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

2018
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)
Mr. Sun Qingjun (孫清君)*
* *appointed on 3 April 2019*

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
Mr. Sun Qingjun*
* *appointed on 3 April 2019*

COMPANY SECRETARY

Ms. Ngai Kit Fong
FCIS, FCS(PE)

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Building H8, Privy Council
No. 10 Jiachuang Road
Opto-Mechatronics Industrial Park
Tongzhou District
Beijing 101111
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 207–9, 2/F
Tins Enterprises Centre
777 Lai Chi Kok Road
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

STOCK CODE

1450

WEBSITE AND CONTACT

www.css-group.net
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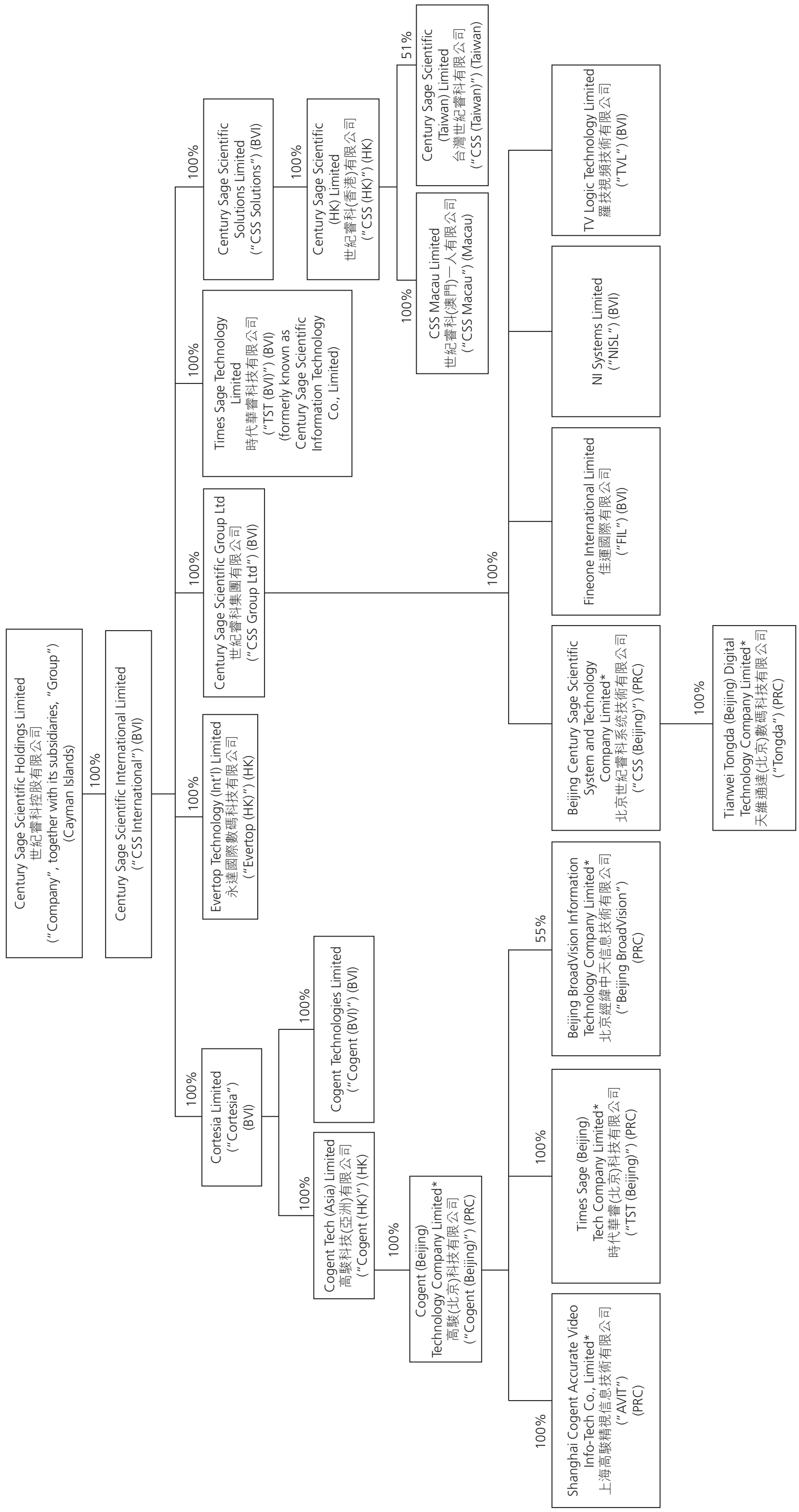
GROUP CHART

(As at 29 March 2019)



Note: This Group chart sets out the principal subsidiaries of the Group as at 29 March 2019

CHAIRMAN'S STATEMENT

Dear shareholders,

The board (the "Board") of directors (the "Directors") of Century Sage Scientific Holdings Limited (the "Company") hereby presents the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018 (the "Current Period").

REVIEW

Due to the downturn trend of the overall market environment, the revenue and the gross profit of the Group during the Current Period amounted to approximately RMB298.7 million and approximately RMB61.1 million respectively, representing a decrease of 35.5% and 51.9%, respectively as compared to those for the year ended 31 December 2017 (the "Corresponding Period").

The year 2018 witnessed a complicated and grim situation locally and abroad. In view of the complex market environment, the Group managed to fight back the adverse effects caused by various difficulties, and strived to ensure normal operation and to maintain the sustainability of the Group's operations, to promote reform and innovation of the Group's business.

In 2018, the Group concentrated most of its efforts in enhancing efficient operation and management, implementing effective cost control and prudent financial management for healthier capital structure, appointing new talents for sustainable development of the Group.

PROSPECTS

As learnt from the GDP data in recent years, China's economy will continue to face significant downward pressure in the next few years. In 2019, we will face the reality of increasing downward pressure on China's economy, however, we will continue to pursue stable development. Based on practical circumstances, we will carry on our reform and innovation, and give full support to the Group's pursuit of high-quality development. The Group will focus on the following aspects:

- seizing the opportunity arising from resource integration to improve the Group's overall industrial structure;
- pursuing the target of transformation and innovation to improve the quality of the Group's development;
- strengthening management as the objective to facilitate the Group's transformation and upgrading;
- focusing on organizational reform to enhance the quality of our talent team;
- continuing to review our management and cost structure so as to improve efficiency and reduce expenses where possible; and
- fostering a corporate culture featuring honesty, self-discipline and happiness.

In addition, though we are confronted with numerous uncertainties and volatility, there are opportunities for us to look forward to. In March 2019, the Ministry of Industry and Information Technology, the National Radio and Television Administration and the Central Radio and Television Station collectively promulgated "The Action Plan for the Development of Ultra-high-definition Video Industry (2019-2022)" (《超高清視頻產業發展行動計劃 (2019–2022年)》) (the "Action Plan"), which explicitly specifies that the Chinese government will provide great impetus to the development of ultra-high-definition video industry and the application of the relating fields. According to the Action Plan, the total scale of China's ultra-high-definition video industry will exceed RMB4 trillion by 2022, and a sound industrial system for 4K video is expected to be established and breakthroughs will be made in the research and development of products and the industrialization of 8K technology by 2022. The Group will keep abreast of the industry and market demands, actively seize opportunities for business transformation and constantly adapt to changes in technologies and market conditions to stay at the forefront of our industry.

CHAIRMAN'S STATEMENT

While the past few years have been challenging on many fronts, we are extremely excited about the future and we are well prepared and get ready for the new challenges.

APPRECIATION

Every achievement we made on the way forward and every difficulties and challenges we overcame were ascribed to the strong support from our shareholders, customers, business partners, and more importantly to the united hard work of all the employees of the Group.

I, on behalf of the Board, would like to take this opportunity to express my sincere gratitude to our valued shareholders, customers and business partners for their trust and support. I would also like to thank all our staff for their professionalism and wholehearted commitment.

Lo Chi Sum
Chairman

29 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2018, the global market was put to test under a complex environment with significant downward pressure. Economy in China has delivered both stability with hidden uncertainty and volatility mixed with potential economic plights.

The all-media industry, in which the Group is mainly engaged in, is currently under technology transformation and innovation. Projects involving new technologies including but not limited to 4K, conversion to IP, virtualisation, cloud computing and artificial intelligence are still under development and further evaluation before rolling out to the market. As such, this year, the Group had concentrated most of its efforts in enhancing efficient operation and management, implementing effective cost control and prudent financial management for more healthy capital structure, adjusting the management team and appointing new talents for sustainable development of the Group.

During the Current Period, the Group had reached a deal with Wanda group, pursuant to which, 55% equity interests of Beijing Evertop Sports Culture Media Co., Ltd.* (北京永達天恒體育文化傳媒有限公司) ("Beijing Evertop") was sold to Wanda Sports Co., Ltd.* (萬達體育有限公司) ("Wanda Sports") at a consideration of RMB42.9 million (the "Disposal"). As Wanda group is one of the market leaders around the world specialising in, among others, sports events organisation and operation, the Directors believe that the Disposal will provide business synergy between each other by putting together the skills and techniques of the Group and the resources of Wanda group, thus strengthen the Group's market position in the industry as a leading PRC-based all-media solution provider and to enhance the Group's cash flow and working capital for the Group's future business development. For details of the Disposal, please refer to the announcements of the Company dated 9 November 2018 and 4 December 2018, respectively.

Using the promotional slogan of "be your trusted communication solutions provider", Cogent, one of the Group's brands, has long been committed to research and self-development of qualified products which are able to provide quality and smooth broadcasting and signal return services for various live events. During the Current Period, responding to the increasing market demand with the rapid development of 5G technology, Cogent designed and manufactured a new generation of portable transmission products supporting 5G technology and a new series of portable suitcase-size satellite flyaway terminals with full automatic functions, which have already been utilised by provincial television stations in China. The Group made steady efforts for implementation of its dual track expansion strategy covering both multiple vertical markets and overseas market. During the Current Period, the Group established strategic cooperation relationship with Integrated Microwave Technology Ltd trading as Vislink for the increase of sales channels and promotion of Cogent products outside of China. For details of the strategic cooperation, please refer to the announcement of the Company dated 13 August 2018.

* *For identification purposes only*

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 35.5% from approximately RMB462.8 million for the year ended 31 December 2017 to approximately RMB298.7 million for the year ended 31 December 2018. The decrease was due to the general decline in market demand, mainly because the all-media industry is still undergoing gradual technology changes, that new technologies including 4K, conversion to IP, virtualisation and cloud computing are still under development. The applications solutions segment decreased by approximately 34.5% while the sales of self-developed products segment decreased by approximately 41.9%. Compared with the Corresponding Period, the revenue from the sports and events business segment ceased to be consolidated to the Group's financial results as the Group has carved out part of the interest of the business unit that operates the sports and events business during the Current Period, where the economic benefits of which will be picked up by equity method. The table below sets out the Group's segment revenue for the year ended 31 December 2017 and 2018 respectively:

	For the year ended 31 December			
	2018		2017	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Segment revenue				
Application solutions	**246,674**	**82.6%**	376,378	81.3%
System maintenance services	**13,143**	**4.4%**	19,527	4.2%
Sales of self-developed products	**38,887**	**13.0%**	66,875	14.5%
Total	**298,704**	**100.0%**	462,780	100.0%

Application solutions

Revenue generated by the Group's application solutions business segment represented approximately 81.3% and 82.6% of the total revenue of the Group for the Corresponding Period and the Current Period, respectively. Such revenue has decreased from approximately RMB376.4 million for the Corresponding Period to approximately RMB246.7 million for the Current Period. The decrease was mainly attributable to the fact that the all-media industry is still undergoing gradual technology changes, that new technologies including 4K, conversion to IP, virtualisation and cloud computing are still under development and many all-media customers are still carrying out feasibility study before rolling out their projects, thus leading to a decline of project roll-outs during the Current Period. However, the Group has continuously kept upgrading its traditional business, innovating and transforming its current business, as well as committing itself to developing new media and IP/IT business. The roadmap of launching 4k is undergoing. Therefore, the Directors are optimistic that the Group will be able to capture the golden opportunities of new projects when they are rolled out.

System maintenance services

Revenue from the system maintenance services business segment represented approximately 4.2% and 4.4% of the total revenue of the Group for the Corresponding Period and the Current Period, respectively, and decreased from approximately RMB19.5 million for the Corresponding Period to approximately RMB13.1 million for the Current Period, representing a decrease of approximately 32.7%. Such decrease was mainly attributable to the decrease in demand for onsite support services during the Current Period.

Sales of self-developed products

Revenue from the sales of self-developed products business segment represented approximately 14.5% and 13.0% of the total revenue of the Group for the Corresponding Period and the Current Period, respectively and decreased from approximately RMB66.9 million for the Corresponding Period to approximately RMB38.9 million for the Current Period, representing a decrease of approximately 41.9%. Such decrease was mainly attributable to a short term decline in demand, where the all-media industry is still undergoing gradual technology changes, that new technologies including 4K, conversion to IP, virtualisation and cloud computing are still under development.

Cost of sales

The Group's cost of sales decreased by approximately 29.2% from approximately RMB335.7 million for the Corresponding Period to approximately RMB237.6 million for the Current Period. The decrease was mainly attributable to the decrease in the overall business volume of the Group during the Current Period. The following table sets forth the cost of sales for each business segment of the Group for the year ended 31 December 2017 and 2018 respectively:

	For the year ended 31 December			
	2018		2017	
	RMB'000	% of total cost	RMB'000	% of total cost
Segment cost of sales				
Application solutions	**218,624**	**92.0%**	303,862	90.5%
System maintenance services	**5,387**	**2.3%**	8,116	2.4%
Sales of self-developed products	**13,568**	**5.7%**	23,735	7.1%
Total	**237,579**	**100%**	335,713	100%

Gross profit and gross profit margin

The Group's gross profit was approximately RMB127.1 million and approximately RMB61.1 million for the year ended 31 December 2017 and 2018, respectively, representing a decrease of approximately 51.9%. The Group's gross profit margin was approximately 27.5% and approximately 20.5% for the year ended 31 December 2017 and 2018, respectively. The following table sets out the gross profit and gross profit margin of each of the Group's business segments for the year ended 31 December 2017 and 2018 respectively:

	For the year ended 31 December			
	2018		2017	
	RMB'000	% of total cost	RMB'000	% of total cost
Segment gross profit and gross profit margin				
Application solutions	**28,050**	**11.4%**	72,516	19.3%
System maintenance services	**7,756**	**59.0%**	11,411	58.4%
Sales of self-developed products	**25,319**	**65.1%**	43,140	64.5%
Total	**61,125**	**20.5%**	127,067	27.5%

Application solutions

In line with the decrease in the revenue of the application solutions business segment, the gross profit of the application solutions business segment also decreased by approximately 61.3% from approximately RMB72.5 million for the Corresponding Period to approximately RMB28.1 million for the Current Period. The gross profit margin decreased from approximately 19.3% for the Corresponding Period to approximately 11.4% for the Current Period. The decrease in the gross profit margin of the application solutions business segment was mainly attributable to the fact that those projects adopting the new technologies including 4K, conversion to IP, virtualisation and cloud computing were yet to launch. Many all-media customers are still in the stage of feasibility study before rolling out their new projects. During the Current Period, many of the projects recognised are with relatively more mature technology. Therefore, the customers are more price sensitive and the Group has been offering more competitive pricing where the gross margin was lower. However, the Directors are pleased that the Group has been involved in many of the on-going pioneering projects with new technologies, such as the master control of CCTV all-IP system project, the 4K ultra high-definition broadcasting vehicle project, etc. These enable the Group to gain leading edge knowhow and charge a premium when the new technology projects are launched.

System maintenance services

The Group's gross profit from system maintenance services decreased by approximately 32.0% from approximately RMB11.4 million for the Corresponding Period to approximately RMB7.8 million for the Current Period. The gross profit margin of this segment increased slightly from approximately 58.4% for the Corresponding Period to approximately 59.0% for the Current Period, which the Group believes is within a reasonable range of its normal operation.

Sales of self-developed products

The Group's gross profit from sales of self-developed products business segment decreased by approximately 41.3% from approximately RMB43.1 million for the Corresponding Period to approximately RMB25.3 million for the Current Period. The gross profit margin of this segment increased slightly from approximately 64.5% for the Corresponding Period to approximately 65.1% for the Current Period. The Group believes that the slight increase is within a reasonable range of its normal operation.

Discontinued operation

In November 2018, the Group entered into an agreement with an independent third party for the sale of 55% equity interest in Beijing Evertop. Beijing Evertop was established in May 2011 and the principal activity is sports and events business. The transaction was completed in November 2018. Accordingly, the sports and events business segment was classified as a discontinued operation and the financial information of the preceding year was restated accordingly. The Group's retained 45% equity interest in Beijing Evertop was recorded as investment in an associated company and accounted for based on equity method after the transaction.

