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

2019 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)*
Mr. Geng Liang (耿亮) *(appointed on 3 June 2019)*
Mr. Zheng Yi (鄭藝) *(appointed on 16 September 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)*
Mr. Geng Liang *(appointed on 3 June 2019)*
Mr. Zheng Yi *(appointed on 16 September 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 910, 9/F
Tins Enterprises Centre
777 Lai Chi Kok Road
Cheung Sha Wan
Kowloon
Hong Kong

JOINT AUDITORS

Mazars CPA Limited and LKY China

LEGAL ADVISERS TO THE COMPANY AS TO HONG KONG LAW

Chiu & Partners

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 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

STOCK CODE

1450

WEBSITE AND CONTACT

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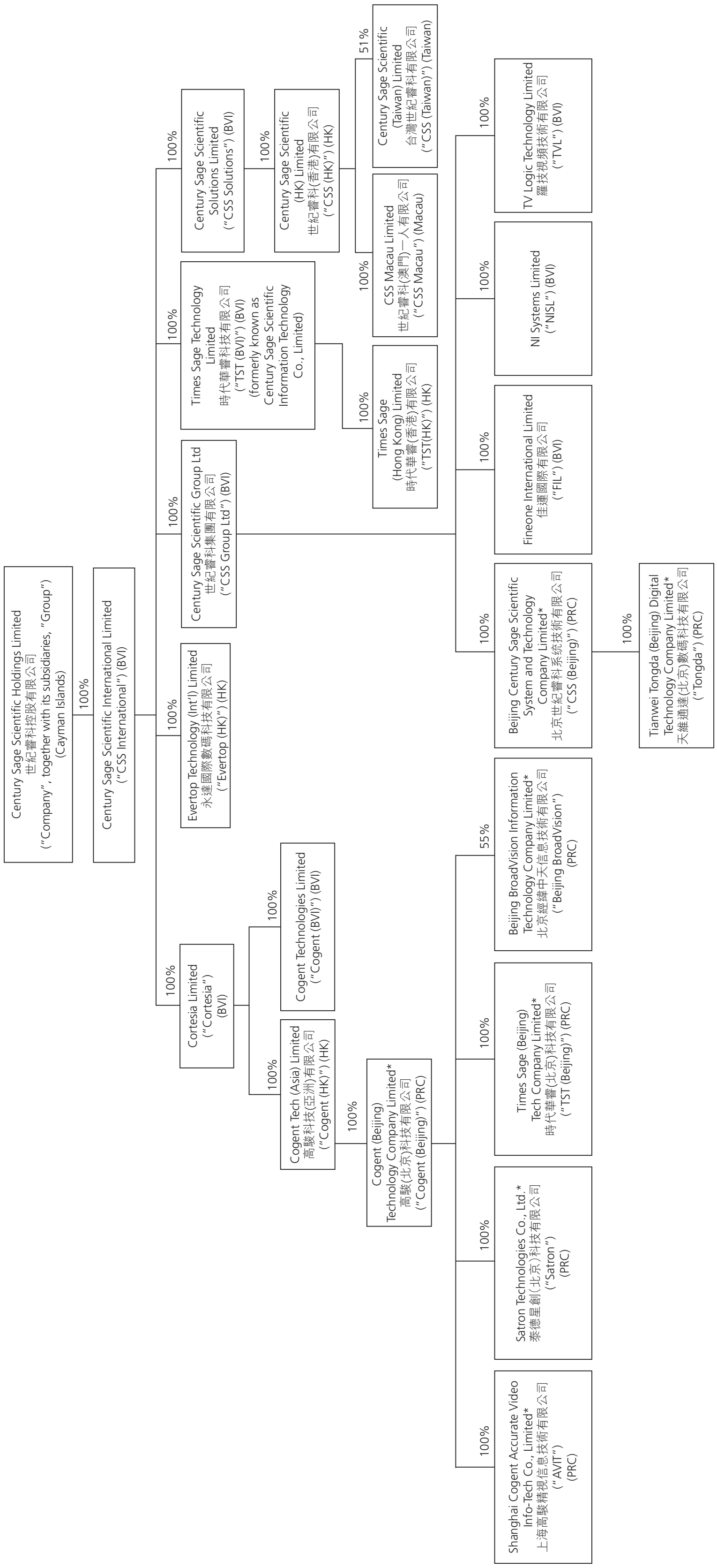

