknesses have been identified by the Board or the management.

- Internal Audit Functions — The internal audit functions of the Group have been performed by the collaboration of the Board's office, finance department, human resources department and administration office by regular financial and operational review and recommending necessary actions to the management. The works carried out by the aforesaid departments of the Company ensure the risk management and internal control measures are in place and function properly as intended. The results of the internal audit and reviews are reported to the executive Directors and the Audit Committee.

- Compliance with the Listing Rules and relevant laws and regulations — The Group will continue to monitor its compliance with relevant laws and regulations and continue to arrange for various trainings to be provided by its legal advisers or other professional parties to the Directors and management on the Listing Rules, PRC laws and regulations, etc.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems. The management has reported and confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems during the Current Period.

The Board, as supported by the Audit Committee as well as the management, conducted an annual review on the risk management and internal control systems, including the financial, operational and compliance controls of the Group during the Current Period, to ensure the adequacy of resources, staff qualifications and experience, training programs and budget of accounting, internal audit, training reporting, etc. The Board considered that such systems and the process for financial reporting and Listing Rules compliance are effective and adequate.

The Group has adopted the Guidance on Information Disclosure (《世紀睿科控股有限公司信息披露指引》) which provides a general guide to the Company's directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosures and responding to enquiries. The policy is to ensure potential inside information being captured and confidentiality of such information being maintained until consistent and timely disclosure is made in accordance with the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

- Designated responsible persons and departments for managing and handling the inside information;
- Specified disclosure requirements under the Listing Rules; and
- Stipulated disclosure procedures.

F. Directors' Responsibility In Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2016.

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

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

G. Auditors' Remuneration

The remuneration paid/payable to the Company's external auditors of the Company in respect of audit services for the year ended 31 December 2016 amounted to RMB2,400,000.

An analysis of the remuneration paid/payable to the external auditors of the Company, PricewaterhouseCoopers, in respect of audit services and non-audit services for the year ended 31 December 2016 is set out below:

Service Category	Fees Paid/Payable (RMB'000)
Audit Services	
— Annual audit for the year ended 31 December 2016	2,000
— Interim review for the six months ended 30 June 2016	400
Non-audit Services	–
TOTAL	2,400

H. Non-Competition Undertaking by Controlling Shareholders

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

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

The Board comprising all the independent non-executive Directors have reviewed and confirmed that all the terms of the Non-Competition Undertaking have been complied with by the Controlling Shareholders.

I. Company Secretary

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

In compliance with Rule 3.29 of the Listing Rules, Ms. Ngai Kit Fong has undertaken no less than 15 hours of relevant professional training for the Current Period.

J. Shareholders' Rights

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

(1) Convening an Extraordinary General Meeting

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

(2) Putting Forward Proposals at General Meetings

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

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

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

(4) Procedures for Raising Enquiries

Shareholders may send their enquiries or requests as mentioned above to the following:

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

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

Tricor Investor Services Limited

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

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

K. Communication with Shareholders and Investors

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

L. Company's Constitutional Documents

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE ESG REPORT

The Company is pleased to present the first ever Environmental, Social and Governance Report (the "ESG Report") of the Group.

As a responsible corporate citizen, the Group is committed to the core values of "innovation, efficiency, advancement and elevation" in its effort to make contribution to the society. In addition to actively taking on environmental and social responsibilities as the cornerstone for developing its strategies, operations and management. We endeavor to achieve harmonious, long-term and sustainable development for the Group, the society, the environment and the economy as a whole.

This ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Guide") as set out in Appendix 27 to the Listing Rules. The main purpose of this ESG Report is to report on and provide information about the performance of the Group's operations during year 2016 in terms of its environmental and social responsibilities.

FOREWORD FROM THE MANAGEMENT

The Company promotes sustainable development through the duly performance of its corporate governance, environmental and social responsibilities.

Committed to building an "eco-friendly" business, we centre our operations on a green and healthy society to reduce the environmental impact of our daily operations by integrating environmentally friendly measures.

We aim to build a harmonious and prosperous community environment. Focusing on areas such as employment and labour regulations, supply chain management and customer relations. We set out to build a mutually beneficial relationship with relevant social organisations and individuals, including our investors, staff members, clients, suppliers, communities as well as the public and governing authorities. The Group remains committed to maximizing corporate benefits, which form a part of comprehensive benefits for the society.

Adhering to a "people-centric" principle, we strive to create a work environment for our staff, with a view to ensuring their health and safety. We have always attached utmost importance to individual career development of our staff; therefore, we have developed and implemented our staff training and management systems as well as relevant training mechanism and processes. Aimed at helping our staff members adapt to the changes in social settings and demands arising from corporate development, we encourage our staff to achieve higher levels of professional and technical performance.

We will continue to provide guidance and training on all aspects of policies and strategies in respect of the Group's environmental, social and governance management as well as their relevance to the Group's operations.

ENVIRONMENTAL

Environmental Policies and Performance

The Group understands the vital importance of environmental protection and endeavours to take it into account in major operational decisions. In the course of business development, the Group is committed to minimizing any possible impacts that may have on the environment. For the daily operations, the Group has implemented a number of measures to improve its green performance and realised its commitment to protecting the environment.

In addition to strictly abiding by the environmental laws and regulations in force in China such as the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Group also complies with local regulations for the prevention and control of air pollution such as The Regulations on the Control of Air Pollution in Beijing (《北京市大氣污染防治條例》). During the year 2016, the Group was not aware of any material non-compliance with relevant standards, rules and regulations.

Emissions

During the year 2016, the Group had implemented the following environmental management measures to reduce the amount of pollutants and greenhouse gases:

- Reducing unnecessary business trips by staff members (e.g. by hosting video conferences instead) after taking into account the environmental impact;

- Encouraging staff in Beijing to take public transportation instead of private vehicles on alternate no-drive days, with a view to supporting local transportation measures;

- Arranging non-hazardous waste (such as kitchen waste, paper and daily waste) to be recycled and reused by qualifying bodies.

During the year 2016, the Group was not aware of any material non-compliance with relevant standards, rules and regulations; and it did not record any major incident related to environmental pollution.

Energy Use Efficiency

The Group considers "energy source" as one of the key elements to achieve sustainable development. Improving energy consumption efficiency not only can enhance the environmental performance of the Group's operations, but also reduce operating cost and improve operational efficiency in the long run.

The Group advocates for environmental protection among its employees on a regular basis so as to raise their awareness about environmental protection and energy conservation. By encouraging its staff to economise on electricity and paper in daily operations, the Group aims to incorporate low-carbon workplace into its organisational culture.

During the year 2016, the Group had implemented the following energy-saving management measures to save the energy consumption in the daily operations:

- Installing LED lighting and posting energy-saving notices in offices to reduce the energy consumption;
- Encouraging and ensuring every staff is environmentally conscious and gets into the habit of turning off electronic appliances and lights when not in use;
- Controlling usage of air conditioners in places of business and offices, monitoring their temperature settings to save energy;
- Switching relevant office equipment and electronic appliances to energy-saving mode; for example, enabling the printers and computers to automatically power down after a period of inactivity;
- Double-sided printing and recycling used paper; scrap paper is reused or notepads;
- Encouraging the staff to create a paperless working environment and implementing paperless processing in the Company's internal communications such as employee's timesheets and payrolls;
- Recording energy consumption intensity from time to time to identify energy efficiency opportunities.

Water Use Efficiency

The Group endeavours to enhance water efficiency by using water-efficient equipment in offices, monitoring and controlling water flow level, posting water-saving notices and cultivating water-saving habits.

SOCIAL

The Group aims to build a harmonious and prosperous community environment. Focusing on areas such as employment and labour regulations and operational practices, we set out to build a mutually beneficial relationship with relevant social organisations and individuals, including our investors, staff members, clients, supplier as well as the public and governing authorities. The Group remains committed to maximizing corporate benefits, which form a part of comprehensive benefits for the society.

Employment and Labour Regulations

Adhering to a "people-centric" principle, the Group endeavours to create a work environment for its staff and ensure their health and safety. We encourage our staff to apply innovative ideas, realise their potential and achieve individual advancement through corporate development, all with a view to promoting shared development between staff members and the Group.

Employment

The Group has a diverse workforce in terms of gender and age, providing a variety of ideas and levels of competency that contribute the Group's success. The Group has developed a number of rules and regulations (e.g. code of conduct) to provide provisions on remuneration, dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity and other benefits as well as welfare for employees. In addition to providing staff with reasonable and competitive compensation packages, the Group also aims to create a fair and non-discriminatory atmosphere where male and female staff are equally entitled to employment and promotion opportunities.

The Group strictly abides by all of its internal rules and regulations, as well as labour laws and relevant guidelines applicable in places where its operations are located. During the year 2016, the Group was not aware of any material non-compliance with relevant standards, rules and regulations.

As at 31 December 2016, the Group had a total of 329 employees, whose details are set out below:

By Nature of Employment (Full Time/Internship & Part-time)

Full Time	319
Internship & part-time	10

By Gender

Female	87
Male	242

By Age Group

30 and below	147
31 to 50	167
51 and above	15

Health and Safety

The Group prides itself on providing a safe, healthy and hygienic environment for its staff. Clear guidelines on occupational health and safety are set out in the Group's internal rules and its code of conduct, which are also communicated to new employees through proper training.

The Group provides centralised guidance and supervision on its subsidiaries' workplace health and safety in accordance with the laws and regulations of China related to occupational health and safety as well as industry standards, such as the PRC Labour Law (《中華人民共和國勞動法》). In addition, the Group defines rules about occupational health and safety by formulating various manuals for daily operations, with a view to raising the awareness about occupational safety and health among its entire staff. During the year 2016, the Group was not aware of any material non-compliance with relevant standards, rules and regulations.