Other gains — net

Other gains was approximately RMB8.6 million and RMB54.0 million for the Corresponding Period and the Current Period respectively. Such increase was mainly due to (i) the gains of RMB52.8 million from disposal of interests in subsidiary and an associate company; and (ii) the fair value gains on financial assets at fair value through profit or loss increased from approximately RMB0.3 million for the Corresponding Period to approximately RMB1.1 million for the Current Period; and the above gains were partially offset by (i) legal charges of approximately RMB5.6 million; and (ii) the decrease in value added tax refund and government subsidy from approximately RMB6.8 million for the Corresponding Period to approximately RMB4.7 million for the Current Period.

Selling and administrative expenses

Selling expenses decreased by approximately 12.3% from approximately RMB29.0 million for the Corresponding Period to approximately RMB25.5 million for the Current Period. Such decrease was in line with the decrease in the revenue and was mainly attributable to the implementation of stringent budgetary planning and cost control measures so as to trim down travelling expenses and business development cost.

Administrative expenses decreased by approximately 62.8% from approximately RMB260.0 million for the Corresponding Period to approximately RMB96.7 million for the Current Period. In the Corresponding Period, there was a one-time write-off of receivables of approximately RMB170 million in relation to certain contracts for, among others, supply of equipment and provision of installation systems and other services for Le Sports (樂視體育). In the Current Period, there was a one-time provision for impairment of prepayment for acquisition of a subsidiary amounted to approximately RMB16.9 million. Therefore, netting off the one-time effect of provisions in both periods, the adjusted administrative expenses decreased by approximately 11.3% from approximately RMB90.0 million for the Corresponding Period to approximately RMB79.8 million for the Current Period.

Finance costs

Net finance costs increased by approximately 22.6% from approximately RMB15.5 million for the Corresponding Period to approximately RMB18.9 million for the Current Period. The increase was mainly attributable to the net foreign exchange loss of approximately RMB3.9 million in the Current Period compared to a net foreign exchange gain of approximately RMB2.1 million in the Corresponding Period.

Income tax expenses

Income tax expenses amounted to approximately RMB1.4 million and approximately RMB8.2 million for the Corresponding Period and the Current Period, respectively, representing an increase of 486.8%. The loss before income tax of the Group was approximately RMB166.3 million and approximately RMB30.6 million respectively for the Corresponding Period and the Current Period. The income tax expenses for the Current Period mainly arose from the current income tax for the profit making subsidiaries of the Group and the deferred income tax arose from reversal of deferred income tax assets recognised in the Corresponding Period.

Profit for the Current Period

As a result of the foregoing factors, the loss attributable to owners of the Company was reduced by approximately 76.2% from a loss of approximately RMB148.7 million for the Corresponding Period to a loss of approximately RMB35.4 million for the Current Period.

Liquidity, financial resource and capital structure

Net cash generated from the Group's operating activities amounted to approximately RMB68.9 million for the Current Period while net cash generated from operating activities amounted to approximately RMB95.9 million for the Corresponding Period. The decrease in the net cash inflow of the Group's operating activities for the Current Period mainly arose from the scaled down of operation sizes.

Net cash generated from the Group's investing activities amounted to approximately RMB20.9 million for the Current Period while the net cash generated from the Group's investing activities amounted to approximately RMB9.5 million for the Corresponding Period. The net cash inflow for the Current Period mainly due to the sale of 55% equity interest in the subsidiary.

Net cash used in the Group's financing activities amounted to approximately RMB84.2 million for the Current Period while the net cash used in the Group's financing activities amounted to approximately RMB100.8 million for the Corresponding Period. The net cash used in financing activities for the Current Period was mainly attributable to the excess repayment of bank loans over the new borrowing.

As at 31 December 2018, the Group had current assets of approximately RMB511.8 million (as at 31 December 2017: approximately RMB675.0 million) and current liabilities of approximately RMB460.5 million (as at 31 December 2017: approximately RMB544.0 million). The current ratio (which is calculated by dividing current assets by current liabilities) decreased to approximately 1.11 as at 31 December 2018 from approximately 1.24 as at 31 December 2017.

The Board's approach of 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"), the Great British Pound ("GBP") and Euro. 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 other countries 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 2017 and 31 December 2018 respectively, bank borrowings of RMB70,000,000 and RMB25,000,000 were secured by the buildings of the Group, net book value of which amounting to RMB36,194,000 and RMB22,695,000, and trade receivables of which amounting to RMB25,310,000 and RMB25,750,000, respectively.

Gearing position

The gearing ratio, which represented total borrowings divided by total equity multiplied by 100%, was 85.1% and 72.1% as at 31 December 2017 and 2018, respectively. The total borrowings of the Group decreased from approximately RMB265.6 million as at 31 December 2017 to approximately RMB181.4 million as at 31 December 2018. Such decrease was mainly attributable to the repayment of borrowings of approximately RMB84.2 million.

Significant investments, acquisitions and disposals

On 9 November 2018, Evertop (HK), an indirect wholly-owned subsidiary of the Company, Beijing Evertop and Wanda Sports, an independent third party, entered into an equity transfer agreement in relation to the disposal of the 55% equity interest in Beijing Evertop by Evertop (HK) to Wanda Sports at a consideration of RMB42.9 million (subject to adjustment). For details, please refer to the announcements of the Company published on 9 November 2018 and 4 December 2018, respectively.

During the Current Period, except for the disposal transactions as disclosed above, the Group had no significant investments, acquisitions and disposals.

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 such 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 to RMB6.77 million was brought by the Claimant against such subsidiary and the Client to the outstanding amount payable for the sale of the systems.

In October 2017, the court decided that such subsidiary was not liable for compensation. The Claimant then appealed to the higher people's court and brought with total claims of about RMB9.99 million against such subsidiary and the Client. As at 31 December 2017, the Directors consider that the expected outcome of the legal dispute will not have a material adverse effect on the financial statements and therefore, no provision has been made.

According to the written judgement of the higher people's court in June 2018, it was decided that such subsidiary and the Client were jointly liable for the compensation and other expenses amounted to approximately RMB7.60 million. In September 2018, the Claimant and such subsidiary entered into a settlement agreement to reduce the compensation to RMB5.57 million in instalments within one year, out of which RMB2.8 million was paid as at 31 December 2018. According to the opinion of the Group's legal counsel, upon settling total compensation according to the settlement agreement, the Group has the right to ask for compensation from the Client of the same amount. As at 31 December 2018, no contingent assets regarding to the compensation receivable was recognised for prudence.

As at 31 December 2018, 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.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2018 (2017: Nil).

CLOSURE OF REGISTER OF MEMBERS

The 2018 annual general meeting of the Company (the "AGM") is scheduled to be held on 3 June 2019. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 29 May 2019 to 3 June 2019 (both days inclusive), during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar in Hong Kong, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 28 May 2019 (Hong Kong time).

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 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 five years.

(b) Movement of the awarded Shares

During the year ended 31 December 2018, a total of 295,672 Shares were vested in the name of Selected Participants under the Share Award Plan. A total of 4,161,344 Shares were remain unvested as at 31 December 2018.

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

			Number of Awarded Shares				
Selected Participants	Date of Award	Vesting Dates	Outstanding as at 1 January 2018	Awarded during 2018	Vested during 2018	Lapsed/ cancelled during 2018	Outstanding as at 31 December 2018
Executive Director							
Wong Kwok Fai	18 May 2016	100% on 18 May 2019	100,000	–	–	–	100,000
	21 August 2017	100% on 21 August 2020	100,000	–	–	–	100,000
Senior Management Members							
Li Lianmin	18 May 2016	100% on 18 May 2019	100,000	–	–	100,000	–
	21 August 2017	100% on 21 August 2020	100,000	–	–	100,000	–
Ng Kwok Chung	18 May 2016	100% on 18 May 2019	50,000	–	–	50,000	–
So Yun Wah	21 August 2017	100% on 21 August 2020	100,000	–	–	–	100,000
Others							
Employees	26 March 2015	25% each on 21 November 2017, 2018, 2019 & 2020	1,182,687	–	295,672	295,671	591,344
Employees	18 May 2016	100% on 18 May 2019	4,095,000	–	–	925,000	3,170,000
Employees	21 August 2017	100% on 21 August 2020	100,000	–	–	–	100,000
			5,927,687	–	295,672	1,470,671	4,161,344

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

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 (the "Shareholders") 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, the total number of Shares available for issue under the Share Option Scheme was 7,372,000, representing approximately 0.72% 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 five years.

(b) 2015 Scheme
On 9 April 2015, the Board approved the share options to subscribe for an aggregate of 14,216,000 underlying Shares at the exercise price of HK$1.84 per Share (the "2015 Scheme"). The options were divided into two tranches at the grant date. The respective exercise dates of the options are as follows:

(i) Tranche I: beginning on the 3rd anniversary of the grant date (i.e. 9 April 2018): 50% of such options granted; and

(ii) Tranche II: beginning on the 4th anniversary of the grant date (i.e. 9 April 2019): 50% of such options granted.

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 underlying Shares (i.e. 9 April 2020), or the earlier determination of the Share Option Scheme.

(c) 2016 Scheme

On 7 April 2016, the Board approved the share options to subscribe for an aggregate of 13,542,000 underlying Shares at the exercise price of HK$0.77 per Share (the "2016 Scheme"). 12,912,000 share options (the "Type A Options") under the 2016 Scheme as replacement of the outstanding share options under the 2015 Scheme shall be exercisable in two tranches as follows:

(i) Tranche I: beginning on the 2nd anniversary of the grant date (i.e. 7 April 2018): up to 50% of such Type A Options granted; and

(ii) Tranche II: beginning on the 3rd anniversary of the grant date (i.e. 7 April 2019): the rest of such Type A Options granted.

The Type A Options 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 underlying Shares (i.e. 7 April 2020), or the earlier determination of the Share Option Scheme.

630,000 share options (the "Type B Options") under the 2016 Scheme shall be exercisable in two tranches as follows:

(i) Tranche I: beginning on the 3rd anniversary of the grant date (i.e. 7 April 2019): up to 50% of such Type B Options granted; and

(ii) Tranche II: beginning on the 4th anniversary of the grant date (i.e. 7 April 2020): the rest of such Type B Options granted.

The Type B Options shall expire on the 5th anniversary of the grant date (i.e. 7 April 2021), or the earlier determination of the Share Option Scheme.

(d) 2017 Scheme

On 21 August 2017, the Board approved the share options to subscribe for an aggregate of 7,200,000 underlying Shares at the exercise price of HK$0.435 per Share (the "2017 Scheme"). The options were divided into two tranches at the grant date. The respective exercise dates of the options are as follows:

(i) Tranche I: beginning on the 3rd anniversary of the date of the employment agreement between the respective grantee and the Group: not more than 50% of the respective options granted; and

(ii) Tranche II: beginning on the 4th anniversary of the date of the employment agreement between the respective grantee and the Group: the rest of the respective options granted.

These share options shall expire on the 5th anniversary of the date of grant (i.e. 21 August 2022), or the earlier determination of the Share Option Scheme.

(e) 2018 Scheme

On 28 November 2018, the Board approved the share options to subscribe for an aggregate of 57,670,000 underlying Shares at the exercise price of HK$0.222 per Share (the "2018 Scheme"). The options shall be exercisable from the 2nd anniversary of the date of grant (i.e. 28 November 2020).

These share options shall expire on the 5th anniversary of the date of grant (i.e. 28 November 2023), or the earlier determination of the Share Option Scheme.

The closing price of the Company's shares on 27 November 2018 (the trading day immediately before the date on which the options were granted) was HK$0.225.

(f) Movement of the share options

Movement of the share options under the 2015 Scheme, 2016 Scheme, 2017 Scheme and 2018 Scheme respectively during the Current Period is as follows:

2015 Scheme

Grantee	Date of grant	Exercise price (HK$)	Outstanding as at 1 January 2018	Number of share options Granted	Exercised	Cancelled	Lapsed	Outstanding as at 31 December 2018
Executive Director								
Sun Qingjun*	9 April 2015	1.84	1,018,000	–	–	–	–	1,018,000
Senior Management Members								
Zhou Jue	9 April 2015	1.84	1,018,000	–	–	–	1,018,000	–
Huang He	9 April 2015	1.84	1,018,000	–	–	–	1,018,000	–
Geng Liang	9 April 2015	1.84	1,018,000	–	–	–	1,018,000	–
Total			4,072,000	–	–	–	3,054,000	1,018,000

* *Sun Qingjun was appointed as an executive Director on 3 April 2019.*

2016 Scheme — Type A Options

Grantee	Date of grant	Exercise price (HK$)	Outstanding as at 1 January 2018	Number of share options Granted	Exercised	Cancelled	Lapsed	Outstanding as at 31 December 2018
Executive Directors								
Wong Kwok Fai	7 April 2016	0.77	1,358,000	–	–	–	–	1,358,000
Sun Qingjun*	7 April 2016	0.77	1,018,000	–	–	–	–	1,018,000
Senior Management Members								
Zhou Jue	7 April 2016	0.77	1,018,000	–	–	–	1,018,000	–
Huang He	7 April 2016	0.77	1,018,000	–	–	–	1,018,000	–
Geng Liang	7 April 2016	0.77	1,018,000	–	–	–	1,018,000	–
So Yun Wah	7 April 2016	0.77	678,000	–	–	–	–	678,000
Li Lianmin	7 April 2016	0.77	682,000	–	–	–	682,000	–
Others								
Employees	7 April 2016	0.77	4,768,000	–	–	–	1,008,000	3,760,000
Total			11,558,000	–	–	–	4,744,000	6,814,000

* *Sun Qingjun was appointed as an executive Director on 3 April 2019.*

2016 Scheme — Type B Options

				Number of share options				
Grantee	Date of grant	Exercise price (HK$)	Outstanding as at 1 January 2018	Granted	Exercised	Cancelled	Lapsed	Outstanding as at 31 December 2018
Senior Management Member								
Ng Kwok Chung	7 April 2016	0.77	200,000	–	–	–	200,000	–
Others								
Employees	7 April 2016	0.77	230,000	–	–	–	230,000	–
Total			430,000	–	–	–	430,000	–

2017 Scheme

				Number of share options				
Grantee	Date of grant	Exercise price (HK$)	Outstanding as at 1 January 2018	Granted	Exercised	Cancelled	Lapsed	Outstanding as at 31 December 2018
Employees	21 August 2017	0.435	7,200,000	–	–	2,000,000	200,000	5,000,000
Total			7,200,000	–	–	2,000,000	200,000	5,000,000

2018 Scheme

Grantee	Date of grant	Exercise price (HK$)	Outstanding as at 1 January 2018	Number of share options: Granted	Exercised	Cancelled	Lapsed	Outstanding as at 31 December 2018
Executive Director								
Wong Kwok Fai	28 November 2018	0.222	–	5,000,000	–	–	–	5,000,000
Independent Non-executive Directors								
Dr. Ng Chi Yeung, Simon	28 November 2018	0.222	–	1,000,000	–	–	–	1,000,000
Mr. Hung Muk Ming	28 November 2018	0.222	–	1,000,000	–	–	–	1,000,000
Mr. Mak Kwok Wing	28 November 2018	0.222	–	1,000,000	–	–	–	1,000,000
Senior Management Member								
So Yun Wah	28 November 2018	0.222	–	2,000,000	–	–	–	2,000,000
Others								
Employees	28 November 2018	0.222	–	47,670,000	–	–	–	47,670,000
Total			–	57,670,000	–	–	–	57,670,000

Please refer to note 26(ii) for the fair value of share options granted during the Current Period and the accounting policy adopted for the share options.

FUTURE OUTLOOK

Faced with the downward pressure of the macro-economic of China going forward, the Group will be examining its development strategy more carefully and will endeavor to control costs in order to cope with the different challenges in the market. The Group will continue to integrate its business development with market needs and upgrade its technology and products in a timely manner in order to keep pace with technological advancements in the industry.

The big wave of 4K ultra-high definition TV investment implementation is on the schedule. The Group has worked closely with China Central TV (CCTV) in the 4K project that, CCTV has launched the first 4K Channel in October 2018. CCTV has also announced in the public that it will spend approximately RMB8.5 billion in next three years in the investment in 4K. Other broadcasters and new media operators are also rolling out ultra-high definition projects. Such technology revolution and the empowerment from the central government will certainly fueled up the investment in our markets.