Century Sage Scientific Holdings Limited 世紀睿科控股有限公司 ("Company", together with its subsidiaries, "Group") (Cayman Islands)
100%
Century Sage Scientific International Limited ("CSS International") (BVI)
100%
Cortesia Limited ("Cortesia") (BVI)
100%
Cogent Technologies Limited ("Cogent (BVI)") (BVI)
100%
Cogent Tech (Asia) Limited 高駿科技(亞洲)有限公司 ("Cogent (HK)") (HK)
100%
Cogent (Beijing) Technology Company Limited* 高駿(北京)科技有限公司 ("Cogent (Beijing)") (PRC)
100%
Shanghai Cogent Accurate Video Info-Tech Co., Limited* 上海高駿精視信息技術有限公司 ("AVIT") (PRC)
100%
Satron Technologies Co., Ltd.* 泰德星創(北京)科技有限公司 ("Satron") (PRC)
100%
Times Sage (Beijing) Tech Company Limited* 時代華睿(北京)科技有限公司 ("TST (Beijing)") (PRC)
55%
Beijing BroadVision Information Technology Company Limited* 北京經緯中天信息技術有限公司 ("Beijing BroadVision") (PRC)
100%
Evertop Technology (Int'l) Limited 永達國際數碼科技有限公司 ("Evertop (HK)") (HK)
100%
Century Sage Scientific Group Ltd 世紀睿科集團有限公司 ("CSS Group Ltd") (BVI)
100%
Beijing Century Sage Scientific System and Technology Company Limited* 北京世紀睿科系統技術有限公司 ("CSS (Beijing)") (PRC)
100%
Tianwei Tongda (Beijing) Digital Technology Company Limited* 天維通達(北京)數碼科技有限公司 ("Tongda") (PRC)
100%
Fineone International Limited 佳運國際有限公司 ("FIL") (BVI)
100%
NI Systems Limited ("NISL") (BVI)
100%
TV Logic Technology Limited 羅技視頻技術有限公司 ("TVL") (BVI)
100%
Times Sage Technology Limited 時代華睿科技有限公司 ("TST (BVI)") (BVI) (formerly known as Century Sage Scientific Information Technology Co., Limited)
100%
Times Sage (Hong Kong) Limited 時代華睿(香港)有限公司 ("TST(HK)") (HK)
100%
CSS Macau Limited 世紀睿科(澳門)一人有限公司 ("CSS Macau") (Macau)
100%
Century Sage Scientific Solutions Limited ("CSS Solutions") (BVI)
100%
Century Sage Scientific (HK) Limited 世紀睿科(香港)有限公司 ("CSS (HK)") (HK)
51%
Century Sage Scientific (Taiwan) Limited 台灣世紀睿科有限公司 ("CSS (Taiwan)") (Taiwan)

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 2019 (the "**Current Period**" or "**Reporting Period**").

2019 was yet another year filled with uncertainties. In 2019, the world continued to experience an economic downturn, due to evolving complicated conditions, including the intensifying trade tension, combination of downward pressure and negative factors, emerging unilateralism and protectionism, escalating trade frictions, together with the outbreak of coronavirus disease 2019 ("**COVID-19**") which subsequently became a global health risk and led to an overall erosion in market sentiment.

The 5G era unfolded in the beginning of 2019 and China has entered into a critical period of 5G network construction. 5G has brought media live broadcasting into the high definition era. In addition to 5G, new technologies including 4K/ultra-high-definition ("**UHD**"), artificial intelligence and cloud computing also reshape the value chain, help transform the old and new growth driving forces, and give rise to new driving forces for the all-media industry. The Group has long commenced the related research and development projects and thus the Board believes that along with the rapid development of new technologies, fresh impetus and unprecedented opportunities will be brought to the Group's further development.