During the year 2016, the Group had adopted the following measures to address health and safety concerns:

- Organising regular training on occupational health and safety for new employees;
- Checking on staff to ensure workplace safety and requiring relevant qualifications for workers for particular tasks;
- Preparing first-aid kits, as well as performing inspection on the types and expiry dates of medicines on a monthly basis to ensure the Company has a sufficient supply of medication to meet the first-aid needs of its staff.

Development and Training

The Group recognises the importance of skilled and professionally trained employees to its business growth and future success. Staff are encouraged to pursue educational or training opportunities that achieve personal growth and professional development. In order to enhance the overall achievement and the professional and technical performance of its entire staff, not only has the Group formulated and implemented a system governing staff training, it has also introduced a set of training systems and procedure, including:

- ***Orientation Training*** — Providing basic training for new employees in order to let them come to a quick understanding of the Company and its organizational culture as they ease into the Company.
- ***Regular Staff Training*** — Offering regular training on the Group's code of conduct and work ethics by organising educational programs and outdoor activities, aiming to promote ethical conduct and raise ethics awareness.
- ***Professional Training*** — Providing staff with professional training delivered across multiple internal and external channels, with a view to enhancing individual professional competence and productivity for staff members.
- ***Pre-exhibition Training*** — Organizing full-day training programs to relevant staff before certain exhibition in order to provide the sales managers and technical staff with a better understanding on the Group's products.

During the year 2016, the Group had organized several internal professional trainings for their staff as followings:

Training Name/Type	Summary of Training
Finance training	Professional training sessions on financial information presented by the Company's financial controller
MBA course training	MBA course presenting by MBA professor on brand marketing
Department training	Training on operational standards, job specifications, work procedures and etc.
Fire safety training	Training on fire prevention and fire drill
Outdoor Practice	Visiting Yuelu Acadamy*（岳麓學院）in Hunan Province

By engaging external lecturers, the Group provides staff members with diversified professional training programs, with a view to helping them work in a professional and efficient manner. The Group is also expected to establish cooperation relationship with national well-known university to offer its staff the opportunity to be educated in business administration. The Group will continue to enhance the performance of its executives and provide greater development opportunities for its staff members through systematic training and management, thereby encouraging every staff member to grow with the Company.

* *For identification purposes only*

Labour Standards

With a view to supporting the works related to human resources, the Group has formulated a comprehensive set of human resources policies stipulating rules on compensation, recruitment, dismissal, promotion, holidays, training and welfare.

In order to safeguard benefits for its employees, the Group abides by the PRC Labour Law and employment laws applicable to relevant jurisdictions where its operations are located. The Group also complies stringently with relevant laws on equal employment opportunities, as well as the prevention of child labour and forced labour such as the Child Labour Prohibition Act (《禁止使用童工規定》). Moreover, the Group regularly monitors information and data related to employment to prevent non-compliance with rules on child labour and forced labour.

Operational Practices

As a domestic leading one-stop all-media provider in China, corporate reputation and product liability are of great importance to the Group. The Company provides its clients with professional and quality services while adhering to the corporate philosophy of "Integrity Comes First", which leads the Group to thoroughly understand its clients and operations, and to follow operational practices based on local and international laws. All our staff members are required to abide by internal and external codes of integrity and conduct; any form of bribery, fraud, competitive conduct and corruption is strictly prohibited.

Protection of Data and Intellectual Property

The Group places the utmost importance on protecting the privacy of its customers, partners and staff in the collection, processing and use of their personal data. The Group adheres to the applicable data protection regulations and ensures appropriate technical measures are in place to protect personal data against unauthorised use or access. The Group also ensures that customers' personal data is securely kept and processed only for the purpose for which it has been collected. Staff are provided with adequate training in compliance with applicable laws on data privacy protection, to strengthen their awareness of safeguarding personal data. The Group complies stringently with relevant laws and regulations on intellectual property, such as the PRC Trademark Law (《中華人民共和國商標法》) and the PRC Patent Law (《中華人民共和國專利法》).

The Group builds up and protects its intellectual property rights by prolonged use and registration of domain names, various trademarks and copyrights. The Group has applied or registered trademarks in various classes in Hong Kong, mainland China and other relevant jurisdictions. In addition, trademarks, copyrights and domain names of the Group are being constantly monitored and renewed upon their expiration.

Supply Chain Management

The Group has established and operated a material procurement management system and a supplier management system. Based on the material requirement plans and the categories of materials required, the Group usually purchases materials through price rationing and sentinel procurement; the Group will shortlist and handpick suppliers through a screening and evaluation process based on quality and price. Furthermore, the Group also carries out field investigations on its suppliers when necessary, with a view to ensuring that its suppliers are well equipped to provide guaranteed quality and are able to manage safety and other environmental issues.

Anti-corruption, extortion, fraud and money laundering

In order to build up an ethical corporate culture and practices, the Group has established policies and procedures for anti-corruption, extortion, fraud and money laundering, for example, the Anti-fraud Management System of the Group (《世紀睿科集團反舞弊管理制度》) adopted by the Group in 2014. The Group performs annual self-evaluation to look at the implementation of its regulations and other relevant code of conducts, the objective of which is to ensure their thorough and consistent execution in actual operations and management practices, with a view to balancing and safeguarding interests of the Group and its stakeholders, and establishing long-term partnerships. The Group also employs independent auditors to carry out external audits on the Group, aiming to prevent and control corruptive or unethical behaviors within the Group through internal supervision and external audits.

The Group and its staff strictly abide by all relevant laws and regulations such as the PRC Criminal Law (《中華人民共和國刑法》). During the year 2016, the Group was not aware of any material non-compliance with relevant standards, rules and regulations. Furthermore, there were no complaints of corruption against the Group or any of its staff during the year 2016.

Charitable Activities

The Group has provided funds to help establish "Hope Primary School" in China since its corporation. As at the date of this ESG Report, the Group has set up a total of four "Hope Primary School" in Yuncheng of Shanxi Province, Wuchang of Heilongjiang Province, Xingan County of Jiangxi Province and Jiangkou County of Guizhou Province, respectively. The Group is planning to help set up more "Hope Primary School" in the near future, in order to give those poverty-stricken children the opportunity to change their lives with knowledge.

INDEPENDENT AUDITORS' REPORT

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Century Sage Scientific Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 66 to 139, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition for application solution services
- Assessment on recoverability of trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition for application solution services Refer to Note 2.22, Note 4.1 (a) and Note 5 to the Consolidated Financial Statements. The Group offers application solution services to customers which include sales of equipment together with integration and installation services. When such multiple element arrangements exist, the total arrangement consideration is allocated to each element based on cost plus a reasonable margin according to the historical record and current market status. The equipment component of the application solution services is recognised upon acceptance of the equipment by customers. The services element of the application solution services are recognised based on percentage of completion method. We focused on accuracy and cut-off assertion of the revenue recognition because the revenue recognition for application solution services involved significant judgement by management.	We have performed the following audit procedures to assess revenue recognition of application solution services: • We obtained understanding of the controls over the revenue recognition of application solution services and evaluate the effectiveness of the system automatic and manual controls. • We obtained corroborating evidence for allocation of multiple elements, and performed recalculation of the allocation. • We obtained and inspected the acceptance reports signed off by customers as evidence for recognition of relevant revenue. • We examined project budget documentation and actual cost incurred for calculation of percentage of completion for the services element of the revenue. • We compared estimated margin of each components by reference with the standing alone equipment and integration and installation services. We concurred with management's judgement based on the above procedures performed.

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment on recoverability of trade receivables	
Refer to Note 4.1 (b) and Note 18 to the Consolidated Financial Statements. As at 31 December 2016, the trade receivables which aged over one year amounted to approximately RMB144,149,000 (2015: RMB101,071,000), which represented approximately 24.58% of the total trade receivables (2015: 27.19%). The Group also have long term trade receivable amounted to approximately RMB130,311,000 (2015: nil). The Group is therefore exposed to a heightened risk of default in respect of trade receivables. Management assessed the collectability of trade receivables on individual basis, considering the past settlement history of the individual customer, the sales to and settlement from individual customer during the year and the subsequent settlement. We focused on the assessment of recoverability of the receivable from the customers because the assessment involved significant judgement.	We have performed the following audit procedures to assess the recoverability of the receivable: • We understood, evaluated and tested the Group's credit control procedures and impairment assessment procedures; • We selected samples and requested confirmations of client debtor balances. Where a response to our request was not received, we enquired management for the reason and performed alternative procedures, by inspecting the supporting documents of subsequent settlements or agreeing amounts recorded to underlying invoice and good delivery notes and agreeing the relevant trade receivable balances to post year end cash receipts, if any; • We inspected the aging profile on trade receivables, focusing on customers with default history and debts over one year for which little or no provision had been made. We challenged management the explanation of the recoverability of these older unprovided amounts with reference to corroborating explanations and correspondence with the customers. Based upon the above, we were satisfied that management had made reasonable judgements that were supported by the available evidence in respect of the relevant receivables.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Lam Sung Wan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2017

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2016	2015
	Note	**RMB'000**	RMB'000
Revenue	5	**662,888**	623,432
Cost of sales	7	**(467,616)**	(440,488)
Gross profit		**195,272**	182,944
Selling expenses	7	**(35,477)**	(34,685)
Administrative expenses	7	**(93,103)**	(85,847)
Other gains — net	6	**4,820**	3,503
Operating profit		**71,512**	65,915
Finance income	9	**3,998**	159
Finance costs	9	**(16,797)**	(8,859)
Finance costs — net	9	**(12,799)**	(8,700)
Share of profit/(loss) of investments accounted for using the equity method	11	**2,715**	(38)
Profit before income tax		**61,428**	57,177
Income tax expense	12	**(8,881)**	(7,090)
Profit for the year		**52,547**	50,087
Profit attributable to:			
Owners of the Company		**51,396**	50,087
Non-controlling interests		**1,151**	–
		51,396	50,087
Earnings per share (expressed in RMB cents per share)			
— Basic and Diluted	13	**5.07**	5.01