The Directors are pleased that the Group has been involved in many of the on-going pioneering projects with new technologies, such as the master control of CCTV all-IP system project, the 4K ultra-high definition broadcasting vehicle project, etc. These enable the Group to gain leading positions in these new projects.

Moreover, the Group highly values the "people-oriented" principle and will continue to attaching great importance to selecting, appointing, training and development of talents. In the medium to long term, the Group remains positive about its business and believes that it will bring satisfactory and sustainable returns to shareholders. The Group also remains open to the opportunities for investment and cooperation that can lead to sustainable growth going forward.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Lo Chi Sum (盧志森), aged 59, 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 the Investment Committee of the Company and a member of the Remuneration Committee of the Company. He became a Director 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 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. Mr. Lo has been studying the global finance GFD Programme in PBC School of Finance, Tsinghua University (清華大學五道口金融學院) since September 2017. 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, Beijing Evertop, CSS International, CSS Group Ltd, Cortesia, Cogent (HK), Cogent (Beijing), CSS (HK), CSS (Taiwan) 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 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 of the Company" in the Directors' Report for details of his interest in the Shares and underlying shares of the Company.

Mr. Lo has over 31 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 50, 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 the Investment Committee of the Company. He became a Director 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, CSS IT (BVI), TST (Beijing), Cogent (BVI), Cogent (Beijing), Evertop (HK), CSS International, CSS Group Ltd, CSS (HK), CSS (Macau), 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 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 of the Company" 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. Mr. Leung has also been a professional member of the Institute of Management Accountants since April 2018.

* *For identification purposes only*

Mr. Leung has over 26 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 47, is an executive Director and a member of the Investment Committee of the Company. Mr. Wong is currently also the chief solutions officer of the product and application development centre of the Group and the president of TST (Beijing), Cogent (Beijing) and Cogent (BVI), all of which are wholly-owned subsidiaries 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) and Cogent (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 and was further promoted as president of Cogent (Beijing) and Cogent (BVI) in March 2018. Mr. Wong is also a director of TST (Beijing), Cogent (Beijing) and Beijing BroadVision.

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 23 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.

Mr. Sun Qingjun (孫清君), aged 54, has been appointed as an executive Director and a member of the Investment Committee of the Company on 3 April 2019. Mr. Sun is currently also a director, chief executive officer and general manager of Beijing Evertop. 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 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 30 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), an institute 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.

Independent Non-Executive Directors ("INED")

Dr. Ng Chi Yeung, Simon (吳志揚), aged 61, was appointed as an INED in June 2014. Dr. Ng is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and the 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. All the aforesaid companies are listed on the Stock Exchange.

Mr. Hung Muk Ming (洪木明), aged 54, was appointed as an INED in June 2014. Mr. Hung is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and the 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 of 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) and IBO Technology Company Limited (stock code: 02708).

Mr. Mak Kwok Wing (麥國榮), aged 64, was appointed as an INED in May 2015. Mr. Mak is a member of each of the Audit Committee and the 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.

SENIOR MANAGEMENT

Mr. So Yun Wah (蘇潤華), aged 48, is currently the executive vice president of CSS (Beijing). 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 15 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.

COMPANY SECRETARY

Ms. Ngai Kit Fong (倪潔芳) is a director of Corporate Services of Tricor Services Limited ("Tricor"), a global professional services provider specializing in integrated Business, Corporate and Investor Services. She has over 29 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. 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)

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.

Subsequent to the date of this Directors' Report, Mr. Sun Qingjun was appointed as the executive Director on 3 April 2019.

PRINCIPAL ACTIVITIES

Please refer to note 1 to the consolidated financial statements in this annual report for details regarding the principal activities of the Group. In November 2018, the Group entered into an agreement for sales of 55% equity interest of Beijing Evertop and Beijing Evertop was engaged in sports and events business. Other than this development, there were no significant changes in the nature of the Group's principal activities during the year.

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 do not recommend distribution of any final dividend for the year ended 31 December 2018 (2017: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 25 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 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 66 to 67 and note 27 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's reserves available for distribution to equity holders, comprising the share premium, exchange fluctuation reserve and accumulated loss, amounted to approximately RMB251.6 million (as at 31 December 2017: approximately RMB304.1 million).

MAJOR CUSTOMERS AND SUPPLIERS

For the Current Period, revenue from the Group's five largest customers accounted for approximately 49.4% (2017: 25.8%) of the Group's total revenue and the revenue from the largest customer included therein accounted for approximately 24.0% (2017: 11.7%) of the Group's total revenue.

For the Current Period, supplies from the Group's five largest suppliers accounted for approximately 26.3% (2017: 26.4%) of the Group's total operating cost and supplies from the largest supplier included therein accounted for approximately 6.6% (2017: 8.5%) 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 Current Period.

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 of the Company" 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 2018, the Group had a total of 261 employees (as at 31 December 2017: 357 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 2018, 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 RMB1,000,000	1
RMB1,000,001 to RMB1,500,000	1
	2

During the year ended 31 December 2018, none of the Directors 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.

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.

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, Dr. Ng Chi Yeung, Simon and Mr. Wong Kwok Fai will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting (the "AGM").

Pursuant to Article 109 of the Articles, Mr. Sun Qingjun, who was appointed by the Board as the executive Director on 3 April 2019 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 entering the contract 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' remunerations 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' emoluments for the year ended 31 December 2018 are set out in note 38(a) 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.

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' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACTS

Apart from the particulars disclosed in note 34 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 2018 or at any time during the year ended 31 December 2018 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 2018, 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

Reference is made to the Company's announcement dated 13 May 2016 relating to the Company's acquisition of 55% equity interest in Beijing Broadvision (the "Acquisition") at an aggregate consideration of RMB27.5 million (subject to adjustment) pursuant to an equity transfer agreement (the "Equity Transfer Agreement"). Upon completion of the Acquisition on 13 July 2016 and as at 10 January 2018, Beijing Broadvision was held indirectly as to approximately 55% by the Company and directly as to approximately 35% by Mr. Wang Zhilong and approximately 10% by a limited partnership established under the laws of the PRC in which Mr. Wang Zhilong was interested as to 26.8%. Mr. Wang Zhilong was also a director of Beijing Broadvision as at 10 January 2018. Accordingly, Mr. Wang Zhilong was a connected person of the Company at the subsidiary level pursuant to the Listing Rules. On 10 January 2018 (after trading hours), the Company, Mr. Wang Zhilong, Mr. Li Wenbin and Beijing Broadvision entered into a supplemental agreement under which the provisions regarding the adjustment to the consideration in the Equity Transfer Agreement shall be deleted (the "Amendment"). Please refer to the Company's announcement dated 10 January 2018 for details of the supplemental agreement and the Amendment. The Amendment was agreed by the parties after arm's length negotiation and could minimise future administrative expenses for the implementation of adjustment to the consideration (if applicable). The Directors considered that the terms of the supplemental agreement were in the interests of the Company and its shareholders as a whole. The Acquisition (including the Amendment) constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

Details of the related party transactions of the Company for the year ended 31 December 2018 and undertaken in the usual course of business are set out in note 34 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 (namely, Cerulean Coast Limited 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 2018 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 OF THE COMPANY

As at 31 December 2018, 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 of shares held (Note 1)	Approximate percentage of shareholding
Mr. Lo	The Company	Interest of controlled corporation	667,500,000 Shares (L) (Note 2)	65.42%
Mr. Lo	Cerulean Coast Limited	Beneficial owner	1 share	100%
Mr. Leung Wing Fai ("Mr. Leung")	The Company	Interest of controlled corporation	60,000,000 Shares (L) (Note 3)	5.88%
Mr. Leung	Future Miracle Limited	Beneficial owner	1 share	100%
Mr. Wong Kwok Fai ("Mr. Wong")	The Company	Beneficial owner	6,708,000 Shares (L) (Note 5)	0.66%
Dr. Ng Chi Yeung, Simon ("Dr. Ng")	The Company	Beneficial owner	1,000,000 Shares (L) (Note 6)	0.10%
Mr. Hung Muk Ming ("Mr. Hung")	The Company	Beneficial owner	1,000,000 Shares (L) (Note 6)	0.10%
Mr. Mak Kwok Wing ("Mr. Mak")	The Company	Beneficial owner	1,000,000 Shares (L) (Note 6)	0.10%

Save as disclosed above, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares and underlying shares of the Company or any of its associated corporations as at 31 December 2018.

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

As at 31 December 2018, 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 of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of shareholder	Capacity/Nature of interest	Number of Shares held (Note 1)	Approximate percentage of shareholding
Cerulean Coast Limited	Beneficial owner	667,500,000 Shares (L) (Note 2)	65.42%
Future Miracle Limited	Beneficial owner	60,000,000 Shares (L) (Note 3)	5.88%
Ms. Wang Hui	Interest of spouse	60,000,000 Shares (L) (Note 4)	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 include (i) the share options granted to Mr. Wong to subscribe for 1,358,000 Shares and 5,000,000 Shares under the Share Option Scheme on 7 April 2016 and on 28 November 2018, respectively; (ii) a total of 200,000 awarded Shares granted to Mr. Wong under the Share Award Plan on 18 May 2016 and 21 August 2017; and (iii) 150,000 Shares directly and beneficially held by Mr. Wong. Details of the exercise price and exercise dates of the share options and the vesting dates of the awarded Shares were set out in the section headed "Share Award Plan and Share Option Scheme" in this annual report.
6. These Shares represented the share options to subscribe for 1,000,000 Shares respectively granted to each of Dr. Ng, Mr. Hung and Mr. Mak on 28 November 2018. Details of the exercise price and exercise dates of the share options and the vesting dates of the awarded Shares were set out in the section headed "Share Award Plan and Share Option Scheme" in this annual report.

Save as disclosed above, the Company is not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 31 December 2018.

AUDIT COMMITTEE, REMUNERATION COMMITTEE, NOMINATION COMMITTEE AND INVESTMENT COMMITTEE

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

SUFFICIENCY OF PUBLIC FLOAT

During the Current 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.

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 2018.

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" respectively in the section headed "Management Discussion and Analysis" in this annual report. 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 conservation 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, the PRC Labour Law, etc..

Relationship with Employees

People are the Group's most valuable asset. The Group emphasises 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 Group did not make charitable contributions and other donations (2017: RMB50,000).

CHANGES IN DIRECTORS' INFORMATION

The changes in directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the interim report of the Company for the six months ended 30 June 2018 are set out below:

(1) Mr. Wong has ceased to be a director of Beijing Evertop since 24 December 2018.

(2) Mr. Leung Wing Fai has been a professional member of the Institute of Management Accountants since 30 April 2018.

EVENTS AFTER THE CURRENT PERIOD

Mr. Sun Qingjun was appointed as the executive Director on 3 April 2019. 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, 29 March 2019

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 2018, 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 (with certain modifications).

The Securities Dealing Code applies to all the Directors and all the 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 2018.

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 the Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

(1) Board Composition

As at 31 December 2018, the Board comprised six Directors, consisting of three executive Directors and three independent non-executive Directors, as follows:

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. Wong Kwok Fai *(member of the Investment Committee)*

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

Subsequent to the reporting period, Mr. Sun Qingjun was appointed as the executive Director and a member of the Investment Committee on 3 April 2019.

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

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

(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 positions of 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 the 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 management 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 2018, 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 coordinating the daily operation and management of the Company are delegated to the management.

(6) Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

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. 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 and continuous professional development that have been received from the Directors for the year ended 31 December 2018 are summarised as follows:

Directors	Type of Training (Note)
Mr. Lo Chi Sum	A&B
Mr. Leung Wing Fai	A&B
Mr. Wong Kwok Fai	A&B
Dr. Ng Chi Yeung, Simon	A&B
Mr. Hung Muk Ming	A&B
Mr. Mak Kwok Wing	B

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 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 audit plan, the annual financial results and report for the year ended 31 December 2017, the interim financial results and report for the six months ended 30 June 2018 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 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 three meetings to review the policy, structure and remuneration of the Directors and to consider the granting of share options to the independent non-executive Directors under the Share Option Scheme 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 the Chairman and the Chief Executive Officer.

The Company recognises and embraces the benefits of having a diverse Board to enhance its performance and adopted a Board Diversity Policy aiming to set out the approach to achieve diversity on the Board on 13 June 2014. A new Board Diversity Policy was adopted with effect from 28 December 2018. 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 2018, the Board has fulfilled the measurable objectives of the Board Diversity Policy.

During the year under review, the Nomination Committee held two meetings to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to make recommendation on the re-election of the retiring directors at the annual general meeting and approve the adoption of the new Board Diversity Policy. 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 was held by the Investment Committee during the year ended 31 December 2018.

(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 records of each Director at the Board meetings, Board committee meetings and the general meeting of the Company held during the year ended 31 December 2018 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Mr. Lo Chi Sum	5/5	–	3/3	2/2	1/1
Mr. Leung Wing Fai	5/5	–	3/3	–	1/1
Mr. Wong Kwok Fai	5/5	–	–	–	1/1
Dr. Ng Chi Yeung, Simon	5/5	2/2	3/3	2/2	1/1
Mr. Hung Muk Ming	5/5	2/2	3/3	2/2	1/1
Mr. Mak Kwok Wing	5/5	2/2	3/3	–	1/1

During the year ended 31 December 2018, an annual general meeting of the Company was held on 6 June 2018. 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 systems 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. For the year ended 31 December 2018, 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 will arrange for 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., where appropriate.

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 for the year ended 31 December 2018.

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 for the year ended 31 December 2018, 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 2018.

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 2018 amounted to RMB2,200,000.

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 2018 is set out below:

Service Category	Fees Paid/Payable (RMB'000)
Audit Services	
— Annual audit for the year ended 31 December 2018	2,200,000
Non-audit Services	–
TOTAL	2,200,000

H. Non-Competition Undertaking by Controlling Shareholders

Each of the controlling Shareholders (namely, Cerulean Coast Limited and Mr. Lo) has given the Non-Competition Undertaking in favour of the Company and its subsidiaries that it and he will provide to the Company and the Directors (including the 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 year ended 31 December 2018.

J. Shareholders' Rights

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. 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 as 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) 5967 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 environmental, social and governance Report of the Group (the "ESG Report"), with the current period covering 1 January 2018 to 31 December 2018.

As a responsible corporate citizen, the Group effectively push forward social, environmental and governance work by constantly improving its corporate governance structure. In addition to actively taking on environmental and social responsibilities as the cornerstone for developing its strategies, operations and management, we embrace the sustainability concept, and 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 2018 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.

By focusing on integrity business operation, promotion of environmental protection, caring for employees and contribution to society, the Company is committed to building an "eco-friendly" business as well as the responsible brand image and enhancing responsibility competitiveness of the Group.

We aim to build a harmonious and prosperous community environment. We set out to build a mutually beneficial relationship with relevant social organisations and individuals, including our investors, staff members, customers, 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-oriented" core value, 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 systems by setting up an internal training sector called the CSS Business Institute* (睿科商學院) as well as formulating 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 pay close attention to environmental protection, to extend love and care to the society and to set up efforts to achieve the harmonious and sustainable development in respect of economy, society and environment.

ENVIRONMENTAL

Environmental Policies and Performance

The Group vigorously understands and advocates 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 minimising any possible impacts that may have on the environment. The Group promotes the idea of green development at multiple levels and through multiple channels, including publicity of the concept of environmental protection, development of green lifestyle and environmental working conditions, and inspiring the staff to practice environmental protection.

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 2018, the Group was not aware of any material non-compliance with relevant standards, rules and regulations.

Emissions

The core businesses of the Group, which mainly involve provision of all-media solutions, event broadcast and production services as well as sales of self-developed products, do not involve any large scale of manufacturing processes in the course of business. Therefore, during the year 2018, the Group and its offices did not generate a significant amount of hazardous and non-hazardous waste from our business activities. During the year 2018, the major source of our carbon emissions was from electricity consumption. During the year 2018, electricity-related carbon dioxide equivalent generated from our business operation was approximately 300,699 kg with an intensity of approximately 1,152 kg per employee.

In strict compliance with local laws and regulations in respect of environmental protection, during the year 2018, the Group had implemented a number of environmental management measures including:

- Reducing the numbers of employees shuttle buses and change the shuttle buses to low-energy vans;
- Reducing unnecessary business trips by staff members (e.g. by hosting video conferences instead) after taking into account the environmental impact;
- Encouraging staff to use public transport, bicycles and other low-carbon transport means so as to reduce exhaust emission and petroleum consumption.

During the year 2018, 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 and aims to incorporate low-carbon workplace into its organisational culture. During the year ended 31 December 2018, the total consumption in electricity of the Group was approximately 301,604, kwh representing an intensity of approximately 1,155 kwh per employee.