The notes on pages 73 to 139 are integral parts of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Profit for the year	**52,547**	50,087
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**(2,797)**	(2,253)
Total comprehensive income for the year	**49,750**	47,834
Attributable to:		
Owners of the Company	**48,599**	47,834
Non-controlling interests	**1,151**	–
	49,750	47,834

The notes on pages 73 to 139 are integral parts of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	14	**56,013**	58,677
Intangible assets	15	**57,892**	38,142
Deferred income tax assets	27	**1,429**	2,084
Trade and other receivables	18	**135,684**	–
Financial assets at fair value through profit or loss	16	**43,800**	–
Available-for-sale financial assets		**–**	19,063
Investments accounted for using the equity method	11	**29,657**	26,942
Other non-current assets	17	**1,058**	1,322
		325,533	146,230
Current assets			
Inventories	19	**193,922**	122,775
Trade and other receivables	18	**571,674**	478,274
Pledged bank deposits	20	**26,240**	16,115
Cash and cash equivalents	21	**50,571**	62,082
		842,407	679,246
Total assets		**1,167,940**	825,476
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	22	**8,106**	7,933
Share premium	22	**265,396**	252,286
Other reserves	24	**(66,995)**	(58,031)
Retained earnings	24	**255,456**	209,185
		461,963	411,373
Non-controlling interests	10	**13,354**	–
Total equity		**475,317**	411,373

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	25	147,704	29,474
Deferred income tax liabilities	27	2,542	1,451
		150,246	30,925
Current liabilities			
Trade and other payables	26	313,514	200,562
Current income tax liabilities		15,539	5,646
Borrowings	25	213,324	176,970
		542,377	383,178
Total liabilities		692,623	414,103
Total equity and liabilities		1,167,940	825,476
Net current assets		300,030	296,068
Total assets less current liabilities		625,563	442,298

The notes on pages 73 to 139 are integral parts of these consolidated financial statements.

The financial statements on pages 66 to 139 were approved for issue by the Board of Directors on 28 March 2017 and were signed on its behalf.

Lo Chi Sum
Chairman

Leung Wing Fai
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company						
		Ordinary share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2015		7,933	252,286	(64,732)	190,098	385,585	–	385,585
Comprehensive income								
Profit for the year		–	–	–	50,087	50,087	–	50,087
Other comprehensive income								
— currency translation differences		–	–	(2,253)	–	(2,253)	–	(2,253)
Total comprehensive income		–	–	(2,253)	50,087	47,834	–	47,834
Total contributions by and distributions to equity holders of the Company recognized directly in equity								
Dividend to the shareholders	28	–	–	–	(31,000)	(31,000)	–	(31,000)
Employees share option scheme								
— value of employee services	23	–	–	700	–	700	–	700
Equity consideration for investment in an associate	11	–	–	8,254	–	8,254	–	8,254
Total transaction with owners		–	–	8,954	(31,000)	(22,046)	–	(22,046)
Balance at 31 December 2015		7,933	252,286	(58,031)	209,185	411,373	–	411,373

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company						
		Ordinary share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016		7,933	252,286	(58,031)	209,185	411,373	–	411,373
Comprehensive income								
Profit for the year		–	–	–	51,396	51,396	1,151	52,547
Other comprehensive income — currency translation differences		–	–	(2,797)	–	(2,797)	–	(2,797)
Total comprehensive income		–	–	(2,797)	51,396	48,599	1,151	49,750
Total contributions by and distributions to equity holders of the Company recognized directly in equity								
Dividend to the shareholders	28	–	–	–	(5,125)	(5,125)	–	(5,125)
Employee share option and share award scheme — value of employee services	23	–	–	2,087	–	2,087	–	2,087
Issue of ordinary share for the equity consideration for investment in an associate	22	71	8,183	(8,254)	–	–	–	–
Issue of ordinary shares for the equity consideration for investment in a subsidiary	22	102	4,927	–	–	5,029	–	5,029
Non-controlling interests arising from business combination	33	–	–	–	–	–	11,142	11,142
Non-controlling interests arising from establishment of a subsidiary		–	–	–	–	–	1,061	1,061
Total transaction with owners		173	13,110	(6,167)	(5,125)	1,991	12,203	14,194
Balance at 31 December 2016		8,106	265,396	(66,995)	255,456	461,963	13,354	475,317

The notes on pages 73 to 139 are integral parts of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
	Note	2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Cash generated from operations	30	(78,225)	7,661
Interest paid		(12,346)	(5,582)
Income tax paid		(1,614)	(47,287)
Net cash used in operating activities		(92,185)	(45,208)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	30	(14,267)	–
Purchases of property, plant and equipment (PPE)		(6,016)	(11,263)
Payment of pledged bank deposits		(26,240)	(16,115)
Collection of pledged bank deposits		16,115	6,668
Purchase of financial assets at fair value through profit or loss		(23,426)	–
Purchase of available-for-sale financial assets		–	(18,689)
Purchase of intangible assets		(5,270)	(19,814)
Proceeds from sale of PPE	30	143	–
Prepayment for purchase of a subsidiary	18	–	(16,756)
Payment for purchase of associates	18	(5,373)	(18,726)
Net cash used in investing activities		(64,334)	(94,695)
Cash flows from financing activities			
Proceeds from borrowings		264,884	248,842
Repayments of borrowings		(110,300)	(132,288)
Dividends paid to the then shareholders		(5,125)	(31,000)
Net cash generated from financing activities		149,459	85,554
Net increase in cash and cash equivalents		(7,060)	(54,349)
Cash and cash equivalents at beginning of year	21	62,082	119,708
Exchange losses on cash and cash equivalents		(4,451)	(3,277)
Cash and cash equivalents at end of the year	21	50,571	62,082

The notes on pages 73 to 139 are integral parts of these consolidated financial statements.

1 GENERAL INFORMATION

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

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

The Company is an investment holding company and its subsidiaries (the "Group") are principally engaged in the provision of (i) application solutions, (ii) sports and events business, (iii) system maintenance services and (iv) sales of self-developed products, for the all-media industry in the PRC. The Group has operations mainly in the mainland China.

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

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

The consolidated financial statements were approved for issue by the board of directors on 28 March 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

- Accounting for acquisitions of interests in joint operations — Amendments to IFRS 11
- Clarification of acceptable methods of depreciation and amortisation — Amendments to IAS 16 and IAS 38
- Annual improvements to IFRSs 2012–2014 cycle, and
- Disclosure initiative — amendments to IAS 1.

The adoption of these amendments did not have significant impact on the current period or any prior period.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- *HKFRS 15 Revenue from Contracts with Customers*

  The new standard establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes to an 'asset-liability' approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition: IFRIC/HK(IFRIC) 13 Customer Loyalty Programmes, IFRIC/HK(IFRIC) 15 Agreements for the Construction of Real Estate, IFRIC/HK(IFRIC) 18 Transfers of Assets from Customers and SIC-31 Revenue — Barter Transactions Involving Advertising Services. The standard is effective for annual periods beginning on or after 1 January 2018, and earlier application is permitted.

  Management is currently assessing the effects of applying the new standard on the Group's financial statements. At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

- *HKFRS 9 Financial instruments*

  The new standard addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. The Group has yet to undertake a detailed assessment of the classification and measurement of financial assets.

  There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

- *HKFRS 16 Lease*

  The new standard addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces HKAS 17 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to the entity adopting HKFRS 15 'Revenue from contracts with customers' at the same time. The Group has yet to undertake a detailed assessment on the impact of adoption of the new standard. The adoption of the new standard will result in the recognition of the right-of-use assets and corresponding lease liabilities arising from accounting for operating leases by the company as a lessee.

  There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries

2.3.1 Consolidation

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

Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

2.3.2 Separate financial statements

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

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

2.4 Associates

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Property, plant and equipment

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

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

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

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

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

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

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

2.8 Intangible assets

(a) Goodwill

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Intangible assets *(Continued)*

(b) Customer relationship

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

(c) Computer software

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

(d) Technology know-how

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

(e) Research and development

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Impairment of non-financial assets

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

2.10 Financial assets

2.10.1 Classification

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Financial assets *(Continued)*

2.10.2 Recognition and measurement

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

2.11 Impairment of financial assets

(a) Assets carried at amortized cost

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Impairment of financial assets *(Continued)*

(b) Assets classified as available for sale

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

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

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of the inventories for specific application solutions project is determined individually. Cost of other inventories is determined using the weighted average method. The cost comprises acquisition cost purchased from third parties includes purchase price, related taxes, transportation cost and insurance cost but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade and other receivables

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

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

2.14 Cash and cash equivalents

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

2.15 Share capital

Ordinary shares are classified as equity.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Trade and other payables

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

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

2.17 Borrowings

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

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

2.18 Borrowing costs

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

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

2.19 Current and deferred income tax

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

(a) Current income tax

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Current and deferred income tax *(Continued)*

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

(c) Offsetting

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

2.20 Employee benefits

(a) Retirement benefits

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Employee benefits *(Continued)*

(b) Profit-sharing and bonus plans

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

(c) Employee leave entitlements

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

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

2.21 Share-based payments

(a) Equity-settled share-based payment transactions

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

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

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

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

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

(b) Share-based payment transactions among group entities

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Revenue recognition

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

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

The Group's revenue mainly includes, separately or in combination, application solutions, sports and events business, system maintenance services and sales of self-developed products.

(a) Application solutions

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

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

(b) Multiple element arrangements

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

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

(c) Sports and events business

Sports and events business include consultancy services and professional services are provided in the form of fixed-price contracts. Sales of these services are recognised in the period the services are provided using a straight-line basis over the term of the contract.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Revenue recognition *(Continued)*

(d) System maintenance services

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

(e) Sales of self-developed products

Sales of self-developed equipments and related products are recognised at the point that the risks and awards of the equipments products have passed to the customer and the customer has accepted the products and collectability of the related receivables is reasonably assured.

(f) Rental income

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

2.23 Interest income

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

2.24 Leases

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

2.25 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

At 31 December 2016, if USD had weakened/strengthened by 5% against the RMB with all other variables held constant, post-tax profit for the year would have been RMB1,499,000 (2015: RMB466,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of USD denominated cash and cash equivalents, trade and other receivables, trade and other payables.

At 31 December 2016, if HKD had weakened/strengthened by 5% against the RMB with all other variables held constant, post-tax profit for the year would have been RMB6,873,000 (2015: RMB3,427,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of HKD denominated cash and cash equivalents, trade and other receivables, trade and other payables and borrowings.

At 31 December 2016, if GBP had weakened/strengthened by 5% against the RMB with all other variables held constant, post-tax profit for the year would have been RMB42,000 (2015: RMB203,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of GBP denominated cash and cash equivalents, trade and other receivables, trade and other payables and borrowings.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Interest rate risk

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

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

As at 31 December 2016, if the interest rate on all borrowings had been 10% higher/lower with all other variables held constant, the Group's profit after tax for the year would have been decreased/increased by approximately RMB1,049,000(2015: RMB455,000) respectively, mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

(iii) Price risk

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

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

The Group is not exposed to equity securities price risk.

(b) Credit risk

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

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

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

As at 31 December 2016, there were five customers contributed over 43% (2015: 38%) of the Group's total trade and other receivables.

(c) Liquidity risk

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

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

Group

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000
At 31 December 2016			
Trade and other payables (excluding non-financial liability)	**226,066**	**–**	**–**
Borrowings(including interest)	**228,368**	**57,263**	**95,097**
At 31 December 2015			
Trade and other payables (excluding non-financial liability)	159,674	–	–
Borrowings(including interest)	180,880	27,358	2,764

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management

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

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

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Total borrowings	**361,028**	206,444
Total equity	**475,317**	411,373
Total capital	**836,345**	617,817
Gearing ratio	**43%**	33%

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 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).

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

The following table presents the Group's financial assets that are measured at fair value as at 31 December 2016.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Financial assets at fair value through profit or loss	–	–	43,800

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

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

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

(c) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2016:

Financial assets at fair value through profit or loss	RMB'000
At beginning of the year	–
Additions	42,489
Fair value adjustment	1,311
At end of the year	43,800

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

Available-for-sale financial assets	RMB'000
At beginning of the year	–
Addition	18,689
Fair value adjustment	374
At end of the year	19,063

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

4.1 Critical accounting estimates and assumptions

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

(a) Revenue recognition

As discussed in Note 2.22(e), for arrangements where multiple elements are provided to a customer, the Group would allocate the total arrangement consideration to each element. The margin allocated to service and equipment component would be determined based on cost plus a reasonable margin with reference to the margin of services from application solutions contract and equipment sales contract respectively when they could be provided separately. Given that the different element's revenue recognition time is different, the difference in the allocation of the price of each element would have impact to the amount of the revenue recognised in the each period.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(a) Revenue recognition *(Continued)*

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

(b) Impairment of trade and other receivable

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

Provision for impairment of trade and other receivables of the Group for the years ended 31 December 2016 are RMB1,978,000 (2015: RMB1,133,000).

(c) Impairment of goodwill

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(d) Recognition of income tax

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

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

(e) Impairment of inventories

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

5 SEGMENT INFORMATION

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

The Group has the following reportable segments during the year:

- Application solutions
- Sports and events business
- System maintenance services
- Sales of self-developed products

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

5 SEGMENT INFORMATION *(Continued)*

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Segment revenue		
Application solutions	**528,877**	514,754
Sports and events business	**58,312**	57,397
System maintenance services	**18,936**	17,547
Sales of self-developed products	**56,763**	33,734
Total	**662,888**	623,432
Segment cost		
Application solutions	**(400,080)**	(387,870)
Sports and events business	**(29,114)**	(28,467)
System maintenance services	**(9,947)**	(8,592)
Sales of self-developed products	**(28,475)**	(15,559)
Total	**(467,616)**	(440,488)
Segment gross profit		
Application solutions	**128,797**	126,884
Sports and events business	**29,198**	28,930
System maintenance services	**8,989**	8,955
Sales of self-developed products	**28,288**	18,175
Total	**195,272**	182,944
Depreciation		
Application solutions	**11,948**	7,877
Sports and events business	**1,317**	917
System maintenance services	**428**	292
Sales of self-developed products	**1,282**	517
Total	**14,975**	9,603

5 SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2016, two customer accounted for greater than 10% of the Group's total revenues:

	Year ended 31 December			
	2016		2015	
	Amount RMB'000	**% of total revenue**	Amount RMB'000	% of total revenue
Customer A	**120,292**	**18%**	–	–
Customer B	**115,614**	**18%**	–	–
Customer C	**8,023**	**1%**	129,284	21%
	243,929	**37%**	129,284	21%

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

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Revenue		
Mainland China	**490,536**	561,588
Macau	**–**	19,253
Hong Kong	**127,866**	32,101
Others	**44,486**	10,490
	662,888	623,432

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Total of non-current assets other than deferred tax assets, financial assets at fair value through profit or loss, available-for-sale financial assets and investment in associates		
Mainland China	**232,288**	82,830
Hong Kong	**56,356**	15,311
	288,644	98,141

6 OTHER GAINS/(LOSS) — NET

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Losses from disposal of property, plant and equipment (Note 30)	**(85)**	(985)
Fair value gains on financial assets at fair value through profit or loss (Note 16)	**1,311**	374
Government grants	**2,777**	3,070
Value added tax refund	**1,433**	2,146
Others	**(616)**	(1,102)
	4,820	3,503

7 EXPENSE BY NATURE

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Inventory costs (Note 19)	**422,658**	405,621
Servicing and agency costs	**15,315**	11,326
Employee benefit expenses (Note 8)	**86,121**	73,769
Transportation costs	**7,630**	8,048
Business tax and other transaction taxes	**1,065**	1,203
Depreciation expense (Note 14)	**9,711**	9,603
Amortisation expenses of Intangible assets(Note 15)	**5,264**	2,408
Business development	**5,028**	5,716
Travelling and transportation expenses	**11,020**	12,076
Advertising costs	**3,544**	3,440
Auditor's remuneration	**2,450**	2,450
Legal fee and professional charges	**3,519**	6,852
Operating lease rentals	**6,215**	4,241
Office expenses	**6,103**	5,471
Provision for inventory obsolescence (Note 19)	**216**	652
Provision for bad debts (Note 18)	**845**	284
Others	**9,492**	7,860
	596,196	561,020

8 EMPLOYEE BENEFIT EXPENSES (EXCLUDING DIRECTOR'S EMOLUMENTS)

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Wages and salaries	**63,426**	52,835
Bonus	**5,098**	6,445
Welfare and other allowance	**8,919**	8,503
Pension costs — defined contribution plans	**6,591**	5,286
Share based compensation expenses (Note 23)	**2,087**	700
	86,121	73,769

(a) Pension costs — defined contribution plans

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

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the group for the year are 5 directors (2015:5 directors) whose emoluments are reflected in the analysis shown in Note 36. There is no emoluments payable to other individuals during the year (2015: none).

9 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Finance expenses		
— Interest expenses on bank borrowings	**(12,346)**	(5,582)
— Net foreign exchange loss	**(4,451)**	(3,277)
	(16,797)	(8,859)
Finance income		
— Interest income on short-term bank deposits	**874**	159
— Interest income on long-term trade receivable	**3,124**	–
	3,998	159
Net finance costs	**(12,799)**	(8,700)

10 SUBSIDIARIES

The following is a list of the principal subsidiaries of the Group at 31 December 2016:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Effective equity interests held
Directly owned:				
Century Sage Scientific International Limited ("CSS International")	British virgin islands ("BVI"), limited liability company	Investment holding company, Hong Kong	10,000 ordinary shares of USD1 each	100%
Indirectly owned:				
Cortesia Limited ("Cortesia")	BVI, limited liability company	Investment holding company, Hong Kong	1 ordinary shares of USD1 each	100%
Century Sage Scientific Group Ltd ("CSS Group Ltd")	BVI, limited liability company	TV broadcast application solutions industry, the PRC	1 ordinary shares of USD50 each	100%
Century Sage Scientific Solutions Limited	BVI, limited liability company	Investment holding company, Hong Kong	1 ordinary shares of USD1 each	100%
北京世紀睿科系統技術有限公司 (Beijing Century Sage Scientific System and Technology Company Limited) ("CSS (Beijing)")	The PRC, limited liability company	TV broadcast application solutions industry, the PRC	20,000,000 ordinary shares of RMB1 each	100%
Times Sage Tech Ltd	BVI, limited liability company	TV broadcast system integration industry, the PRC	1 ordinary Shares of USD1 each	100%
時代華睿（北京）科技有限公司 (Times Sage (Beijing) Tech Company Limited) ("TST (Beijing)")	The PRC, limited liability company	TV broadcast application solutions industry, the PRC	12,000,000 ordinary shares of RMB1 each	100%
Evertop Technology (Int'l) Limited	Hong Kong ("HK"), limited liability company	TV broadcast application solutions industry, Hong Kong	2 ordinary Shares of HKD1 each	100%
北京永達天恒體育文化傳媒有限公司 (Beijing Evertop Culture Media Co.,Ltd)	The PRC, limited liability company	Event broadcast industry, the PRC	23,500,000 ordinary Shares of RMB1 each	100%
Cogent Technologies Limited (formerly known as CGT Technologies Limited)	BVI, limited liability company	TV broadcast application solutions industry, the PRC	1 ordinary shares of USD1 each	100%
Cogent Tech (Asia) Limited	HK, limited liability company	Investment Holding Company, Hong Kong	1 ordinary Shares of HKD1 each	100%