During the year 2018, 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 and turning off air conditioners in unoccupied rooms 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;
- Teleconference and internet-meeting practices are also encouraged to avoid unnecessary business travels.

Apart from the energy saving in operation process, we always look for possible energy-saving opportunities, especially on choosing environmental friendly equipment and facilities of the Group. In the procurement of office equipment, we always opt for the model with higher energy efficiency.

The Group endeavours to enhance water efficiency and encourages its staff to fulfill their obligation of water saving. During the year ended 31 December 2018, the total consumption in water of the Group was approximately 1,638 tonnes, representing an intensity of approximately 6.28 tonnes per employee. The measures taken by the Group to promote water saving including:

- Using water-efficient equipment in offices;
- Monitoring and controlling water flow level and conducting regular patrol inspections to identify any water leakage;
- Posting water-saving notice;
- Cultivating water-saving concepts for employees.

The Group considers environmental protection and preserving natural resources as an indispensable component of our sustainable and responsible business, we have established policies with respect to reduce the impacts of operational activities on the environment, optimise the use of natural resources and implement environmental protection measures.

In the future, we will continue our commitment to environmental protection and strive to build a greener and healthier environment to fulfill our responsibilities as a member of the community we all live in.

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, customers, 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-oriented" core value, 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 2018, the Group was not aware of any material non-compliance with relevant standards, rules and regulations.

As at 31 December 2018, the Group had a total of 261 employees, whose details are set out below:

By Nature of Employment (Full Time/Internship & Part-time)	
Full Time	256
Internship & part-time	5
By Gender	
Female	69
Male	192
By Age Group	
30 and below	123
31 to 50	127
51 and above	11

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 2018, the Group was not aware of any material non-compliance with relevant standards, rules and regulations.

During the year 2018, the Group had adopted the following measures to address health and safety concerns:

- Paying close attention to the mental wellness of the staff and providing the staff with routine medical examination every year. New employees are required to have a thorough check-up at any qualified hospital before admission and shall be admitted only after passing the medical examination;
- 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;
- Performing security patrol inspection at normal working hours and during holidays.

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. The Group 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, operational standards, work procedures and job specifications 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, such as product and technology skills trainings provided by the Company's certain suppliers including top-tier multinational technology companies.
- ***Pre-exhibition Training*** — Organising 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.

In order to enhance the overall achievement and the professional and technical performance of its staff, the Group set up an internal training sector called CSS Business Institute* (睿科商學院) in 2016 and has constantly organised routine courses per month for staff members of the CSS Business Institute. During the year 2018, the CSS Business Institute had organized courses and trainings including but not limited to below:

Type of Course	Summary of Course
Analysis on Financial Report	Organising study tour held in Nankai University (南開大學) and attending MBA courses presenting by MBA professor on how to review and analyze on financial reports
Risk Management on Corporate Operation	Internal training courses on risk management during the ordinary operation of an entity
The Similarities and Differences between the Sports Industry in China and in the World	Lecture presented by invited speakers on sports industry
Corporate Operation Management	MBA courses presenting by MBA professor on certain corporate governance issues during the ordinary operation of an entity
Outdoor Practice	Attending training courses and conducting study tour in Hong Kong

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 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.

Recreational Activities

To create a relaxed and pleasant working environment, the Group organises a wide variety of recreational activities. During the year 2018, the Group had organised annual party, team building events, barbecue parties and study tours etc. The Group believes that by encouraging the employees to actively participate in these activities and strike a proper balance between work and leisure, their work efficiency is evidently improved while keeping a delighted state of mind.

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

Corporate reputation and product liability are of great importance to the Group. The Company provides its customers with professional and quality services while adhering to the corporate philosophy of "Integrity Comes First", which leads the Group to thoroughly understand its customers 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.

Besides, the Group has also maintained good cooperation relationship with the suppliers. Products and technology skills trainings are provided by the Company's certain suppliers including top-tier multinational technology companies from time to time, in an effort to strengthen the marketing sales and cooperation relationship between each other.

Product Responsibility

Client satisfaction and day-to-day quality control are essential to our business. The Group keeps close contact with our customers to take instructions, report work status and provide advices from time to time. Meanwhile, we constantly collect feedback from our customers, monitor public responses and produce evaluation reports for evaluation and fine-tuning purposes. To further enhance our overall product and service quality, half-monthly/monthly meeting will be held to review any incident being reported and the relevant rectification measures, and make recommendations to improve the working procedures and perfect the product features. Minutest of these meetings, together with any improvement proposals, will be passed to the management team for record and further discussion. The Group complies stringently with relevant laws and regulations on product responsibility, for example, the PRC Product Quality Law (《中華人民共和國產品質量法》).

During the year 2018, the Group did not experience any compliant from our customers which had materially and adversely affect our business nor did the Group make any material compensation to our customers.

Anti-corruption, Extortion, Fraud and Money Laundering

The Group strictly complies with the provisions in respect of corruption and bribery of the Criminal Law and the Company Law of the places where it operates, and has developed the Anti-fraud Management System of the Group (《世紀睿科集團反舞弊管理制度》), which outlines the goal, policies and procedures for anti-corruption, extortion, fraud and money laundering of the Group in prevention and crackdown of corruption behaviour, so as to ensure integrity operation and healthy development of the Company.

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.

During the year 2018, the Group was not aware of any material non-compliance with relevant standards, rules and regulations relating to corruption, extortion, fraud or money laundering. Furthermore, there were no complaints of corruption against the Group or any of its staff during the year 2018.

Charitable Activities

Education is the foundation for the future development of a nation. As a national leading one-stop all-media provider, the Group stays grateful to the society for its success and adheres to its long-standing principle of sharing its development achievements with the society.

Since the establishment of the Group in 2007, the Group has provided funds to establish "Hope Primary School" in China to give those poverty-stricken children the opportunity to change their lives with knowledge. As at the date of this ESG Report, the Group has helped set up a total of four "Hope Primary School" in Yuncheng of Shanxi Province (山西省運城市), Wuchang of Heilongjiang Province (黑龍江省五常市), Xingan County of Jiangxi Province (江西省新幹縣) and Jiangkou County of Guizhou Province (貴州省江口縣). The Group will continue fulfilling its corporate citizen responsibility by proactively initiating public welfare charity projects and organising volunteer activities, extending love and care to the society.

* *For identification purposes only*

羅兵咸永道

To the Shareholders of Century Sage Scientific Holdings Limited
(Incorporated in the 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 62 to 145, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- 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 2018, 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.

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 year. 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 solutions services
- Assessment on recoverability of trade receivables
- Gain on disposal of a subsidiary

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition for application solution services	
Refer to Note 2.22 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. Revenue for application solution services of the Group amounted to approximately RMB246,674,000 for the year ended 31 December 2018. The sales of equipment and relevant services are highly relevant and regarded as one performance obligation. Revenue for the application solutions is recognised at a point in time when the equipment is delivered, the installation is completed and accepted by the customers and collectability of the related receivables is reasonably assured. We focus on this area due to the complexity of contract terms and the significance of the amount of the revenue recognised.	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, evaluated and tested the effectiveness of the system automatic and manual controls; • We obtained and reviewed major contracts of the application solution services. Evaluated the accounting treatment based on major terms of the sales agreement; • We obtained and inspected the acceptance reports signed by the customers as evidence for delivery of the equipment, completion of the installation and acceptance by the customers; • We inspected the payment records of the customers and relevant bank statements; and • We sent confirmations to major customers to confirm the amount payable to Group as at 31 December 2018 and the revenue amount for the year then ended. Based upon the procedures we performed above, we found that the revenue from application solution services are supported by available evidence.

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Credit Loss provision for impairment of trade receivables	
Refer to Note 4.1 (a) and Note 19 to the Consolidated Financial Statements. As at 31 December 2018, the Group's trade receivables of the Group amounted to approximately RMB270,411,000 and provision for impairment of trade receivable of approximately RMB27,154,000 was provided. Loss allowances for trade receivables are based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, aging of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement. We identified assessing the impairment of trade receivables as a key audit matter because the assessment of the impairment of trade receivables and recognition of loss allowance are inherently subjective to significant judgement, which increases the risk of error or potential management bias.	We have performed the following audit procedures to assess the credit loss provision impairment of of the trade receivables: • We understood, evaluated the design, implementation and operating effectiveness of key internal controls which govern credit control, debt collection and estimate of expected credit losses; • We assessed, on a sample basis, whether items in the trade receivables aging report were classified within the appropriate aging category by comparing individual items in the report with the relevant sales invoices and completion dates of relevant projects; • We assessed the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowances. Based upon the procedures we performed above, we found that the management had made reasonable judgements for the credit loss provision for impairment of trade receivables that were supported by the available evidence in respect of the trade receivables.

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Gain on disposal of a subsidiary	
Refer to notes 4.1 (e), 6 and 11 to the consolidated financial statements. The Group disposed 55% equity interest of the wholly-owned subsidiary, Beijing Evertop Sports Culture Media Co., Ltd ("Beijing Evertop"), to an independent third party while retained the remaining 45% equity interest. The Group recognised the related disposal gain when the Group ceased to have control over Beijing Evertop. Total gain related to the transaction amounting approximately RMB51,234,000, which included the gain on disposal of the 55% equity interest after adjustment of the fair value of the contingent consideration and the remeasurement of the retained equity interest, amounted to RMB28,448,000 and RMB22,786,000 respectively. According to the agreement in relation to the disposal, the consideration will be paid by stages and subject to adjustments based on whether the aggregate net profit of Beijing Evertop for the 3 years ending 31 December 2020 will be less than or exceed the profit target and minimum profit target as agreed with the purchaser. The carrying amount of contingent consideration for the disposal is determined based on the fair value. The Group's retained interests in the entity was recorded as an investment in an associate, which was remeasured to its fair value with the change in carrying amount recognised in consolidated income statement. We focused on this transaction because the determination of the contingent consideration and fair value of the retained equity interest mentioned above involved significant management judgement.	We have performed the following audit procedures to assess the recoverability of the receivable: • We reviewed the legal documents associated with this transaction and reviewed the documents evidencing fulfilment of the pre-conditions for this transaction, including sales and purchase agreement, board resolution, revised articles of association, the appointment of board of directors, and payment record; • We assessed the competence, capabilities and objectivity of management's external valuers for the assessment for the fair value of the retained 45% equity interest in Beijing Evertop and the contingent consideration; • We obtained the valuation reports and discussed with the external valuers on the methodologies and key assumptions used; • We obtained the profit forecast and valuation models of Beijing Evertop prepared by management and the independent professional valuer, assessed the reasonableness of key assumptions such as forecast revenue and gross margins applied by management by comparing contract backlog and historical gross margins of the similar projects; and • We assessed the appropriateness of the models and parameters used with the assistance of our internal valuation specialists. Based on the above procedures performed, we found the estimate and assumptions involved in the calculation of the gain on disposal of Beijing Evertop and assessment of the contingent consideration was supported by the evidence we gathered.

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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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 auditor's report is Mr. Lam Sung Wan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong
29 March 2019

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000 (Restated)
Continuing operations			
Revenue	5	298,704	462,780
Cost of sales	7	(237,579)	(335,713)
Gross profit		61,125	127,067
Selling expenses	7	(25,465)	(29,026)
Administrative expenses	7	(96,737)	(260,030)
Other gains — net	6	53,997	8,647
Operating loss		(7,080)	(153,342)
Finance income	9	277	185
Finance costs	9	(19,225)	(15,637)
Finance costs — net	9	(18,948)	(15,452)
Share of (loss)/profit of investments accounted for using the equity method	12	(4,618)	2,509
Loss before income tax		(30,646)	(166,285)
Income tax expense	13	(8,156)	(1,390)
Loss from continuing operations for the year		(38,802)	(167,675)
Profit from discontinued operations		3,157	21,540
Loss for the year		(35,645)	(146,135)
Loss attributable to:			
Owners of the Company		(35,449)	(148,700)
Non-controlling interests		(196)	2,565
		(35,645)	(146,135)
Loss per share (expressed in RMB cents per share)			
Continuing operations: Basic and diluted earnings per share	14	(3.78)	(16.69)
Discontinued operations: Basic and diluted earnings per share		0.31	2.11
		(3.47)	(14.58)

The notes on pages 69 to 145 are integral parts of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000 (Restated)
Loss for the year	**(35,645)**	(146,135)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Share of increase of other reserve of an associate	**–**	845
Currency translation differences	**(2,018)**	838
Total comprehensive loss for the year	**(37,663)**	(144,452)
Total comprehensive loss attributable to:		
Owners of the Company	**(37,467)**	(147,017)
Non-controlling interests	**(196)**	2,565
	(37,663)	(144,452)
Attributable to owners of the Company arises from:		
Continuing operations	**(40,624)**	(168,557)
Discontinued operations	**3,157**	21,540
	(37,467)	(147,017)

The notes on pages 69 to 145 are integral parts of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2018 HK$'000	2017 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	15	**40,112**	52,209
Intangible assets	16	**50,170**	55,081
Deferred income tax assets	30	**1,229**	6,133
Trade and other receivables	19	**27,197**	3,344
Financial assets at fair value through profit or loss	17	**45,263**	44,117
Investments accounted for using the equity method	12	**61,842**	43,527
Other non-current assets	18	**693**	1,172
Total non-current assets		**226,506**	205,583
Current assets			
Inventories	20	**148,359**	157,957
Other current assets	21	**46,694**	42,246
Trade and other receivables	19	**255,102**	415,753
Pledged bank deposits	22	**2,211**	1,015
Cash and cash equivalents	23	**59,452**	57,986
Total current assets		**511,818**	674,957
Total assets		**738,324**	880,540
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	25	**8,106**	8,106
Share premium	25	**265,396**	265,396
Other reserves	27	**(65,851)**	(62,769)
Retained earnings	27	**43,906**	101,443
		251,557	312,176
Non-controlling interests	10	**15,723**	15,919
Total equity		**267,280**	328,095

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2018 HK$'000	2017 HK$'000
Liabilities			
Non-current liabilities			
Borrowings	28	**9,387**	6,586
Deferred income tax liabilities	30	**1,152**	1,847
Total non-current liabilities		**10,539**	8,433
Current liabilities			
Contract liabilities	24	**89,528**	55,181
Trade and other payables	29	**185,148**	213,531
Current income tax liabilities		**13,842**	16,306
Borrowings	28	**171,987**	258,994
Total current liabilities		**460,505**	544,012
Total liabilities		**471,044**	552,445
Total equity and liabilities		**738,324**	880,540

The notes on pages 69 to 145 are integral parts of these consolidated financial statements.

The financial statements on pages 62 to 68 were approved for issue by the Board of Directors on 29 March 2019 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 2017		8,106	265,396	(66,995)	255,456	461,963	13,354	475,317
Comprehensive income								
Loss for the year		–	–	–	(148,700)	(148,700)	2,565	(146,135)
Other comprehensive income								
— share of increase of other reserve of an associate		–	–	845	–	845	–	845
— currency translation differences		–	–	838	–	838	–	838
Total comprehensive loss		–	–	1,683	(148,700)	(147,017)	2,565	(144,452)
Total contributions by and distributions to equity holders of the Company recognised directly in equity								
Dividend to the shareholders	31	–	–	–	(5,313)	(5,313)	–	(5,313)
Employee share option and share award scheme — value of employee services	26	–	–	2,543	–	2,543	–	2,543
Total transaction with owners		–	–	2,543	(5,313)	(2,770)	–	(2,770)
Balance at 31 December 2017		8,106	265,396	(62,769)	101,443	312,176	15,919	328,095

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 31 December 2017		8,106	265,396	(62,769)	101,443	312,176	15,919	328,095
— Change in accounting policy	2.2(i)	–	–	–	(22,088)	(22,088)	–	(22,088)
Balance as at 1 January 2018		8,106	265,396	(62,769)	79,355	290,088	15,919	306,007
Comprehensive income								
Loss for the year		–	–	–	(35,449)	(35,449)	(196)	(35,645)
Other comprehensive income								
— currency translation differences		–	–	(2,018)	–	(2,018)	–	(2,018)
Total comprehensive loss		–	–	(2,018)	(35,449)	(37,467)	(196)	(37,663)
Total contributions by and distributions to equity holders of the Company recognised directly in equity								
Disposal of subsidiaries		–	–	(744)	–	(744)	–	(744)
Dividend to the shareholders	31	–	–	–	–	–	–	–
Employee share option and share award scheme — value of employee services	26	–	–	(320)	–	(320)	–	(320)
Total transaction with owners		–	–	(1,064)	–	(1,064)	–	(1,064)
Balance at 31 December 2018		8,106	265,396	(65,851)	43,906	251,557	15,723	267,280

The notes on pages 69 to 145 are integral parts of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash generated from operations	33(a)	**86,498**	113,491
Interest paid		**(15,140)**	(15,738)
Income tax paid		**(2,466)**	(1,808)
Net cash generated from operating activities		**68,892**	95,945
Cash flows from investing activities			
Purchases of property, plant and equipment		**(6,553)**	(6,355)
Payment of pledged bank deposits		**(2,211)**	(1,015)
Collection of pledged bank deposits		**1,015**	26,240
Purchase of intangible assets		**(3,170)**	(4,508)
Proceeds from sale of property, plant and equipment	33(b)	**2,752**	196
Proceeds from disposal of interests in an associate	12	**9,149**	–
Proceeds from disposal of interests in subsidiary	11	**19,964**	–
Payment for purchase of associates		**–**	(5,034)
Net cash generated from investing activities		**20,946**	9,524
Cash flows from financing activities			
Proceeds from borrowings		**78,600**	80,212
Repayments of borrowings		**(162,807)**	(175,660)
Dividends paid to the shareholders		**–**	(5,313)
Net cash used in financing activities		**(84,207)**	(100,761)
Net increase in cash and cash equivalents		**5,631**	4,708
Cash and cash equivalents at beginning of year	23	**57,986**	50,571
Exchange (loss)/gain on cash and cash equivalents		**(4,165)**	2,707
Cash and cash equivalents at end of the year	23	**59,452**	57,986

The notes on pages 69 to 145 are integral parts of these consolidated financial statement

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) system maintenance services and (iii) sales of self-developed products, for the all-media industry in the PRC. The Group has operations mainly in the Mainland China.