10 SUBSIDIARIES *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Effective equity interests held
高駿（北京）科技有限公司 (Cogent (Beijing) Technology Company Limited) ("Cogent (Beijing)")	The PRC, limited liability company	Research, development and sale of technical products, the PRC	31,000,000 ordinary Shares of RMB1 each	100%
北京高駿技術開發有限責任公司 (Beijing Cogent Technology Development Company Limited)	The PRC, limited liability company	Research and development of technical products, the PRC,	10,000,000 ordinary shares of RMB1 each	100%
Times Sage Tech Limited	HK, limited liability company	Inactive, Hong Kong	1 ordinary share of HKD1 each	100%
Fineone International Limited	BVI, limited liability company	Equipment trading , the PRC	1 ordinary Shares of USD1 each	100%
TV Logic Technology Limited	BVI, limited liability company	Equipment trading, the PRC	1 ordinary Shares of USD1 each	100%
NI Systems Limited	BVI, limited liability company	Equipment trading, the PRC	1 ordinary Shares of USD1 each	100%
天維通達（北京）數碼科技有限公司 (Tianwei Tongda (Beijing) Digital Technology Company Limited)	The PRC, limited liability company	TV broadcast application solutions industry, the PRC	6,000,000 ordinary shares of RMB1 each	100%
上海精視信息技術有限責任公司 (Shanghai Accurate Video Info-Tech Co., Limited) ("AVIT")	The PRC, limited liability company	R&D of TV broadcasting and multi-media production, the PRC	4,500,000 ordinary shares of RMB1 each	100%
北京经纬中天信息技術有限公司 (Beijing BroadVision Information Technology Company Limited)	The PRC, limited liability company	Provision of turnkey solutions to internet protocol television and over-the-top video service operators, the PRC	10,010,000 ordinary shares of RMB1 each	55%
台灣世紀睿科有限公司 (Century Sage Scientific (Taiwan) Limited)	Taiwan, limited liability company	TV broadcast application solutions industry, Taiwan	TWD10,000,000	51%

The Group owns 55% of the equity interests in Beijing BroadVision Information Technology Company Limited ("Beijing BroadVision"), and it is able to gain power over more than one half of the voting rights. Consequently, the group consolidates Beijing BroadVision (Note 33).

10 SUBSIDIARIES *(Continued)*

Material non-controlling interests

The total non-controlling interest as at 31 December 2016 is RMB13,354,000 (2015: nil), of which RMB12,498,000 (2015: nil) is for Beijing BroadVision. The non-controlling interests in respect of Century Sage Scientific (Taiwan) Limited is not material.

Summarised financial information on the subsidiary with material non-controlling interests

Set out below are the summarised financial information for Beijing BroadVision that has non-controlling interests that are material to the group.

Summarised balance sheet

	As at 31 December 2016 RMB'000
Current	
Assets	27,910
Liabilities	(9,188)
Total current net assets	18,722
Non-current	
Assets	749
Liabilities	–
Total non-current net assets	749
Net assets	19,471

Summarised statement of profit or loss

	Year ended 31 December 2016 RMB'000
Revenue	21,475
Profit before income tax	3,855
Income tax expense	(841)
Total comprehensive income	3,014
Total comprehensive income allocated to Non- Controlling Interests	1,356

10 SUBSIDIARIES *(Continued)*

Summarised cash flows

	2016 RMB'000
Cash flows from operating activities	
Cash generated from operations	5,663
Income tax paid	(841)
Net cash generated from operating activities	4,822
Net cash used in investing activities	(927)
Net increase in cash and cash equivalents	3,895
Cash, cash equivalents and bank overdrafts at beginning of year	5,541
Cash and cash equivalents at end of year	9,436

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amount recognised in the balance sheet is as follows:

	2016 RMB'000	2015 RMB'000
Associate	29,657	26,942

The amounts recognised in the income statement are as follows:

	2016 RMB'000	2015 RMB'000
Associate	2,715	(38)

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

Investment in an associate

Set out below is the associate of the Group as at 31 December 2016 which, in the opinion of the directors, is immaterial to the Group. The associate as listed below has share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Nature of investment in associates as at 31 December 2016 and 2015

Name of entity	Place of business, country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Beijing Gefei Technology Corporation ("Beijing Gefei")	Beijing	49%	Note (i)	Equity

(i) 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.

Summarised financial information for associates

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

Summarised balance sheet

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Current		
Assets	**94,083**	92,502
Liabilities	**(51,385)**	(58,706)
Total current net assets	**42,698**	33,796
Non-current		
Assets	**959**	615
Net assets	**43,657**	34,411

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

Summarised statement of comprehensive income

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Revenue	**68,110**	52,592
Profit before income tax	**9,638**	6,059
Income tax expense	**(392)**	(995)
Total comprehensive income	**9,246**	5,064

Reconciliation of summarised financial information

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

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Opening net assets	**34,411**	34,488
Profit/(loss) for the period	**9,246**	(77)
Closing net assets	**43,657**	34,411
Interest in associates (49%)	**21,392**	16,861
Fair value adjustments	**7,262**	9,078
Goodwill	**1,003**	1,003
Carrying value	**29,657**	26,942

12 INCOME TAX EXPENSE

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Current income tax — PRC enterprise income tax	**8,760**	6,267
Deferred income tax (Note 27)	**121**	823
Income tax expense	**8,881**	7,090

12 INCOME TAX EXPENSE *(Continued)*

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Profit before income tax	**61,428**	57,177
Tax calculated at statutory tax rates applicable to profits in the respective companies	**15,357**	14,294
Tax effects of		
— Expenses not deductible for tax purpose	**368**	2,454
— Adjustments in respect of prior years	**982**	(239)
— Effect of preferential tax rate	**(7,826)**	(9,419)
Income tax expense	**8,881**	7,090

Cayman Islands income tax

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

BVI income tax

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

Hong Kong profits tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate at 16.5% for the year ended 31 December 2016 on the estimated assessable profit for the year. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the two years.

PRC enterprise income tax ("EIT")

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

CSS (Beijing) and TST (Beijing) have obtained the High and New Technology Enterprise ("HNTE") qualification, in which the applicable income tax rate for the year ended 31 December 2016 is 15%.

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

12 INCOME TAX EXPENSE *(Continued)*

PRC withholding tax

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

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

13 EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the years ended 31 December 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:

	Year ended 31 December	
	2016	2015
Profit attributable to owners of the Company (in RMB'000)	**51,396**	50,087
Weighted average number of ordinary shares in issue (in thousand) (i)	**1,014,594**	1,000,621
Basic earnings per share (RMB cents per share)	**5.07**	5.01

(i) The calculation of basic earnings per share for year ended 31 December 2015 was adjusted by the allocation of share consideration of 8,396,000 shares when acquiring 49% equity interest of Beijing Gefei in December 2015 (Note 11).

The calculation of basic earnings per share for year ended 31 December 2016 was adjusted by the allocation of share consideration of 11,904,761 shares related to the acquisition of 55% equity interest in Beijing BroadVision in July 2016 (Note 33).

(b) Diluted

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

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Vehicles and machinery RMB'000	Furniture, fittings and other equipment RMB'000	Total RMB'000
At 1 January 2015				
Cost	57,008	14,781	13,684	85,473
Accumulated depreciation	(10,661)	(9,659)	(7,151)	(27,471)
Net book amount	46,347	5,122	6,533	58,002
Year ended 31 December 2015				
Opening net book amount	46,347	5,122	6,533	58,002
Currency translation differences	–	–	33	33
Additions	662	6,864	3,704	11,230
Disposals	(397)	(225)	(363)	(985)
Depreciation (Note 7)	(3,318)	(4,628)	(1,657)	(9,603)
Closing net book amount	43,294	7,133	8,250	58,677
At 31 December 2015				
Cost	55,775	21,613	17,237	94,625
Accumulated depreciation	(12,481)	(14,480)	(8,987)	(35,948)
Net book amount	43,294	7,133	8,250	58,677
At 1 January 2016				
Cost	55,775	21,613	17,237	94,625
Accumulated depreciation	(12,481)	(14,480)	(8,987)	(35,948)
Net book amount	43,294	7,133	8,250	58,677
Year ended 31 December 2016				
Opening net book amount	43,294	7,133	8,250	58,677
Currency translation differences	–	–	51	51
Additions	3,517	928	1,571	6,016
Acquisition of a subsidiary (Note 33)	–	–	1,208	1,208
Transfer	270	2,164	(2,434)	–
Disposals	–	–	(228)	(228)
Depreciation (Note 7)	(3,323)	(3,787)	(2,601)	(9,711)
Closing net book amount	43,758	6,438	5,817	56,013
At 31 December 2016				
Cost	56,721	25,870	16,304	98,895
Accumulated depreciation	(12,963)	(19,432)	(10,487)	(42,882)
Net book amount	43,758	6,438	5,817	56,013

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

14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation expense of RMB9,213,000 (2015: RMB8,956,000) for the year ended 31 December 2016 has been charged in administrative expenses. Depreciation expense of RMB498,000 (2015: RMB647,000) for the year ended 31 December 2016 has been charged in cost of sales. As at 31 December 2016, net book value of the buildings amounting to RMB40,366,800 (2015: RMB42,848,000) have been pledged for bank borrowings (Note 25).