In November 2018, the Group entered into an agreement with an independent third party for sales of 55% equity interest of Beijing Evertop Sports Culture Media Co.,Ltd ("Beijing Evertop"). Beijing Evertop was engaged in sports and events business, independent from other segments of the Group, of which related results were presented as discontinued operations, and the comparative figures are restated accordingly.

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 of the Company on 29 March 2019.

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

(a) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622 ("HKCO").

(b) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment and investment property — measured at fair value

- assets held for sale — measured at fair value less cost to sell, and defined benefit pension plans — plan assets measured at fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(c) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for financial year beginning on or after 1 January 2018:

- HKFRS 9 Financial Instruments
- HKFRS 15 Revenue from Contracts with Customers

The Group's assessment of the impact of these new or amended standards is set out in note 2.2.

(d) New standards and interpretations not yet adopted

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
(HK) Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKAS 8	Annual Improvements to HKFRS Standards 2015–2017 Cycle	1 January 2019
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a business	1 January 2020
Amendments to HKAS 1	Conceptual Framework for Financial Reporting 2018	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	The effective date has now been deferred

Based on the Group's current assessment, the directors of the Company do not expect a material impact on the Group's financial position and performance as a result of the adoption of this new standard when it becomes effective, except for following:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(d) New standards and interpretations not yet adopted *(continued)*

(i) HKFRS 16, 'Leases'

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB5,658,000 (Note 35). The Group estimates that approximately 60% of these relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss. The remaining lease commitments will result in the recognition of an asset and a liability for future payments and will affect the Group's profit and classification of cash flows.

Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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

Adoption of HKFRS 9

HKFRS 9 replaces the provisions of HKAS 39 Financial Instruments ("HKAS 39") that relate to the recognition, classification and measurement of financial assets and hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 Financial Instruments — Disclosures. The accounting policies were changed to comply with HKFRS 9.

In accordance with the transitional provision on HKFRS 9, comparative figures have not been restated. Any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings.

(i) Classification and measurement of financial instruments on adoption of HKFRS 9

	Measurement category		Carrying amount		
	Original (HKAS 39)	New (HKFRS 9)	31 Dec 2017 As originally presented RMB'000	HKFRS 9 RMB'000	1 January 2018 Restated RMB'000
Trade receivables	Amortised cost	Amortised cost	518,895	(22,088)	496,807
Cash and cash equivalents	Amortised cost	Amortised cost	57,986	–	57,986
Other receivables excluding prepayments	Amortised cost	Amortised cost	54,972	–	54,972

There is no changes to the classification and measurement of financial liabilities.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in notes 2.11 below. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

The impact on the Group's equity as at 1 January 2018 is as follows:

	2018 RMB'000
Closing retained earnings 31 December 2017 — HKAS 39	**101,443**
Increase in provision for trade receivables and other receivables	**(22,088)**
Opening retained earnings 1 January 2018 — HKFRS 9 (after restatement for HKFRS 9)	**79,355**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Adoption of HKFRS 9 *(continued)*

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model and have significant impact.

- Trade receivables

- Other receivables

The Group was required to revise its impairment methodology under HKFRS 9. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table in note 27.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables. This resulted in an increase of the loss allowance on 1 January 2018 by RMB22,088,000 for trade receivables. The loss allowance decreased from RMB171,416,000 to RMB27,154,000 for trade receivables.

Other receivables

The Group applies the HKFRS 9 three-stage approach to measuring ECL. There are three types of other receivables, including advances to staff, deposit and advance payment for guarantee. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. The adjustment of the loss allowance for other receivables on transition to HKFRS9 on 1 January 2018 is immaterial.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Adoption of HKFRS 15

The Group has also adopted HKFRS 15 "Revenue from contracts with customers" on 1 January 2018. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a five-step approach: (i) identify the contract(s) with a customer; (ii) identify separate performance obligations in a contract; (iii) determine the transaction price; (iv) allocate transaction price to performance obligations; and (v) recognise revenue when performance obligation is satisfied. HKFRS 15 also provides specific guidance on contract costs and license arrangements. It also includes a cohesive set of disclosure requirements about revenue and cash flows arising from the contracts with customers. In accordance with the Transitional provision in HKFRS 15, there is no impact on the consolidated financial statements of the Group, except for presentation of assets and liabilities related to contracts with customers as below:

- Contract liabilities in relation to advance received from customers, were previously included in trade and other payables.

	HKAS 18 carrying amount 31 December 2017	Reclassification	HKFRS 15 carrying amount 1 January 2018
Contract liabilities	–	55,181	55,181
Trade and other payables	268,712	(55,181)	213,531

2.3 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.4).

Intercompany 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 45% and 49% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Principles of consolidation and equity accounting *(continued)*

(iii) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.10.

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

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

(v) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated statements of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, a joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means that amounts previously recognised in other comprehensive income are reclassified to the consolidated statements of comprehensive income or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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 remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.5 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 received 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 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.

2.7 Foreign currency translation

(i) 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.

(ii) 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 consolidated statements of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss within 'finance cost'. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within 'other gains — net'.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(iii) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Foreign currency translation *(continued)*

(iii) Group companies *(continued)*

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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.

2.8 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 recognised 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 any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Intangible assets

(i) 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.

(ii) 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 to 7 years.

(iii) Computer software

Acquired computer software licenses 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.

(iv) 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.

(v) Research and development

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Intangible assets *(continued)*

(v) Research and development *(continued)*

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

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

(vi) Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

IT development and software	5 years
Customer relationship	5–7 years
Technical knowhow	5 years

2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 Investments and other financial assets

(i) Classification

From 1 January 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Investments and other financial assets *(continued)*

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Investments and other financial assets *(continued)*

(iii) Measurement *(continued)*

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

From 1 January 2018, the group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 3.1(b) for further details.

(v) Accounting policies applied until 31 December 2017

The group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.15 Share capital

Ordinary shares are classified as equity.

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

2.16 Trade and other payables

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

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

2.17 Borrowings

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

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

2.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates 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.

(ii) Deferred income tax

Deferred income tax is provided in full, 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 recognised if they arise from the initial recognition of goodwill. Deferred income tax is also 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 substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Current and deferred income tax *(continued)*

(ii) Deferred income tax *(continued)*

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(iii) Investment allowances and similar tax incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

2.19 Employee benefits

(a) Retirement benefits

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

(b) Employee leave entitlements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Share-based payments

Share-based compensation benefits are provided to employees via the Share Option Scheme and Share Award Plan. Information relating to these schemes is set out in note 26.

Share Option Scheme

The fair value of options granted under the Share Option Scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

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

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. 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.

At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

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

Share Award Plan

The Share Award Plan is administered by the Share Award Plan Trustee, which is consolidated in accordance with the principles in note 2.3. The fair value of shares granted under the plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by the market value of the shares on grant date.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

When exercised, the trust transfers the appropriate amount of shares to the employee for no cash consideration. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Provisions

Provisions for legal claims and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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 control of the products has transferred, and when 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. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforce able right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

The Group's revenue mainly includes application solutions, system maintenance services, and sales of self-developed products.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Revenue recognition *(continued)*

(a) Application solutions

The Group provides application solutions including design, implementation and support services and provides broadcasting equipment under fixed-price contract. The components of application solutions are highly relevant and regarded as one performance obligation.

Revenue for the application solutions is recognised at a point in time when the equipment is delivered, the installation is completed and accepted by the customers and collectability of the related receivables is reasonably assured.

(b) System maintenance services

System maintenance services include maintenance, extended warranty, training and other supporting services are provided in the form of fixed-price contracts. Revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

(c) Sales of self-developed products

The Group sells self-developed equipments and related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

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 Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 35). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

2.25 Dividend distribution

Dividend distribution to the Company's ordinary and preferred shareholders is recognised 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.

2.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Note 6 provides further information on how the Group accounts for government grants.

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), 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 2018, if USD had weakened/strengthened by 5% against the RMB with all other variables held constant, post-tax profit for the year would have changed 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.

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Year ended:		
Increase/(decrease)		
Weakened 5% (2017: 5%)	**1,093**	4,010
Strengthened 5% (2017: 5%)	**(1,093)**	(4,010)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign exchange risk (continued)

At 31 December 2018, if HKD had weakened/strengthened by 5% against the RMB with all other variables held constant, post-tax profit for the year would have changed 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.

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Year ended:		
Increase/(decrease)		
Weakened 5% (2017: 5%)	**(1,171)**	3,184
Strengthened 5% (2017: 5%)	**1,171**	(3,184)

(ii) Cash flow and fair value 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 2018, 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 RMB1,420,000 (2017: RMB1,310,000) respectively, mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

(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.

As at 31 December 2018, there were five customers contributed over 37% (2017: 44%) of the Group's total trade and other receivables.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of each reporting period, without taking into account any collateral held or other credit enhancements. A summary of the maximum exposure to credit risk is as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Cash and cash equivalents	**59,452**	57,986
Trade receivables	**270,411**	518,895
Other receivables excluding prepayments	**39,042**	54,972
Pledged bank deposits	**2,211**	1,015
	371,116	632,868

(i) *Risk management*

Credit risk is managed on a group basis. The Group has policies to limit the credit exposure on trade receivables. The Group assess the credit quality of and sets credit limits on their customers by taking into account their financial position, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders to ensure the overall credit risk of the Group is limited to a controllable extent.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, The Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

(ii) *Impairment of financial assets*

Trade receivables and other receivables are subject to the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. For the other receivables, the Group involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes.

The expected loss rates are based on the payment profiles of sales over a period of 48 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the the region,relationship and credit of client which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets (continued)

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categories a receivable for write off when a debtor fails to make contractual payments/repayable demanded greater than 36 months past due. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the statement of comprehensive income.

To measure the expected credit losses, trade receivables and advance payment for guarantee to customers have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the historical payment profiles of sales and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

31 December 2018	Less than 1 year past due	1–2 years past due	2–3 years past due	3–4 years past due	More than 4 years past due	Total
Expected loss rate	1%	3%	16%	25%	100%	10%
Gross carrying amount (RMB'000)	114,080	79,035	39,831	26,504	10,961	270,411
— Trade receivables	114,080	79,035	39,831	26,504	10,961	270,411
Loss allowance (RMB'000)	746	2,219	6,480	6,748	10,961	27,154
— Trade receivables	746	2,219	6,480	6,748	10,961	27,154

1 January 2018	Less than 1 year past due	1–2 years past due	2–3 years past due	3–4 years past due	More than 4 years past due	Total
Expected loss rate	1%	2%	17%	24%	100%	37%
Gross carrying amount (RMB'000)	187,368	106,975	21,972	25,525	177,055	518,895
— Trade receivables	187,368	106,975	21,972	25,525	177,055	518,895
Loss allowance (RMB'000)	1,034	2,398	3,719	6,000	177,055	190,206
— Trade receivables	1,034	2,398	3,719	6,000	177,055	190,206

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets (continued)

The closing loss allowances for trade receivables, as at 31 December 2018 reconcile to the opening loss allowances as follows:

	Trade receivables	
	2018 RMB'000	2017 RMB'000
31 December — calculated under HKAS 39	**171,416**	1,978
Trade receivables write-off	**(169,074)**	–
Opening loss allowance as at 1 January 2018 — calculated under HKFRS 9	**22,088**	–
Increase in loss allowance recognised in profit or loss during the year	**2,724**	169,438
31 December 2018/31 December 2017	**27,154**	171,416

Previous accounting policy for impairment of trade receivables

In 2017, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash. The Group categories a receivable for write off when a debtor fails to make contractual payments/repayable demanded greater than 36 months past due.

(c) Liquidity risk

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

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

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk management *(continued)*

(c) Liquidity risk *(continued)*

Group

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2018				
Trade and other payables (excluding non-financial liability)	**185,148**	**–**	**–**	**–**
Borrowings (including interest)	**178,516**	**9,069**	**1,299**	**–**
At 31 December 2017				
Trade and other payables (excluding non-financial liability)	213,531	–	–	–
Borrowings (including interest)	265,111	6,368	3,192	357

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	
	2018 RMB'000	2017 RMB'000
Total borrowings	**181,374**	265,580
Total equity	**267,280**	328,095
Total capital	**448,654**	593,675
Gearing ratio	**40%**	45%

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

The following table presents the Group's financial assets that are measured at fair value as at 31 December 2018.

	Level 1 RMB'000	**Level 2** RMB'000	**Level 3** RMB'000
Financial assets at fair value through profit or loss	–	–	**45,263**

The following table presents the Group's financial assets that are measured at fair value as at 31 December 2017.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Financial assets at fair value through profit or loss	–	–	44,117

There were no transfers between levels 1, 2 and 3 during the year (2017: nil).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the year.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data 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.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

All of the resulting fair value estimates are included in level 2 except for unlisted equity securities, a contingent consideration receivable and certain derivative contracts, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments for the year ended 31 December 2018:

Financial assets at fair value through profit or loss	**RMB'000**
At beginning of the year	**44,117**
Additions	**–**
Fair value adjustment	**1,146**
At end of the year	**45,263**

The following table presents the changes in level 3 instruments for the year ended 31 December 2017:

Financial assets at fair value through profit or loss	RMB'000
At beginning of the year	43,800
Additions	–
Fair value adjustment	317
At end of the year	44,117

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) Impairment of trade receivable

Expected credit loss for trade receivable

The impairment provisions for trade receivables are based on assumptions about the expected loss rates. The group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see note 3.1(b) and note 19. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statements of comprehensive income.

Management also reviews its trade 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 receivables of the Group as at 31 December 2018 is RMB27,154,000.

(b) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.9(i). 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 16, management considered that no impairment charge was required against goodwill arising from acquisitions.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

4.1 Critical accounting estimates and assumptions *(continued)*

(c) Recognition of income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group 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.

(d) 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.

(e) Estimation of the gain on disposal of a subsidiary

As disclosed in Note 11, the Group disposed 55% equity interest of the wholly-owned subsidiary, Beijing Evertop, to an independent third party (the "Purchaser") while the Group retained the remaining 45% equity interest interest. The principal activities of Beijing Evertop is sports and event broadcasting business. The Group recognised the related disposal gain when the Group ceased to have control over Beijing Evertop. Total gain related to the transaction amounting approximately RMB51,234,000 was recorded in, which included the gain on disposal of the 55% equity interest after adjustment of the fair value of the contingent consideration and the remeasurement of the retained 45% equity interest were amounting to RMB28,448,000 and RMB22,786,000 respectively.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

4.1 Critical accounting estimates and assumptions *(continued)*

(e) Estimation of the gain on disposal of a subsidiary *(continued)*

(i) Gain related to sales of 55% equity interest

The total consideration of agreement is approximately RMB42,900,000, out of which RMB22,000,000 was paid by the Purchaser in November 2018. The second payment amounting RMB2,900,000 will be paid in 2019 and the third payment amounting to RMB18,000,000 will be paid in 2021. The consideration is subject to adjustment or refund based on the actual aggregated net profit of Beijing Evertop for the 3 years ending 31 December 2020 as the following:

In the event the actual aggregated net profit of Beijing Evertop for the 3 years ending as at 31 December 2020 ("Actual Profit") is on or above RMB30 million (the "Profit Target"), the third payment of the consideration will be RMB18,000,000 after issuance audited financial statements of Beijing Evertop for the year ending as at 31 December 2020. In the event the Actual Profit is less than the Profit Target but not less than RMB21 million (the "Minimum Profit Target"), the consideration shall be adjusted downwards or additional equity interest of Beijing Evertop shall be transferred to the Purchaser at the election of the Purchaser. In the event the actual profit of Beijing Evertop does not meet the Minimum Profit Target, the Purchaser shall have the right to request the refund of the total consideration paid together with interest at the rate of 10% per annum.

Management assessed the fair value of the contingent consideration of the third payment based on the profit forecast of the Actual Profit of Beijing Evertop and the probability of achieving for forecast. Significant estimates involved in the profit forecast include forecast revenue, gross profit margin, and net profit of the broadcasting projects as well as probability for achieving the forecast. Any changes in the assumptions used and estimates made will affect the carrying amount of the contingent consideration and gain on disposal of Beijing Evertop.

Based on management's estimation, the fair value of the contingent consideration for the third payment is RMB17,755,000 as at 31 December 2018. If the probability for not achieving the Profit Target is 10% higher/lower than management's estimation, the contingent consideration and the gain on the disposal will be decreased/increased by RMB81,667 accordingly.

(ii) Gain related to remeasurement of the retained 45% equity interest

The Group's retained interest in the entity was recorded as an investment in an associated, which was remeasured to its fair value with the change in carrying amount recognised in the consolidated income statement. Management engaged an independent professional valuer for assessment of the fair value. Significant estimates involved in the valuation include P/E multiple, lack of marketability discount etc . Any changes in the assumptions used and estimates made will affect the carrying amount of the investment in associate and gain on disposal.

Based on management's estimation, the fair value of the 45% equity interest of Beijing Evertop at the date of completion of the transaction is RMB34,410,000. If the fair value of the valuation is 10% higher/lower than management's estimation, the investment of associate and the gain on the disposal will be increase/decreased by RMB3,441,000 accordingly.

5 SEGMENT INFORMATION

The chief operating decision-maker ("CODM") mainly include the board of directors of the Company, 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
- System maintenance services
- Sales of self-developed products

The sports and events business segment presented as an independent segment and was disposed in November 2018. The sports and events business is classified as a discontinued operations and the financial information of the preceding year is restated accordingly.

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:

(i) Continuing Operation:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Segment revenue		
Application solutions	**246,674**	376,378
System maintenance services	**13,143**	19,527
Sales of self-developed products	**38,887**	66,875
Total	**298,704**	462,780
Segment cost		
Application solutions	**(218,624)**	(303,862)
System maintenance services	**(5,387)**	(8,116)
Sales of self-developed products	**(13,568)**	(23,735)
Total	**(237,579)**	(335,713)
Segment gross profit		
Application solutions	**28,050**	72,516
System maintenance services	**7,756**	11,411
Sales of self-developed products	**25,319**	43,140
Total	**61,125**	127,067
Depreciation and amortization		
Application solutions	**10,388**	10,744
System maintenance services	**553**	557
Sales of self-developed products	**1,638**	1,909
Total	**12,579**	13,210

5 SEGMENT INFORMATION *(continued)*

(i) Continuing Operation: *(continued)*

For the year ended 31 December 2018, one customer accounted for greater than 10% of the Group's total revenues:

	Year ended 31 December			
	2018		2017	
	Amount RMB'000	**% of total revenue**	Amount RMB'000	% of total revenue
Customer A	**71,791**	**24%**	63,946	13%

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Revenue		
Mainland China	**260,993**	431,091
Hong Kong	**30,733**	24,358
Others	**6,978**	7,331
	298,704	462,780

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Total of non-current assets other than deferred tax assets, financial assets at fair value through profit or loss, and investment in associates		
Mainland China	**34,315**	48,939
Hong Kong	**83,857**	62,867
	118,172	111,806

5 SEGMENT INFORMATION *(continued)*

(ii) Discontinued Operations

	Year ended 31 December	
	2018 **RMB'000**	2017 RMB'000
Segment revenue		
Sports and events business	**30,456**	80,385
Segment cost		
Sports and events business	**(15,243)**	(42,943)
Segment gross profit		
Sports and events business	**15,213**	37,442
Depreciation and amortization		
Sports and events business	**2,578**	3,739

6 OTHER GAINS — NET

	Year ended 31 December	
	2018 **RMB'000**	2017 RMB'000 (Restated)
Gain on disposal of a subsidiary (Note 11)	**51,234**	–
Gain on disposal of an associate (Note 12)	**1,578**	–
Value added tax refund	**2,859**	4,528
Government grants	**1,870**	2,245
Fair value gains on financial assets at fair value through profit or loss (Note 17)	**1,146**	317
Gain/(loss) from disposal of property, plant and equipment (Note 33)	**171**	290
Compensation for a legal dispute (Note 36)	**(5,574)**	–
Others	**713**	1,267
	53,997	8,647

7 EXPENSE BY NATURE

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000 (Restated)
Inventory costs (Note 20)	**220,532**	303,492
Employee benefit expenses (Note 8)	**73,123**	74,863
Provision for prepayment for acquisition of a subsidiary (Note 19(ii))	**16,934**	–
Amortisation expenses of Intangible assets (Note 16)	**8,081**	7,319
Depreciation expense (Note 15)	**4,498**	5,891
Travelling and transportation expenses	**6,115**	7,139
Operating lease rentals	**3,729**	5,599
Office expenses	**3,115**	5,701
Business development	**3,403**	4,084
Legal fee and professional charges	**3,613**	4,967
Credit loss provision impairment (Note 19)	**2,724**	169,438
Business tax and other transaction taxes	**2,587**	3,408
Transportation costs	**2,130**	2,531
Auditor's remuneration	**2,112**	2,325
Advertising costs	**1,340**	2,239
Provision for inventory obsolescence (Note 20)	**1,055**	299
Servicing and agency costs	**2,057**	19,056
Others	**2,633**	6,418
	359,781	624,769

8 EMPLOYEE BENEFIT EXPENSES (EXCLUDING DIRECTOR'S EMOLUMENTS)

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000 (Restated)
Wages and salaries	**49,470**	54,624
Pension costs — defined contribution plans	**8,583**	8,688
Welfare and other allowance	**9,074**	5,558
Bonus	**6,482**	3,739
Share based compensation expenses	**(486)**	2,254
	73,123	74,863

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

(a) Pension costs — defined contribution plans

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

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year are 3 directors (2017: 5 directors) whose emoluments are reflected in the analysis shown in Note 38. The emoluments paid to the remaining 2 (2017: nil) individuals are as follows:

	2018 RMB'000	2017 RMB'000
Salaries	1,415	–
Contribution to social insurance scheme	142	–
Bonuses	174	–
Share based payments	160	
	1,891	–

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands (in HK dollar)		
HK$500,001–HK$1,000,000	1	–
HK$1,000,001–HK$1,500,000	1	–

9 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000 (Restated)
Finance expenses		
— Interest expenses on bank borrowings	**(15,368)**	(17,731)
— Net foreign exchange (loss)/gain	**(3,857)**	2,094
	(19,225)	(15,637)
Finance income		
— Interest income on short-term bank deposits	**277**	185
Net finance costs	**(18,948)**	(15,452)

10 SUBSIDIARIES

The following is a list of the principal subsidiaries of the Group as at 31 December 2018:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered 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 share of USD1	100%
Century Sage Scientific Group Ltd ("CSS Group Ltd")	BVI, limited liability company	TV broadcast application solutions industry, the PRC	1 ordinary share of USD50	100%
Century Sage Scientific Solutions Limited	BVI, limited liability company	Investment holding company, Hong Kong	1 ordinary share of USD1	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	Registered capital of RMB20,000,000	100%

10 SUBSIDIARIES *(continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Effective equity interests held
Century Sage Scientific Information Technology Co., Limited ("CSS IT") (formerly known as Times Sage Tech Ltd)	BVI, limited liability company	TV broadcast system integration industry, the PRC	1 ordinary share of USD1	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	Registered capital of RMB12,000,000	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%
Cogent Technologies Limited (formerly known as CGT Technologies Limited)	BVI, limited liability company	TV broadcast application solutions industry, the PRC	1 ordinary share of USD1	100%
Cogent Tech (Asia) Limited	HK, limited liability company	Investment Holding Company, Hong Kong	1 ordinary share of HKD1	100%
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	Registered capital of RMB31,000,000	100%
Century Sage Scientific (HK) Limited (formerly known as "Times Sage Tech Limited")	HK, limited liability company	TV broadcast application solutions industry, Hong Kong	1 ordinary share of HKD1	100%
Fineone International Limited	BVI, limited liability company	Equipment trading , the PRC	1 ordinary share of USD1	100%
TV Logic Technology Limited	BVI, limited liability company	Equipment trading, the PRC	1 ordinary share of USD1	100%
NI Systems Limited	BVI, limited liability company	Equipment trading, the PRC	1 ordinary share of USD1	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	Registered capital of RMB6,000,000	100%
上海高駿精視信息技術有限公司 (Shanghai Cogent Accurate Video Info-Tech Co., Limited) ("AVIT")	The PRC, limited liability company	R&D of TV broadcasting and multi-media production , the PRC	Registered capital of RMB4,500,000	100%
北京經緯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	Registered capital of RMB10,010,000	55%

10 SUBSIDIARIES *(continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Effective equity interests held
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%
世紀睿科(澳門)一人有限公司 (CSS Macau Limited)	Macau, limited liability company	TV broadcast application solutions industry, Macau	MOP$25,000	100%

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 .

Material non-controlling interests

The total non-controlling interest as at 31 December 2018 is RMB15,723,000 (2017: RMB15,919,000), of which RMB15,187,000 (2017: RMB15,077,000) was for Beijing BroadVision. The non-controlling interests in respect of Century Sage Scientific (Taiwan) Limited is not material.

Set out below are the summarised financial information for Beijing BroadVision of which non-controlling interests is material to the Group.

Summarised balance sheet

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Current assets	**38,794**	41,711
Current liabilities	**(14,968)**	(15,015)
Current net assets	**23,826**	26,696
Non-current assets	**8,009**	8,432
Non-current liabilities	**–**	–
Non-current net assets	**8,009**	8,432
Net assets	**31,835**	35,128
Accumulated non-controlling interests	**15,187**	15,077

10 SUBSIDIARIES *(continued)*

Material non-controlling interests *(continued)*

Summarised statement of profit or loss

	Year ended 31 December	
	2018 **RMB'000**	2017 RMB'000
Revenue	**30,907**	30,045
Profit before income tax	**(317)**	6,500
Income tax expense	**563**	(770)
Total comprehensive income	**246**	5,730
Profit allocated to non-controlling interests	**111**	2,579

Summarised cash flows

	Year ended 31 December	
	2018 **RMB'000**	2017 RMB'000
Cash flows from operating activities		
Cash (used in)/generated from operations	**(4,580)**	3,314
Income tax paid	**(1,089)**	(915)
Net cash (used in)/generated from operating activities	**(5,669)**	2,399
Net cash used in investing activities	**(250)**	(165)
Net cash generated from financing activities	**–**	3,757
Net (decrease)/increase in cash and cash equivalents	**(5,919)**	5,991
Cash, cash equivalents and bank overdrafts at beginning of year	**15,427**	9,436
Cash and cash equivalents at end of year	**9,508**	15,427

11 DISCONTINUED OPERATIONS

In November 2018, the Group entered into an agreement with an independent third party for sales of 55% equity interest of Beijing Evertop. Beijing Evertop was established in May 2011 and the principal activity is sports and events business. The total consideration is RMB42,900,000, and subject to adjustment based on the aggregated net profit of Beijing Evertop for the three years ending 31 December 2020. After the transaction was completed in November 2018, the sports and events business was disposed and classified as discontinued operations.

(a) The aggregated results of Beijing Evertop for the year ended 31 December 2017 and 2018 are set out below:

	From 1 January 2018 to the date of disposal RMB'000	Year ended 31 December 2017 RMB'000
Revenue	**30,456**	72,175
Cost of sales	**(15,243)**	(51,021)
Gross profit	**15,213**	21,154
Selling expenses	**(1,609)**	(2,167)
Administrative expenses	**(9,597)**	(12,693)
Other gains — net	**156**	980
Operating profit	**4,163**	7,274
Finance costs	**(357)**	(946)
Share of profit of investments accounted for using the equity method	**(47)**	109
Profit before income tax	**3,759**	6,437
Income tax expense	**(602)**	(1,185)
Profit and total comprehensive income for the period/year	**3,157**	5,252
Profit for the period/year from discontinued operations	**3,157**	5,252
Profit and total comprehensive income attributable to:		
— Equity holders of the Company	**3,157**	5,252
— Non-controlling interests	**–**	–

11 DISCONTINUED OPERATIONS *(continued)*

(b) The aggregated cash flow incurred by Beijing Evertop for the years ended 31 December 2017 and 2018 are set out below:

	From 1 January 2018 to the date of disposal 2018 RMB'000	Year ended 31 December 2017 RMB'000
Net cash (used in)/generated from operating activities	**(16,232)**	5,037
Net cash used in investing activities	**(3,326)**	(7,137)
Net cash generated from financing activities	**8,330**	7,748
Net (decrease)/increase in cash generated by the subsidiary	**(11,228)**	5,648

(c) Details of the gain and net cash outflow from disposal of Beijing Evertop at the date of completion of the disposal are as follow:

	RMB'000
Current assets	117,688
Including: cash and cash equivalents	2,036
Current liabilities	(104,479)
Net current assets	13,209
Non-current assets	12,943
Non-current liabilities	(321)
Non-current net assets	12,622
Net assets	25,831
Cash	22,000
Consideration receivable *	20,655
Total	42,655
Net assets	(25,831)
Fair value of 45% retained equity interest of Beijing Evertop	34,410
Gain on disposal before income tax	51,234

* The amount included the consideration of approximately RMB2,900,000 to be paid within 1 year and and the fair value of the contingent consideration of approximately RMB17,755,000 to be paid over 1 year.

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amount recognised in the consolidated balance sheet is as follows:

	2018 RMB'000	2017 RMB'000
Associate	**61,842**	43,527

The amounts recognised in the income statement are as follows:

	2018 RMB'000	2017 RMB'000
Associate	**(4,618)**	2,509

Investment in associates

Set out below are the associates of the Group as at 31 December 2018 which, in the opinion of the directors, are material to the Group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group and the country of incorporation or registration is also their principal place of business.

Nature of investment in associates as at 31 December 2018 and 2017

Name of entity	Place of business, country of incorporation	% of ownership interest		Nature of the relationship	Carrying amount	
		2018	2017		2018 RMB'000	2017 RMB'000
Beijing Gefei Technology Corporation ("Beijing Gefei")	Beijing	**49%**	49%	Note (i)	**26,449**	32,974
Simplylive Limited ("Simplylive")	Hong Kong	**–**	16.95%	Note (ii)	**–**	6,694
Beijing Gangtiexia Sports and Entertainment Co., Limited ("Gangtiexia")	Beijing	**–**	7.5%	Note (iii)	**–**	3,859
Beijing Evertop	Beijing	**45%**	100%	Note (iv)	**35,393**	–
					61,842	43,527

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

Investment in associates *(continued)*

(i) 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.

(ii) In June 2017, the Group acquired 16.95% equity interest of Simplylive at a total consideration of USD1,000,000 which were settled by the Company by cash. Simplylive is a hardware and software solution provider in live broadcast industry, which sells server equipment and software for live production mainly of sports events to clients worldwide. In July and September 2018, the Group sold 7.11% and 9.84% equity at a cash consideration of USD400,000 and USD944,538, respectively (approximately RMB9,149,000 in total), and the gain of disposal is RMB1,578,000.

(iii) In February 2017, the Group acquired 7.5% equity interest of Gangtiexia at a total consideration of RMB3,750,000 which were settled by the Company by cash. The relevant registration was completed in August 2017. Gangtiexia is a sports marketing company, which provides innovative overall sports marketing solutions. The investment of Gangtiexia was indirectly held by the Group through Beijing Evertop and was disposed in 2018 as mentioned in Note 11.

(iv) In November 2018, the Group entered into an agreement with an independent third party for sales of 55% equity interest of Beijing Evertop, details of the disposals are disclosed in Note 11.