15 INTANGIBLE ASSETS

	Goodwill	Computer software	Customer relationships	Technical knowhow	Development costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2015						
Opening net book amount	12,100	2,933	4,532	1,171	–	20,736
Additions	–	15,000	–	–	4,814	19,814
Amortisation charge (Note 7)	–	(998)	(1,071)	(339)	–	(2,408)
Closing net book amount	12,100	16,935	3,461	832	4,814	38,142
At 31 December 2015						
Cost	12,100	18,005	4,609	1,191	4,814	40,719
Accumulated amortisation	–	(1,070)	(1,148)	(359)	–	(2,577)
Net book value	12,100	16,935	3,461	832	4,814	38,142
Year ended 31 December 2016						
Opening net book amount	**12,100**	**16,935**	**3,461**	**832**	**4,814**	**38,142**
Additions	**–**	**456**	**–**	**2,393**	**2,421**	**5,270**
Acquisition of a subsidiary (Note 33)	**8,912**	**–**	**7,727**	**3,105**	**–**	**19,744**
Amortisation charge (Note 7)	**–**	**(1,997)**	**(1,516)**	**(788)**	**(963)**	**(5,264)**
Closing net book amount	**21,012**	**15,394**	**9,672**	**5,542**	**6,272**	**57,892**
At 31 December 2016						
Cost	**21,012**	**18,461**	**12,336**	**6,688**	**7,235**	**65,732**
Accumulated amortisation	**–**	**(3,067)**	**(2,664)**	**(1,146)**	**(963)**	**(7,840)**
Net book value	**21,012**	**15,394**	**9,672**	**5,542**	**6,272**	**57,892**

Amortisation expense of RMB5,264,000 (2015: RMB2,408,000) for the years ended 31 December 2016 has been charged in administrative expenses.

15 INTANGIBLE ASSETS *(Continued)*

Impairment tests for goodwill

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

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

The key assumptions used for value-in-use calculations as at 31 December 2016 are as follows:

	As at 31 December 2016
Gross margin	54.1%
Sustainable growth rate	3.0%
Discount rate	14.6%

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

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

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

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December 2016 RMB'000
At beginning of the year	–
Additions	42,489
Fair value change	1,311
At end of the year	43,800

The financial assets at fair value through profit or loss in 2016 represented key-man life insurance policies. The Group is the beneficiary of the insurance policies. The insurance policies were pledged to the bank as securities for certain facilities granted to the Group.

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

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

	As at 31 December 2016
Mortality rate	**0.21%**
Discount rate	**3.55%**

17 OTHER NON-CURRENT ASSETS

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

18 TRADE AND OTHER RECEIVABLES

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Trade receivables	**586,360**	371,749
Less: provision for impairment of trade receivable	**(1,978)**	(1,133)
Trade receivables — net	**584,382**	370,616
Other receivables		
Amount due from customers for contract work (i)	**2,936**	1,866
Deposit for guarantee certificate over tendering and performance(ii)	**44,355**	30,533
Deposit for acquisition of a subsidiary (iii)	**17,890**	16,756
Deposit for acquisition of an associate (iv)	**5,373**	–
Prepayments	**27,522**	35,251
Cash advance to employees	**6,460**	6,914
Others	**18,440**	16,338
	707,358	478,274
Less: Non-Current portion		
Trade receivables (v)	**130,311**	–
Deposit for acquisition of a associate (iv)	**5,373**	–
	135,684	–
Current portion	**571,674**	478,274

18 TRADE AND OTHER RECEIVABLES *(Continued)*

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

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
The aggregate costs incurred and recognised profits to date	**2,936**	1,866
Less: Progress billings	**–**	–
Net balance sheet position for ongoing contracts	**2,936**	1,866

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

(iii) The amount represented a refundable deposit paid related to an proposed acquisition of 100% equity interest of an target company amounting to HKD20,000,000 (equivalent to RMB17,890,000). Due to certain conditions precedent as set out in the agreement have not been satisfied or waived as at 31 December 2015, the acquisition would not proceed and the related deposit was to be repaid to the group.

(iv) In 2016, the group entered into an agreement for acquisition of 20% equity interest of a target company and deposit amounting to USD810,000 (equivalent RMB5,373,000) was paid and recorded as deposits.

(v) Non-current portion of the trade receivables are related to amount due from 2 major customers of the Group amounting to RMB238,592,000, out of which RMB130,311,000 were repayable from 1 to 4 years. The amount due from the 2 customers bear effective interest rate of 4.5% per annum. The ageing analysis of the amount due from the 2 customers based on the invoice date is as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Up to 3 months	**108,281**	–
3 to 6 months	**130,311**	–
	238,592	–

18 TRADE AND OTHER RECEIVABLES *(Continued)*

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Up to 3 months	**118,812**	144,065
3 to 6 months	**168,544**	69,260
6 months to 1 year	**154,855**	57,353
1 to 2 years	**69,655**	74,198
2 to 3 years	**49,552**	25,919
Over 3 years	**24,942**	954
	586,360	371,749

As of 31 December 2016, trade and other receivables of RMB292,188,000 (2015: RMB226,730,000) were over 3 months but not impaired. These relate to a number of independent customers with good reputation and background. No impairment allowance was made in respect of these balances.

The ageing analysis of these trade receivables is as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
3 to 6 months	**168,544**	69,260
6 months to 1 year	**154,855**	57,353
1 to 2 years	**69,655**	74,198
2 to 3 years	**49,552**	25,919
	442,606	226,730

As of 31 December 2016, trade and other receivables of RMB1,978,000 (2015: RMB1,133,000) were impaired. The amount of the provision was RMB1,978,000 (2015: RMB1,133,000) as of 31 December 2016. The impaired receivables mainly relate to customers which are in unexpected financial difficulties.

18 TRADE AND OTHER RECEIVABLES *(Continued)*

The ageing of these receivables is as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
2 to 3 years	**–**	743
Over 3 years	**1,978**	390
	1,978	1,133

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Trade receivables		
RMB	**573,102**	357,448
United State Dollar ("USD")	**4,747**	11,466
Hong Kong Dollar ("HKD")	**6,533**	1,702
	584,382	370,616
Other receivables		
RMB	**94,006**	70,614
Hong Kong Dollar ("HKD")	**21,231**	19,508
United State Dollar ("USD")	**6,920**	17,180
Euro ("EUR")	**475**	356
Others	**344**	–
	122,976	107,658
	707,358	478,274

18 TRADE AND OTHER RECEIVABLES *(Continued)*

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
At beginning of the year	**1,133**	849
Provision for impairment	**845**	284
At end of the year	**1,978**	1,133

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

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

As of 31 December 2016, the trade receivables amounting to RMB26,152,390 (2015: RMB26,735,001) were pledged for a secured bank loan of RMB12,000,000 (2015: RMB14,000,000) (Note 25).

19 INVENTORIES

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Equipments and parts	**154,326**	99,093
Contract work in progress	**42,449**	26,319
	196,775	125,412
Provision for inventory	**(2,853)**	(2,637)
	193,922	122,775

The cost of inventories recognised as expense is included in 'cost of sales' amounted to RMB422,658,000 (2015: RMB405,621,000) for the year ended 31 December 2016.

20 PLEDGED BANK DEPOSITS

The amounts represent deposits placed in banks for guarantees issued for trade finance facilities used by the Group. The deposits have a maturity period within one year and carry interest rate range from 0.35% to 0.5% per annum for the years ended 31 December 2016 (2015: 0.3% to 0.7%).

21 CASH AND CASH EQUIVALENTS

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Cash on hand	**174**	186
Cash at banks	**50,397**	61,896
Cash and cash equivalents	**50,571**	62,082

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
RMB	**34,391**	59,458
HKD	**4,179**	2,027
USD	**10,000**	547
GBP	**240**	36
Others	**1,761**	14
	50,571	62,082

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

The effective interest rate on cash deposits ranged from 0.35% to 0.5% per annum for the year ended 31 December 2016 (2015: 0.3% to 0.7%).

22 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	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
Balance at 1 January and 31 December 2015	1,000,000,000	10,000	7,933	252,286	260,219
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 11) (i)	8,396,000	84	71	8,183	8,254
Issue of ordinary shares for the equity consideration for acquisition of a subsidiary (Note 33) (ii)	11,904,761	119	102	4,927	5,029
Balance at 31 December 2016	1,020,300,761	10,203	8,106	265,396	273,502

(i) Issue of ordinary shares for the equity consideration for investment in an associate

In December 2015, the Group acquired 49% equity interest of Beijing Gefei, at which cost of share consideration was 8,396,000 shares of the Company's shares at fair value of RMB8,254,000. The relevant shares were issued in May 2016.

(ii) Issue of ordinary shares for the equity consideration for acquisition of a subsidiary

In July 2016, the Group acquired 55% of the share capital of Beijing BroadVision, at which cost of share consideration was 11,904,761 shares of the Company's shares at fair value of RMB5,029,000. The relevant shares were issued in September 2016.

23 SHARE BASED PAYMENTS

(i) Share Award Plan

The Company 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. Pursuant to the Share Award Plan, the Trustee purchased a total of 1,090,000 shares of the Company on the Stock Exchange during 2016. 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 year is as the following:

	Number of Awarded shares
At 1 January 2016	**7,864,868**
Granted	**6,025,000**
Vested	**(280,000)**
Forfeited	**(725,000)**
At 31 December 2016	**12,884,868**
At 1 January 2015	–
Granted	8,864,868
Vested	(1,000,000)
At 31 December 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 year ended 31 December 2016 was RMB0.576 per share.

The outstanding awarded shares as of 31 December 2016 are divided into four tranches as at their grant date. The first tranche can be vested after two years from the grant date, and the remaining tranches will become vested in each subsequent year.

(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.

23 SHARE BASED PAYMENTS *(Continued)*

(ii) Share Option Scheme *(Continued)*

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 2rd anniversary of the grant date and the remaining tranche will become exercisable on the 3th anniversary of the grant. 8,540,000 share options under Type A was taken as replacement of the outstanding share options under the 2015 Scheme. The related incremental fair value 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.