(a) Summarised financial information for Beijing Gefei

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

(i) *Summarised balance sheet*

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Current assets	**89,309**	98,970
Current liabilities	**(45,266)**	(46,251)
Total current net assets	**44,043**	52,719
Non-current assets	**477**	1,412
Net assets	**44,520**	54,131

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

Investment in associates *(continued)*

(a) Summarised financial information for Beijing Gefei *(continued)*

(ii) Summarised statement of comprehensive income

	Year ended 31 December	
	2018 **RMB'000**	2017 RMB'000
Revenue	**30,676**	51,629
Profit before income tax	**(8,903)**	8,859
Income tax expense	**(708)**	(111)
Total comprehensive (loss)/income	**(9,611)**	8,748

(iii) Reconciliation of summarised financial information

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

	Year ended 31 December	
	2018 **RMB'000**	2017 RMB'000
Opening net assets	**54,131**	43,657
Contribution by owners	**–**	1,726
(Loss)/profit for the year	**(9,611)**	8,748
Closing net assets	**44,520**	54,131
Interest in an associate (49%)	**21,815**	26,524
Fair value adjustments	**3,631**	5,447
Goodwill	**1,003**	1,003
Carrying value	**26,449**	32,974

13 INCOME TAX EXPENSE

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Current income tax — PRC enterprise income tax	**3,369**	7,974
Withholding income tax	**1,180**	–
Deferred income tax (Note 30)	**4,209**	(5,399)
Income tax expense	**8,758**	2,575
Income tax expense is attributable to:		
— Profit from continuing operations	**8,156**	1,390
— Profit from discontinued operations	**602**	1,185
	8,758	2,575

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	
	2018	2017
	RMB'000	RMB'000
Profit before income tax:		
— Continuing operations	**(30,646)**	(166,285)
— Discontinued operations	**3,759**	22,725
	(26,887)	(143,560)
Tax calculated at statutory tax rates (25%)	**(6,722)**	(35,890)
Tax effects of		
— Expenses not deductible for tax purpose	**1,384**	5,988
— Effect of preferential/difference tax rate	**(1,268)**	13,759
— Adjustments in respect of prior years	**(1,707)**	635
— Withholding income tax for dividend	**1,180**	–
— Temporary differences for which no deferred income tax asset was recognised	**(645)**	18,083
— Reversal temporary differences for which deferred income tax asset was recognised	**6,093**	–
— Utilisation of temporary difference previously not recognised	**(531)**	–
— Unrecognised tax losses	**10,974**	–
Income tax expense	**8,758**	2,575

13 INCOME TAX EXPENSE *(continued)*

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 2018 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 2018 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. It has obtained the HNTE qualification in 2017, and applied income tax rate of 15% for the year ended 31 December 2018.

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.

14 EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the years ended 31 December 2017 and 2018 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	
	2018	2017
Profit attributable to owners of the Company (in RMB'000)		
— Continuing operations	**(38,606)**	(170,240)
— Discontinued operations	**3,157**	21,540
	(35,449)	(148,700)
Weighted average number of ordinary shares in issue (in thousand)	**1,020,301**	1,020,301
Basic earnings per share (RMB cents per share)		
— Continuing operations	**(3.78)**	(16.69)
— Discontinued operations	**0.31**	2.11
	(3.47)	(14.58)

(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.

15 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 2017				
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
Year ended 31 December 2017				
Opening net book amount	43,758	6,438	5,817	56,013
Currency translation differences	(16)	–	(27)	(43)
Additions	649	4,179	1,527	6,355
Transfer	–	2,164	(2,164)	–
Disposals	–	(381)	(105)	(486)
Depreciation	(3,499)	(4,450)	(1,681)	(9,630)
Closing net book amount	40,892	7,950	3,367	52,209
At 31 December 2017				
Cost	57,573	31,445	15,041	104,059
Accumulated depreciation	(16,681)	(23,495)	(11,674)	(51,850)
Net book amount	40,892	7,950	3,367	52,209
At 1 January 2018				
Cost	**57,573**	**31,445**	**15,041**	**104,059**
Accumulated depreciation	**(16,681)**	**(23,495)**	**(11,674)**	**(51,850)**
Net book amount	**40,892**	**7,950**	**3,367**	**52,209**
Year ended 31 December 2018				
Opening net book amount	**40,892**	**7,950**	**3,367**	**52,209**
Currency translation differences	**–**	**15**	**37**	**52**
Additions	**140**	**5,413**	**1,000**	**6,553**
Disposals of subsidiaries	**(1,657)**	**(6,724)**	**(322)**	**(8,703)**
Disposals	**(109)**	**(2,667)**	**(147)**	**(2,923)**
Depreciation	**(3,360)**	**(2,273)**	**(1,443)**	**(7,076)**
Closing net book amount	**35,906**	**1,714**	**2,492**	**40,112**
At 31 December 2018				
Cost	**54,364**	**12,157**	**14,773**	**81,294**
Accumulated depreciation	**(18,458)**	**(10,443)**	**(12,281)**	**(41,182)**
Net book amount	**35,906**	**1,714**	**2,492**	**40,112**

15 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Depreciation expense is attributable to:		
— Profit from continuing operations (Note 7)	**4,498**	5,891
— Profit from discontinued operations	**2,578**	3,739
	7,076	9,630

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

Depreciation expense of RMB6,416,000 (2017: RMB8,559,000) for the year ended 31 December 2018 has been charged in administrative expenses. Depreciation expense of RMB660,000 (2017: RMB1,071,000) for the year ended 31 December 2018 has been charged in cost of sales and selling expenses. As at 31 December 2018, net book value of the buildings amounting to RMB22,695,000 (2017: RMB36,194,000) have been pledged for bank borrowings (Note 28).

16 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 2017						
Opening net book amount	21,012	15,394	9,672	5,542	6,272	57,892
Additions	–	282	–	–	4,226	4,508
Amortisation charge	–	(2,158)	(2,111)	(1,379)	(1,671)	(7,319)
Closing net book amount	21,012	13,518	7,561	4,163	8,827	55,081
At 31 December 2017						
Cost	21,012	18,743	12,336	6,688	11,460	70,239
Accumulated amortisation	–	(5,225)	(4,775)	(2,525)	(2,633)	(15,158)
Net book value	21,012	13,518	7,561	4,163	8,827	55,081
Year ended 31 December 2018						
Opening net book amount	**21,012**	**13,518**	**7,561**	**4,163**	**8,827**	**55,081**
Additions	**–**	**–**	**–**	**–**	**3,170**	**3,170**
Amortisation charge	**–**	**(2,219)**	**(2,111)**	**(1,304)**	**(2,447)**	**(8,081)**
Closing net book amount	**21,012**	**11,299**	**5,450**	**2,859**	**9,550**	**50,170**
At 31 December 2018						
Cost	**21,012**	**18,729**	**12,336**	**6,688**	**14,629**	**73,394**
Accumulated amortisation	**–**	**(7,430)**	**(6,886)**	**(3,829)**	**(5,079)**	**(23,224)**
Net book value	**21,012**	**11,299**	**5,450**	**2,859**	**9,550**	**50,170**

Amortisation expense of RMB8,081,000 (2017: RMB7,319,000) for the years ended 31 December 2018 has been charged in administrative expenses.

16 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 2018 are as follows:

	As at 31 December 2018
Gross margin	62%–63%
Sustainable growth rate Growth rate	3.00%
Discount rate	15.80%

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.

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2018 RMB'000	2017 RMB'000
At beginning of the year	**44,117**	43,800
Fair value change	**1,146**	317
At end of the year	**45,263**	44,117

The financial assets at fair value through profit or loss in 2018 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.

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:

	2018	2017
Mortality rate	**0.21%**	0.21%
Discount rate	**3.65%**	3.55%

18 OTHER NON-CURRENT ASSETS

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

19 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Trade receivables	**262,499**	518,895
Trade receivables from associates (Note 34(c))	**7,912**	–
Less: provision for impairment of trade receivable	**(27,154)**	(171,416)
Trade receivables — net	**243,257**	347,479
Other receivables		
Deposit for guarantee certificate over tendering and performance (i)	**20,985**	32,402
Receivable related to deposit paid for acquisition of a subsidiary (ii)	**16,934**	16,646
Cash advance to employees	**5,424**	9,612
Receivable for disposal of a subsidiary (iii)	**2,900**	–
Others	**9,733**	12,958
	299,233	419,097
Less: provision for impairment of prepayment for acquisition of a subsidiary (ii)	**(16,934)**	–
	282,299	419,097
Less: Non-current portion		
Trade receivables (iv)	**9,496**	64,360
Receivable for disposal of a subsidiary (iii)	**17,755**	–
Less: provision for impairment of trade receivables	**(54)**	(61,016)
	27,197	3,344
Current portion	**255,102**	415,753

As of 31 December 2018, the fair values of trade and other receivables of the Group approximate their carrying amounts.

19 TRADE AND OTHER RECEIVABLES *(continued)*

(i) 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.

(ii) The amount represented a refundable deposit paid related to a proposed acquisition of 100% equity interest of a target company amounting to HKD20,000,000 (equivalent to RMB16,934,000) paid to the seller in 2015. The conditions precedent underlying this proposed acquisition were not fulfilled and therefore the acquisition did not proceed. In March 2018, the Group entered into another framework agreement with this seller to transfer this deposit into prepayment of 20% equity interest of another target company. In current year, management has evaluated that the acquisition of this target company would not contribute benefit to the Group as a whole and did not proceed further. Thereafter, management ran into dispute with the seller to refund the deposit. Based on the management's assessment with consultation with external legal counsel's opinion, the recoverability of the prepayment is remote. They are of the opinion that the cost of incurring legal proceeding expenses will outweigh benefit, and therefore would not proceed further to collect the outstanding amount from the seller. A full provision was provided in 2018 accordingly.

(iii) The amount represented receivable for disposal of Beijing Evertop amounting to approximately RMB20,900,000 after offsetting the fair value adjustment of the contingent consideration amounting to RMB20,655,000, out of which approximately RMB2,900,000 will be settled within one year. Please refer to Note 11 for further details.

(iv) Invoices issued to our customers are payable on issuance and no credit terms are stipulated in our project contracts generally. The majority of the Group's trade receivables will be settled from 3 months to two years 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 2018, the aging analysis of the trade receivables based on invoice date is as follows:

	As at 31 December	
	2018 **RMB'000**	2017 RMB'000
Up to 3 months	**55,279**	84,295
3 to 6 months	**10,671**	17,940
6 months to 1 year	**48,130**	85,133
1 to 2 years	**79,035**	258,133
2 to 3 years	**39,831**	39,888
Over 3 years	**37,465**	33,506
	270,411	518,895

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. This resulted in an increase of the loss allowance on 1 January 2018 by RMB22,088,000. Note 2.2(i) provides for details about the calculation of the allowance.

Information about the impairment of trade receivables and the group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 3.1.

19 TRADE AND OTHER RECEIVABLES *(continued)*

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

	As at 31 December	
	2018 **RMB'000**	2017 RMB'000
Trade receivables		
RMB	**227,206**	331,492
United State Dollar ("USD")	**730**	3,163
Hong Kong Dollar ("HKD")	**15,321**	12,824
	243,257	347,479
Other receivables		
RMB	**32,414**	47,407
Hong Kong Dollar ("HKD")	**3,254**	20,325
United State Dollar ("USD")	**644**	2,323
Euro ("EUR")	**1,556**	12
Others	**1,174**	1,551
	39,042	71,618
	282,299	419,097

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

	As at 31 December	
	2018 **RMB'000**	2017 RMB'000
At beginning of the year	**171,416**	1,978
Provision for impairment	**2,724**	169,438
Opening loss allowance as at 1 January 2018 — calculated under HKFRS 9	**22,088**	–
Trade receivables write off	**(169,074)**	–
At end of the year	**27,154**	171,416

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 2018, the trade receivables amounting to RMB25,750,000 (2017: RMB25,310,000) were pledged for a secured bank loan (Note 28).

20 INVENTORIES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Equipments and parts	**106,217**	112,935
Contract work in progress	**46,349**	48,174
	152,566	161,109
Provision for inventory	**(4,207)**	(3,152)
	148,359	157,957

The cost of inventories recognised as expense is included in 'cost of sales' amounted to RMB220,532,000 (2017: RMB303,492,000) for the year ended 31 December 2018.

21 OTHER CURRENT ASSETS

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Prepayment for purchase of goods or services	**46,694**	42,246

22 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 0.48% per annum for the years ended 31 December 2018 (2017: 0.46% to 0.6%).

23 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Cash on hand	**391**	142
Cash at banks	**59,061**	57,844
Cash and cash equivalents	**59,452**	57,986

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

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
RMB	**54,459**	53,474
HKD	**162**	1,096
USD	**2,013**	1,854
GBP	**390**	167
Others	**2,428**	1,395
	59,452	57,986

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 0.48% per annum for the year ended 31 December 2018 (2017: 0.46% to 0.6%).

24 CONTRACT LIABILITIES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Contract liability — third party	**81,600**	55,181
Contract liability — associates (Note34 (e))	**7,928**	–
	89,528	55,181

Contract liabilities primarily consist of the advance from customers for further goods or services to be provided.

25 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Share premium	Total
		HK$'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2017, 31 December 2017 and 2018	1,020,300,761	10,203	8,106	265,396	273,502

26 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, has reserved and set aside a total of 22,500,000 award shares and held by the Trustee. The Share Award Plan involves granting of existing shares held by the Trustee and no new shares will be issued pursuant to the Share Award Plan.

Movement of the awarded shares under the Share Award Plan during the year is as follows:

	Number of awarded shares
At 1 January 2018	**5,927,687**
Vested	**(295,672)**
Forfeited	**(1,470,671)**
At 31 December 2018	**4,161,344**
At 1 January 2017	12,884,868
Granted	680,000
Vested	(6,420,116)
Forfeited	(1,217,065)
At 31 December 2017	5,927,687

26 SHARE BASED PAYMENTS *(continued)*

(ii) Share Option Scheme

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

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

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

Type A: 12,912,000 share options under the 2016 Scheme were divided into 2 tranches at the grant date. The first tranche of 50% of the option can be exercised beginning on the 2nd anniversary of the grant date and the remaining tranche will become exercisable on the 3rd anniversary of the grant date. 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.

On 21 August 2017, the board of directors of the Company approved a share option of 7,200,000 shares at the exercise price of HK$0.435 (the "2017 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 date of the employment agreement between the respective grantee and the Group. The remaining tranche will become exercisable on the 4th anniversary of the date.

On 28 November 2018, the board of directors of the Company approved a share option of 57,670,000 shares at the exercise price of HK$0.222 (the "2018 Scheme"). The options can be exercised beginning on the 2nd anniversary of the grant date.

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

	Number of share options 2015 & 2016 & 2017 Scheme	**Number of share options 2018 Scheme**
At 1 January 2018	23,260,000	
Lapsed	(10,428,000)	**–**
Granted	–	**57,670,000**
At 31 December 2018	12,832,000	**57,670,000**

26 SHARE BASED PAYMENTS *(continued)*

(ii) Share Option Scheme *(continued)*

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

	2017 Scheme	**2018 Scheme**
Risk free rate	1.30%	**2.24%**
Dividend yield	1.38%	**0.00%**
Expected volatility	48.38%	**53.50%**

The fair value of 2015 & 2016 Scheme, 2017 Scheme and 2018 Scheme share option granted during year ended 31 December 2018 was RMB0.29, RMB0.16 and RMB0.08 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.

(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:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Share Award Plan		
— Employees (excluding directors of the Company)	**438**	1,047
Share Option Scheme		
— Employees (excluding directors of the Company)	**(520)**	1,304
— Directors of the Company (Note 38)	**(238)**	192
	(758)	1,496
	(320)	2,543

27 RESERVES AND RETAINED EARNINGS

	Other reserves					
	Merger reserve RMB'000	Translation reserve RMB'000	share option reserve RMB'000	Capital reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2017	(70,612)	(6,820)	8,567	1,870	255,456	188,461
Change in accounting policy	–	–	–	–	(22,088)	(22,088)
Loss for the year	–	–	–	–	(148,700)	(148,700)
Dividends relating to 2016	–	–	–	–	(5,313)	(5,313)
Employee share award and option scheme	–	–	2,543	–	–	2,543
Share of increase of other reserves of an associate	–	–	845	–	–	845
Currency translation difference	–	838	–	–	–	838
Balance at 31 December 2017 and 1 January 2018	(70,612)	(5,982)	11,955	1,870	79,355	16,586
Loss for the year	–	–	–	–	(35,449)	(35,449)
Disposal subsidiary	–	–	–	(744)	–	(744)
Dividends relating to 2017	–	–	–	–	–	–
Employee share award and option scheme	–	–	(320)	–	–	(320)
Share of increase of other reserves of an associate	–	–	–	–	–	–
Currency translation difference	–	–	–	(2,018)	–	(2,018)
Balance at 31 December 2018	(70,612)	(5,982)	11,635	(892)	43,906	(21,945)

28 BORROWINGS

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Non-current		
Bank borrowings — secured	**9,387**	6,586
Current		
Bank borrowings — unsecured	**18,856**	119,770
Bank borrowings — secured		
— short term bank borrowings	**62,500**	72,703
— current portion of long term bank borrowings (a)	**90,631**	66,521
	171,987	258,994
Total borrowings	**181,374**	265,580

(a) The amount includes 21,457,000 (2017: 42,605,000) represents the outstanding balance drawn down by the Group for a long-term facility, of which the Group did not meet certain financial covenants at 31 December 2018. The lending bank has revised the financial covenants on January 2019 and not demanded for repayment.

Bank borrowings bear effective interest rate of 4.47% (2017: 3.36%) annually for the year ended 31 December 2018.

As at 31 December 2018, 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:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Within 1 year	**171,987**	258,994
Between 1 and 2 years	**8,130**	4,791
Between 2 and 5 years	**1,257**	1,795
	181,374	265,580

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Wholly repayable within 5 years	**181,374**	265,580

28 BORROWINGS *(continued)*

(a) *(continued)*

As at 31 December 2018, bank borrowings of RMB32,000,000(2017: RMB70,000,000) were secured by the buildings of the Group, net book value of which amounted to RMB22,695,000(2017: RMB36,194,000) (Note 15), and trade receivables of RMB25,750,000 (2017: RMB25,310,000) (Note 19), and were guaranteed by Beijing zhongguancun sci-tech financing guaranty Co., Ltd.

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

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
6 months or less	**47,002**	123,420
6–12 months	**124,985**	135,574
	171,987	258,994

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

	Carrying amount		Fair Value	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank borrowings	**9,387**	6,586	**10,368**	9,918

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 4.47% (2017: 3.36%) and are within level 2 of the fair value hierarchy.

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

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
HKD	**54,149**	91,563
USD	**52,846**	76,792
RMB	**74,379**	97,225
	181,374	265,580

29 TRADE AND OTHER PAYABLES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Trade payables	**94,130**	127,944
Trade payables to associates (Note 34(d))	**10,483**	2,542
Other taxes payable	**34,927**	54,953
Employee benefits payable	**6,656**	5,271
Amounts due to an associate (Note 34(f))	**11,236**	–
Amounts due to shareholders/directors (Note 34(b))	**7,622**	7,824
Accrual for professional service fee	**1,199**	2,643
Compensation payable for a legal dispute (Note 36)	**2,774**	–
Others	**16,121**	12,354
	185,148	213,531

At 31 December 2018 the aging analysis of the trade payables based on invoice date is as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Up to 3 months	**67,281**	101,783
3 to 6 months	**13,959**	7,597
6 months to 1 year	**13,293**	3,094
1 to 2 years	**991**	16,276
2 to 3 years	**7,600**	1,383
Over 3 years	**1,489**	353
	104,613	130,486

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

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
RMB	**69,958**	92,972
USD	**29,088**	27,237
GBP	**–**	3,638
HKD	**1,182**	3,055
EUR	**3,869**	3,548
JPY	**–**	36
TWD	**516**	–
	104,613	130,486

30 DEFERRED INCOME TAX

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

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Deferred tax assets:		
— Deferred tax asset to be recovered after more than 12 months	**–**	5,403
— Deferred tax asset to be recovered within 12 months	**1,229**	730
	1,229	6,133
Deferred tax liabilities:		
— Deferred tax liabilities to be recovered after more than 12 months	**457**	1,152
— Deferred tax liabilities to be recovered within 12 months	**695**	695
	1,152	1,847
Deferred tax assets — net	**77**	4,286

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	Tax losses RMB'000	Total RMB'000
At 1 January 2017	297	348	784	1,429
Credited to the income statement	5,440	48	(784)	4,704
At 31 December 2017	5,737	396	–	6,133
Reversal of previous year deferred tax assets	(5,737)	(396)	–	(6,133)
Credited to the income statement	1,229	–	–	1,229
At 31 December 2018	**1,229**	**–**	**–**	**1,229**

30 DEFERRED INCOME TAX *(continued)*

The movement in deferred income tax liabilities is as follows:

	Fair value surplus arising from acquisition of subsidiaries RMB'000
At 1 January 2017	2,542
Recognised in consolidated income statement	(695)
At 31 December 2017	1,847
Recognised in consolidated income statement	(695)
At 31 December 2018	**1,152**

As at 31 December 2018, 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 RMB27,970,000 (2017: RMB68,777,000). 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.

31 DIVIDENDS

Pursuant to the resolutions by the annual general meeting of the Company held on 13 June 2017, a final dividend of HKD0.6 cents (equivalent to RMB0.54 cents) per ordinary share amounting to RMB5,313,000 for the year ended 31 December 2016 was approved and paid to the shareholders of the Company.

The directors of the Company do not recommend payment of any final dividend for the year ended 31 December 2018.

32 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 2018			
Assets as per balance sheet			
Financial assets at fair value through profit or loss	–	45,263	45,263
Trade and other receivables excluding prepayments	238,168	–	238,168
Cash and cash equivalents	59,452	–	59,452
Restricted cash	2,211	–	2,211
	299,831	45,263	345,094

	Other financial liabilities at amortised cost RMB'000
At 31 December 2018	
Liabilities as per balance sheet	
Borrowings	181,374
Trade and other payables excluding non-financial liabilities	274,676
	456,050

32 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 2017			
Assets as per balance sheet			
Financial assets at fair value through profit or loss	–	44,117	44,117
Trade and other receivables excluding prepayments	415,753	–	415,753
Cash and cash equivalents	57,986	–	57,986
Restricted cash	1,015	–	1,015
	474,754	44,117	518,871

	Other financial liabilities at amortised cost RMB'000
At 31 December 2017	
Liabilities as per balance sheet	
Borrowings	265,580
Trade and other payables excluding non-financial liabilities	268,712
	534,292

33 CASH GENERATED FROM OPERATIONS

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Loss before income tax	**(26,887)**	(143,560)
— Continuing operations	**(30,646)**	(166,285)
— Discontinued operations	**3,759**	22,725
Adjustments for:		
— Provision for impairment of trade receivables (Note 19)	**19,658**	169,438
— Provision for inventory obsolescence (Note 20)	**1,055**	299
— Amortisation of other non-current assets	**8,081**	7,319
— Amortisation of deferred income tax liabilities (Note 30)	**(695)**	(695)
— Depreciation of property, plant and equipment (Note 15)	**7,076**	9,630
— Finance costs (Note 9)	**15,140**	15,738
— Foreign exchange loss	**–**	–
— Fair value gains on financial assets at fair value through profit or loss (Note 17)	**(1,146)**	(317)
— Loss on disposals of property, plant and equipment	**171**	290
— Share based compensation expenses	**(1,064)**	2,543
— Share of profit/(loss) from investments accounted for using equity method (Note 12)	**4,618**	(2,618)
Gain on disposal of subsidiaries (Note 11)	**(51,234)**	–
Gain on disposal of associate (Note 12)	**(1,578)**	–
— Decrease in inventories	**8,543**	35,666
— Decrease in trade and other receivables	**79,601**	71,760
— (Decrease)/increase in trade and other payables	**25,159**	(52,002)
Cash generated from operations	**86,498**	113,491

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Net book amount (Note 15)	**2,923**	486
Loss on disposal (Note 6)	**(171)**	(290)
Proceeds	**2,752**	196

33 CASH GENERATED FROM OPERATIONS *(continued)*

(c) Net debt reconciliation:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Cash and cash equivalents	**59,452**	57,986
Restricted cash	**2,211**	1,015
Borrowings — repayable within one year (including overdraft)	**(171,987)**	(258,994)
Borrowings — repayable after one year	**(9,387)**	(6,586)
Net debt	**(119,711)**	(206,579)
Cash and restricted cash	**61,663**	59,001
Gross debt — fixed interest rates	**(74,379)**	(112,400)
Gross debt — variable interest rates	**(106,995)**	(153,180)
Net debt	**(119,711)**	(206,579)

	Liabilities from financing activities			
	Other assets RMB'000	**Restricted cash** RMB'000	**Bank and other borrowings** RMB'000	**Total** RMB'000
Net debt as at 1 January 2017	50,571	26,240	(361,028)	(284,217)
Cash flows	4,708	(25,225)	95,448	74,931
Foreign exchange adjustments	2,707	–	–	2,707
Net debt as at 31 December 2017 and 1 January 2018	57,986	1,015	(265,580)	(206,579)
Cash flows	**5,631**	**1,196**	**84,206**	**91,033**
Foreign exchange adjustments	**(4,165)**	**–**	**–**	**(4,165)**
Net debt as at 31 December 2018	**59,452**	**2,211**	**(181,374)**	**(119,711)**

34 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) 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	
	2018	2017
	RMB'000	RMB'000
Salaries and other allowance	**3,959**	7,434
Pension costs — defined contribution plans	**677**	296
Employer's contribution to a retirement benefit scheme	**45**	377
Share based payment (Note 26 and Note 38)	**98**	192
	4,779	8,299

(b) Loans from related parties

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Loans from shareholders/directors	**7,622**	7,824

(c) Trade receivables from associates

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Beijing Evertop	**7,876**	–
Beijing Gefei	**36**	–
	7,912	–

34 RELATED PARTY TRANSACTIONS *(continued)*

(d) Trade payables to associates

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Beijing Evertop	**8,572**	–
Beijing Gefei	**1,911**	2,542
	10,483	2,542

(e) Contract liability

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Beijing Evertop	**7,928**	–

(f) Amounts due to an associate

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Beijing Evertop	**11,236**	–

(g) Transaction with an associate

Interest expense	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Beijing Evertop	**1,281**	–

35 COMMITMENTS

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:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
No later than 1 year	**3,382**	2,421
Later than 1 year and no later than 2 years	**2,032**	2,305
Later than 2 years and no later than 3 years	**244**	1,937
Later than 3 years	**–**	345
	5,658	7,008

36 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 (the "Client"), the end-user of the systems. The contractual claim amounting RMB6.77 million was brought by the Claimant against such subsidiary and the Client to the outstanding amount payable for the sale of the systems.

In October 2017, the court decided that the subsidiary was not liable for compensation. The Claimant then appealed to the higher people's court and brought with total claims of about RMB9.99 million against the subsidiary and the client. As at 31 December 2017, the Directors consider that the expected outcome of the legal dispute will not have a material adverse effect on the financial statements and therefore, no provision has been made.

According to the written judgement of the higher people's court in June 2018, it was decided that the subsidiary and the Client was jointly liable for the compensation and other expenses amounted to approximately RMB7.60 million. In September 2018, the Claimant and the subsidiary entered to a settlement agreement to reduce the compensation to RMB5.57 million in instalments within one year, out of which RMB2.8 million was paid as at 31 December 2018. According to the opinion of the Group's legal counsel, upon settling total compensation according to the settlement agreement, the Group has the right to ask for compensation from the Client of the same amount. As at 31 December 2018, no contingent assets regarding to the compensation receivable was recognised for prudence.

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Assets		
Non-current assets		
Investments in subsidiaries	94,749	95,069
Amount due from subsidiaries	93,050	93,050
	187,799	188,119
Current assets		
Amount due from subsidiaries	78,922	79,921
Trade and other receivables	66	16,708
Cash and cash equivalents	1	1
	78,989	96,630
Total assets	266,788	284,749
Equity		
Share capital	8,106	8,106
Share premium	265,396	265,396
Other reserve	10,790	11,110
Retained earnings	(17,610)	40
Total equity	266,682	284,652
Liabilities		
Current liabilities		
Trade and other payables	106	97
Total equity and liabilities	266,788	284,749

The balance sheet of the Company was approved by the Board of Directors on 29 March 2019 and was signed on its behalf

Lo Chi Sum
Chairman

Leung Wing Fai
Executive Director

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(continued)

Income statement of the Company

	Year ended 31 December	
	2018 **RMB'000**	2017 RMB'000
Revenue	–	–
Cost of sales	–	–
Gross profit	–	–
Administrative expenses	(17,650)	(779)
Other gains — net	–	8,313
Operating (loss)/profit	(17,650)	7,534
Finance income	–	–
Finance costs — net	–	–
(Loss)/Profit before income tax	(17,650)	7,534
Income tax expense	–	–
(Loss)/Profit for the year	(17,650)	7,534

Reserve movement of the Company

	Retained earnings RMB'000	**Other reserves** RMB'000
Balance at 1 January 2017	(2,181)	8,567
Profit for the year	7,534	–
Dividends relating to 2016	(5,313)	–
Employee share option and share award scheme	–	2,543
Balance at 31 December 2017	40	11,110
Balance at 1 January 2018	40	11,110
Profit for the year	(17,650)	–
Share option reserve	–	(320)
Currency translation difference	–	
Balance at 31 December 2018	**(17,610)**	**10,790**

38 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 ended 31 December 2018

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
Chairman chief executive officer and executive director						
Mr. Lo Chi Sum	–	1,599	406	15	–	2,020
Executive directors	–					
Mr. Leung Wing Fai	–	799	203	15	–	1,017
Mr. Wong Kwok Fai	–	799	68	15	98	980
Independent non-executive directors						
Dr. Ng Chi Yeung, Simon	–	254	–	–	–	254
Mr. Hung Muk Ming	–	254	–	–	–	254
Mr. Mak Kwok Wing	–	254	–	–	–	254

Year end 31 December 2017

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
Chairman chief executive officer and executive director						
Mr. Lo Chi Sum	–	1,660	–	16	–	1,676
Executive directors						
Mr. Zhou Jue	–	214	–	27	48	289
Mr. Huang He	–	214	–	20	48	282
Mr. Sun Qingjun	–	214	–	27	48	289
Mr. Geng Liang	–	208	35	4	48	295
Mr. Leung Wing Fai	–	832	–	16	–	848
Mr. Wong Kwok Fai	–	623	119	12	–	754
Independent non-executive directors						
Dr. Ng Chi Yeung, Simon	–	259	–	–	–	259
Mr. Hung Muk Ming	–	259	–	–	–	259
Mr. Mak Kwok Wing	–	259	–	–	–	259

38 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(a) Directors' emoluments *(continued)*

Mr. Sun Qingjun, Mr. Zhou Jue, Mr. Huang He, and Mr. Geng Liang ceased to be executive directors with effect from 12 March 2017. Mr. Wong Kwok Fai has been appointed as an executive director with effect from 12 March 2017.

For the year ended 31 December 2018, the five individuals whose emoluments were the highest in the Group include 3 directors (2017: 5 directors) whose emoluments are reflected in the analysis presented above.

(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 (2017: nil).

(c) Directors' termination benefits

No termination on the appointment of director and chief executive of the Company and certain subsidiaries occurred in 2018, thus no related termination benefits was paid.

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

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

FIVE YEARS' FINANCIAL SUMMARY

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

	Year Ended 31 December				
	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Results					
Revenue	**298,704**	543,165	662,888	623,432	748,535
Cost of sales	**(237,579)**	(378,656)	(467,616)	(440,488)	(517,583)
Gross profit					
Selling expenses	**(25,465)**	(31,193)	(35,477)	(34,685)	(32,567)
Administrative expenses	**(96,737)**	(272,723)	(93,103)	(85,847)	(78,051)
Other income	**53,997**	9,627	4,820	3,503	(821)
Operating profit	**(7,080)**	(129,780)	71,512	65,915	119,513
Finance income	**277**	193	3,998	159	925
Finance costs	**(19,225)**	(16,591)	(16,797)	(8,859)	(8,298)
Finance costs — net	**(18,948)**	(16,398)	(12,799)	(8,700)	(7,373)
Share of (loss)/profit of investments accounted for using the equity method	**(4,618)**	2,618	2,715	(38)	–
(Loss)/profit before income tax	**(30,646)**	(143,560)	61,428	57,177	112,140
Income tax expense	**(8,156)**	(2,575)	(8,881)	(7,090)	(15,087)
(Loss)/profit for the year	**(35,645)**	(146,135)	52,547	50,087	97,053
Earnings Per Share					
Basic (RMB)	**(3.47)**	(14.57)	5.07	5.01	11.14
Diluted (RMB)	**(3.47)**	(14.57)	5.07	5.01	11.14
Assets and Liabilities					
Total Assets	**738,324**	880,540	1,167,940	825,476	733,650
Total Liabilities	**471,044**	552,445	692,623	414,103	348,065
Total Equity	**267,280**	328,095	475,317	411,373	385,585