Movements in the number of share options outstanding for the year is as follows:

	Number of share options 2015 Scheme	**Number of share options 2016 Scheme**
At 1 January 2016	14,216,000	**–**
Modified	(8,540,000)	**8,540,000**
Forfeited	(1,604,000)	**(372,000)**
Granted	–	**5,002,000**
At 31 December 2016	4,072,000	**13,170,000**

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.

	2015 Scheme	**2016 Scheme Type A**	**2016 Scheme Type B**
Risk free rate	0.997%	**0.87%**	**0.95%**
Dividend yield	3%	**0.80%**	**0.80%**
Expected volatility	34%	**51.19%**	**50.13%**

The fair value of Type A and Type B share option granted during year ended 31 December 2016 was RMB0.28 per share and RMB0.29 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.

23 SHARE BASED PAYMENTS *(Continued)*

(iii) Share-based compensation recognised as expenses

The amounts of share-based compensation recognised as expenses with a corresponding credit to reserves of the Group during the year are as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Share Award Plan		
— Employees (excluding directors)	**804**	–
Share Option Scheme		
— Employees (excluding directors)	**679**	384
— Directors (Note 36)	**604**	316
	1,283	700
	2,087	700

24 RESERVES AND RETAINED EARNINGS

	Other reserves					
	Merger reserve	Translation reserve	Share option reserve	Capital reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2015	(70,612)	(1,770)	5,780	1,870	190,098	125,366
Profit for the year	–	–	–	–	50,087	50,087
Dividends relating to 2015	–	–	–	–	(31,000)	(31,000)
Employee share award and option scheme	–	–	700	–	–	700
Share option for the equity consideration for investment in an associate (Note 11)	–	–	8,254	–	–	8,254
Currency translation difference	–	(2,253)	–	–	–	(2,253)
Balance at 31 December 2015 and 1 January 2016	(70,612)	(4,023)	14,734	1,870	209,185	151,154
Profit for the year	**–**	**–**	**–**	**–**	**51,396**	**51,396**
Dividends relating to 2015	**–**	**–**	**–**	**–**	**(5,125)**	**(5,125)**
Employee share award and option scheme	**–**	**–**	**2,087**	**–**	**–**	**2,087**
Issue of ordinary share for the equity consideration for investment in an associate (Note 11)	**–**	**–**	**(8,254)**	**–**	**–**	**(8,254)**
Currency translation difference	**–**	**(2,797)**	**–**	**–**	**–**	**(2,797)**
Balance at 31 December 2016	**(70,612)**	**(6,820)**	**8,567**	**1,870**	**255,456**	**188,461**

25 BORROWINGS

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Non-current		
Bank borrowings		
— unsecured	**9,268**	29,474
— secured	**138,436**	–
	147,704	29,474
Current		
Bank borrowings		
— unsecured	**24,870**	28,333
— secured	**188,454**	148,637
	213,324	176,970
Total borrowings	**361,028**	206,444

Bank borrowings bear effective interest rate of 3.72% (2015: 6.1%) annually for the year ended 31 December 2016.

As at 31 December 2016, the scheduled repayment dates of the Group's bank borrowing, as set out in loan arrangements without considering the effect of any repayment on demand clause, are as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Within 1 year	**213,324**	176,970
Between 1 and 2 years	**54,054**	26,796
Between 2 and 5 years	**93,650**	2,678
	361,028	206,444

25 BORROWINGS *(Continued)*

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Wholly repayable within 5 years	**361,028**	206,444

As at 31 December 2016, bank borrowings of RMB76,699,000 (2015: RMB77,400,000) are secured by the buildings of the Group, net book value of which amounting to RMB40,366,800 (2015: RMB42,848,000) (Note 14), trade receivables of RMB25,834,502 (2015: RMB26,735,001) (Note 18), and guaranteed by Beijing zhongguancun sic-tech financing guarantee Co., Ltd.

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
6 months or less	**166,415**	121,717
6–12 months	**46,909**	55,253
	213,324	176,970

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

	Carrying amount		Fair Value	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank borrowings	**147,704**	29,474	**152,360**	30,122

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 3.72% (2015: 6.1%) and are within level 2 of the fair value hierarchy.

25 BORROWINGS *(Continued)*

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

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
HKD	225,929	102,636
USD	26,007	–
RMB	109,092	103,808
	361,028	206,444

26 TRADE AND OTHER PAYABLES

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Trade payables	142,866	95,501
Advances from customers	87,448	40,888
Other taxes payable	66,377	51,797
Employee benefits payable	2,949	3,719
Accrual for professional service fee	2,010	2,558
Others	11,864	6,099
	313,514	200,562

At 31 December 2016 the ageing analysis of the trade payables based on invoice date is as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Up to 3 months	117,563	77,193
3 to 6 months	3,874	2,850
6 months to 1 year	10,065	4,748
1 to 2 years	9,321	7,077
2 to 3 years	134	962
Over 3 years	1,909	2,671
	142,866	95,501

26 TRADE AND OTHER PAYABLES *(Continued)*

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
RMB	**104,482**	65,219
USD	**30,837**	18,227
GBP	**1,493**	5,705
HKD	**2,440**	530
EUR	**3,236**	4,620
JPY	**378**	1,200
	142,866	95,501

27 DEFERRED INCOME TAX

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Deferred tax assets:		
— Deferred tax asset to be recovered after more than 12 months	**784**	1,616
— Deferred tax asset to be recovered within 12 months	**645**	468
	1,429	2,084
Deferred tax liabilities:		
— Deferred tax liabilities to be recovered after more than 12 months	**1,847**	1,081
— Deferred tax liabilities to be recovered within 12 months	**695**	370
	2,542	1,451
Deferred tax (liabilities)/assets — net	**(1,113)**	633

27 DEFERRED INCOME TAX *(Continued)*

The movement in deferred income tax assets is as follows:

	Provision for impairment loss on trade and other receivables RMB'000	Provision for inventory obsolescence RMB'000	Accrued payroll expenses RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2015	117	276	1,754	1,130	3,277
Credited to the income statement	53	22	(1,754)	486	(1,193)
At 31 December 2015	170	298	–	1,616	2,084
Credited to the income statement	127	50	(832)	(655)	
At 31 December 2016	**297**	**348**	**–**	**784**	**1,429**

The movement in deferred income tax liabilities is as follows:

	Fair value surplus arising from acquisition of subsidiaries RMB'000
At 1 January 2015	1,821
Recognised in consolidated income statement	(370)
At 31 December 2015	1,451
Acquisition of a subsidiary (Note 33)	1,625
Recognised in consolidated income statement	(534)
At 31 December 2016	**2,542**

As at 31 December 2016, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside of the PRC, for which no deferred income tax liability had been provided, were approximately RMB124,578,000 (2015: RMB114,768,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to a foreign investor in the foreseeable future based on management's estimation of overseas funding requirements.

28 DIVIDENDS

Pursuant to the resolutions by the annual general meeting of the Company held on 6 June 2016, a final dividend of HK0.6 cents (equivalent to RMB0.51 cents) per ordinary share amounting to RMB5,125,000 for the year ended 31 December 2015 was approved and paid to the shareholders of the Company.

The directors recommend the payment of a final dividend of HK0.6 cents (equivalent to RMB0.54 cents) per share for the year ended 31 December 2016, totaling RMB5,442,000. Such dividend is to be approved by the shareholders of the Company at the forthcoming annual general meeting of the Company. The dividends was not recognised as a liability as at 31 December 2016.

	2016 RMB'000	2015 RMB'000
Proposed final dividend of HK0.6 cents (2015: HK0.6 cents) per ordinary share	5,442	5,125

29 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables RMB'000	Financial assets at fair value through profit or loss RMB'000	Total RMB'000
At 31 December 2016			
Assets as per balance sheet			
Financial assets at fair value through profit or loss	–	43,800	43,800
Trade and other receivables excluding prepayments	504,314	–	504,314
Cash and cash equivalents	50,571	–	50,571
Restricted cash	26,240	–	26,240
	581,125	43,800	624,925

	Other financial liabilities at amortised cost RMB'000
At 31 December 2016	
Liabilities as per balance sheet	
Borrowings	361,028
Trade and other payables excluding non-financial liabilities	311,673
	672,701

29 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

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

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

30 CASH GENERATED FROM OPERATIONS

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Profit before income tax	**61,428**	57,177
Adjustments for:		
— Provision for bad debts (Note 18)	**845**	284
— Provision for inventory obsolescence (Note 19)	**216**	652
— Amortisation of other non-current assets	**5,264**	2,408
— Amortisation of deferred income tax liabilities (Note 27)	**(534)**	(370)
— Depreciation of property, plant and equipment (Note 14)	**9,711**	9,603
— Finance costs (Note 9)	**12,346**	5,582
— Fair value gains on financial assets at fair value through profit or loss (Note 16)	**(1,311)**	(374)
— Loss on disposals of property, plant and equipment	**85**	985
— Share based compensation expenses (Note23)	**2,087**	700
— Share of profit from investments accounted for using equity method (Note 11)	**(2,715)**	38
— (Increase)/decrease in inventories	**(69,530)**	47,115
— Increase in trade and other receivables	**(211,486)**	(109,075)
— Increase/(decrease) in trade and other payables	**115,369**	(7,064)
Cash generated from operations	**(78,225)**	7,661

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Cash consideration paid (Note 33)	**(17,500)**	–
Cash and cash equivalents in the subsidiary acquired (Note 33)	**3,233**	–
	(14,267)	–

30 CASH GENERATED FROM OPERATIONS *(Continued)*

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Net book amount (Note 14)	**228**	985
Loss on disposal (Note 6)	**(85)**	(985)
Proceeds	**143**	–

(d) Non-cash transactions

The principal non-cash transaction is the issue of shares as consideration for the acquisition of Beijing Gefei as discussed in Note 11 and Beijing BroadVision in Note 33.

31 RELATED PARTY TRANSACTIONS

The ultimate holding company of the Group is Cerulean Coast Limited, which owns 65.42% of the Company's shares. The remaining 34.58% of the shares are widely held. The ultimate controlling party of the Group is Mr. Lo Chi Sum.

(a) Other than the key management compensation and benefits and interests of directors as disclosed in the financial statements, there were no significant related party transactions for the years ended 31 December 2015 and 31 December 2016.

(b) Key management compensation

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Salaries and other allowance	**6,756**	7,406
Pension costs — defined contribution plans	**1,198**	–
Employer's contribution to a retirement benefit scheme	**333**	305
Share based payment (Note 23 and Note 36)	**604**	316
	8,891	8,027

32 COMMITMENTS

(a) Capital commitments

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Acquisition of an associate	**1,264**	–

(b) Operating lease commitments

The Group leases various offices and warehouses under both cancellable and non-cancellable operating lease agreements. The non-cancellable lease terms are between 1 and 4 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. The Group is required to give at least a month notice for the termination of these agreements. The lease expenditure and related management fee, water and electricity (if necessary) charged to the income statement during the year is disclosed (Note 7).

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
No later than 1 year	**2,809**	933
Later than 1 year and no later than 2 years	**2,453**	583
Later than 2 years and no later than 3 years	**1,991**	15
Later than 3 years	**674**	–
	7,927	1,531

33 BUSINESS COMBINATIONS

On 13 July 2016, the Group acquired 55% equity interest of Beijing BroadVision at a total consideration of RMB22,530,000, which was settled 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 RMB5,290,000.

The acquisition is expected to enhance the Group's technological capabilities to provide more diversified solutions to customers, and to broaden the income stream of the Group and strengthen its market position in the industry as a leading PRC-based all-media solution provider.

The goodwill of RMB8,912,000 arising from the acquisition is attributable to increase in the presence in the market and economies of scale expected from combining the operations of the Group and Beijing BroadVision. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for Beijing BroadVision, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date and the purchase price allocation has been finalised.

	RMB'000
Consideration:	
As at 13 July 2016	
— Cash	17,500
— Equity instruments	5,029
Total consideration transferred	**22,529**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	3,233
Property, plant and equipment (Note 14)	1,208
Customer relationship (included in intangible asset) (Note 15)	7,727
Computer software (included in intangible asset) (Note 15)	3,105
Inventories	1,830
Trade and other receivables	12,206
Trade and other payables	(2,925)
Deferred tax liabilities (Note 27)	(1,625)
Total identifiable net assets	**24,759**
Non-controlling interest	(11,142)
Goodwill (Note 5)	8,912
Total	**22,529**

33 BUSINESS COMBINATIONS *(Continued)*

The fair value of the non-controlling interest in Beijing BroadVision, an unlisted company, was estimated by using the purchase price paid for acquisition of 55% stake in Beijing BroadVision. This purchase price was adjusted for the lack of control and lack of marketability that market participants would consider when estimating the fair value of the non-controlling interest in Beijing BroadVision.

The fair value of the 11,904,761 ordinary shares issued as part of the consideration was based on the published share price on 13 July 2016.

The fair value of trade and other receivables is RMB12,206,000 and includes trade receivables with a fair value of RMB10,916,000. The gross contractual amount for trade receivables due is RMB10,916,000, none of which is expected to be uncollectible.

The fair value of the acquired identifiable intangible assets of RMB10,832,000 (including customer relationship and computer software) is based on valuation report issued by independent valuer.

The revenue included in the consolidated statement of profit or loss since 13 July 2016 contributed by BroadVision was RMB21,475,000. Beijing BroadVision also contributed profit of RMB3,014,000 over the same period.

Had Beijing BroadVision been consolidated from 1 January 2016, the consolidated statement of profit or loss would show pro-forma revenue of RMB30,028,000 and profit of RMB4,401,000.

34 CONTINGENCIES

In March 2014, one of the subsidiaries of the Group was involved in a contractual dispute with a supplier of television broadcasting systems (the "Claimant"). The Claimant supplied certain television broadcasting systems to the subsidiary, who provided the application solution services for the systems to a client in Hunan ("Client"), the end-user of the systems. The contractual claim amounting RMB6.77 million was brought by the Claimant against this subsidiary and the Client in relation to the outstanding amount payable for the sale of the systems. On 16 December 2014, the Claimant withdrew the lawsuit against this subsidiary. The contractual claim between the Claimant and the Client was still under trial for the year ended 31 December 2016. In light of the quality problems in the systems supplied by the Claimant, and the fact that the Client was the end user of the systems and bore the ultimate obligation to settle payments, and that the Group acted as a third party in the legal proceedings, the directors consider that the ultimate outcome of the legal dispute will not have a material adverse effect on the financial statements and therefore no provision has been made for the year ended 31 December 2016.

35 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Assets		
Non-current assets		
Investments in subsidiaries	**92,526**	76,455
Amount due from subsidiaries	**93,050**	170,393
	185,576	246,848
Current assets		
Amount due from subsidiaries	**76,449**	7,823
Trade and other receivables	**17,957**	16,756
Cash and cash equivalents	**3**	1
	94,409	24,580
Total assets	**279,985**	271,428
Equity		
Share capital	**8,106**	7,933
Share premium	**265,396**	252,286
Other reserve	**8,567**	14,734
Retained earnings	**(2,181)**	(3,525)
Total equity	**279,888**	271,428
Liabilities		
Current liabilities		
Trade and other payables	**97**	–
Total equity and liabilities	**279,985**	271,428

The balance sheet of the Company was approved by the Board of Directors on on 28 March 2017 and was signed on its behalf

Director *Director*

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

Income statement of the Company

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Revenue	–	–
Cost of sales	–	–
Gross profit		
Administrative expenses	(770)	(770)
Other gains — net	6,542	32,160
Operating profit	5,772	31,390
Finance income	(3)	(26)
Finance costs — net	(3)	(26)
Profit before income tax	5,769	31,364
Income tax expense	–	–
Profit for the year	5,769	31,364

Reserve movement of the Company

	Retained earnings RMB'000	**Other reserves** RMB'000
Balance at 1 January 2015	(3,189)	5,780
Profit for the year	31,364	–
Dividends relating to 2014	(31,000)	–
Employees share option scheme	–	700
Investment in a associate	–	8,254
Balance at 31 December 2015	(2,825)	14,734
Balance at 1 January 2016	(2,825)	14,734
Profit for the year	5,769	–
Dividends relating to 2015	(5,125)	
Employee share option and share award scheme	–	2,087
Investment in a associate	–	(8,254)
Balance at 31 December 2016	(2,181)	8,567

36 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

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

Year end 31 December 2016

Name	Fees RMB'000	Salary RMB'000	Discretionary bonus RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Share based payment RMB'000	Total RMB'000
Executive directors						
Mr. Zhou Jue	–	851	171	106	151	1,279
Mr. Huang He	–	851	171	76	151	1,249
Mr. Sun Qingjun	–	851	171	106	151	1,279
Mr. Leung Wing Fai	–	861	171	15	–	1,047
Mr. Geng Liang	–	857	171	15	151	1,194
Independent non-executive directors						
Mr. Ng Chi Yeung	257	–	–	–	–	257
Mr. Hung Muk Ming	257	–	–	–	–	257
Mr. Mak Kwok Wing	257	–	–	–	–	257
Chairman, chief executive officer and executive director						
Mr. Lo Chi Sum	–	1,714	343	15	–	2,072

36 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

Year end 31 December 2015

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

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

For the year ended 31 December 2016, the five individuals whose emoluments were the highest in the Group include 5 directors (2015: 5 director) whose emoluments are reflected in the analysis presented above.

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

36 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) Directors' retirement benefits

No retirement benefits were paid to or receivable by directors' and chief executive's services in connection with the management of the affairs of the Company or its subsidiary undertaking (2015: Nil).

No termination on the appointment of director and chief executive of the Company and certain subsidiaries occurred in 2016, thus no related termination benefits was paid.

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

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

FIVE YEARS' FINANCIAL SUMMARY

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

	Year Ended 31 December				
	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Results					
Revenue	**662,888**	623,432	748,535	628,758	568,065
Cost of sales	**(467,616)**	(440,488)	(517,583)	(435,198)	(389,557)
Gross profit					
Selling expenses	**(35,477)**	(34,685)	(32,567)	(33,356)	(73,786)
Administrative expenses	**(93,103)**	(85,847)	(78,051)	(62,928)	(23,636)
Other income	**4,820**	3,503	(821)	361	588
Operating profit	**71,512**	65,915	119,513	97,637	81,674
Finance income	**3,998**	159	925	84	126
Finance costs	**(16,797)**	(8,859)	(8,298)	(3,575)	(2,334)
Finance costs — net	**(12,799)**	(8,700)	(7,373)	(3,491)	(2,208)
Share of loss of investments accounted for using the equity method	**2,715**	(38)	–	–	–
Profit before income tax	**61,428**	57,177	112,140	94,146	79,466
Income tax expense	**(8,881)**	(7,090)	(15,087)	(16,391)	(15,712)
Profit for the year	**52,547**	50,087	97,053	77,755	63,754
Earnings Per Share					
Basic (RMB)	**5.07**	5.01	11.14	10.37	8.50
Diluted (RMB)	**5.07**	5.01	11.14	10.37	8.50
Assets and Liabilities					
Total Assets	**1,166,099**	825,476	733,650	631,011	493,162
Total Liabilities	**690,782**	414,103	348,065	536,020	415,899
Total Equity	**475,317**	411,373	385,585	94,991	77,263