However, the outbreak of COVID-19 has brought about additional uncertainties in the Group's operating environment in China. As far as the Group's businesses are concerned, the outbreak has caused operational delays to some extent. The Group has put in place contingency measures to lower the impact from the outbreak. The situation remains fluid at this stage and thus overall, the Directors remain cautious for the year 2020.

APPRECIATION

I would like to express my heartfelt appreciation to our partners, customers and shareholders for their support on behalf of the Board. I would also like to thank the management team and all our staff for their contribution to the development of the Group over the past year. I believe that the unity and unremitting efforts will enable the Group to achieve great accomplishment and new height in its business in the future!

Lo Chi Sum
Chairman

22 April 2020

BUSINESS REVIEW

In recent years, the current technology advancements including UHD, 5G and cloud computing technologies have reshaped many sectors and industries. During the Reporting Period, the China government had put forward a series of favourable policies of the all-media industry. On 1 March 2019, the Ministry of Industry and Information Technology, the National Radio and Television Administration ("**NRTA**"), 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)》) (the "**Plan**"), which implicated that the market spending for 4K UHD will exceed RMB4 trillion by the year of 2022 (both professional and consumer ends inclusive). The Plan also strongly emphasised the support to local engineered products manufactured by local research and development ("**R&D**") companies rather than imported products. Besides, on 19 August 2019, the NRTA also promulgated "The Advice to Promote the High Quality Development of the Broadcasting and Online Audio-visual Industry" (《關於推動廣播電視和網絡視聽產業高質量發展之意見》), which emphasised speeding up and promoting the deployment and application of big data, cloud computing, artificial intelligence, 5G and other new generation information technologies in the audio-visual industry.

For the Reporting Period, the Group has been engaged with China Media Group to co-invest in the R&D project for the feasibility study of adopting China local technology for the 4K UHD deployment. The Group has also been providing all-media solutions and self-developed products to several remarkable projects, such as the grand celebration of the 70th Anniversary of the Founding of the PRC, the Military World Games held in Wuhan in October 2019, etc..

Cogent (Beijing) Technology Company Limited* (高駿(北京)科技有限公司) ("**Cogent**"), the Group's indirect wholly-owned subsidiary which is mainly engaged in R&D of self-developed products, has acted as the first-tier ecosystem partner with the China United Network Communications Group Co., Ltd.* (中國聯合網絡通信集團有限公司) ("**China Unicom**") during the Reporting Period, together with Huawei, Foxconn and Alicloud. Cogent has been working closely with its business partners such as China Unicom and Huawei to pioneer the co-development of 5G UHD solutions.

* *The official names are in Chinese and the English names are translated for identification purpose only.*

FINANCIAL REVIEW

Revenue

Based on the financial information, the Group's revenue decreased by approximately 36.1% to RMB191.0 million (2018: RMB298.7 million from continuing operations). The decrease was due to the downturn trend of the overall market environment and the fact that some all-media projects adopting new technologies including 4K, conversion to IP, virtualisation and cloud computing are still under development. The application solutions segment decreased by approximately 39.7% while the sales of self-developed products segment decreased by approximately 35.6%. The table below sets out the Group's segment revenue for the year ended 31 December 2018 and 2019 respectively:

	For the year ended 31 December			
	2019		2018	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Segment revenue				
Application solutions	**148,761**	**77.9%**	246,674	82.6%
System maintenance services	**17,228**	**9.0%**	13,143	4.4%
Sales of self-developed products	**25,041**	**13.1%**	38,887	13.0%
Total	**191,030**	**100.0%**	298,704	100.0%

Application solutions

Revenue generated by the Group's application solutions business segment represented approximately 82.6% and 77.9% of the total revenue of the Group for the Corresponding Period and the Reporting Period, respectively. Such revenue has decreased from approximately RMB246.7 million for the Corresponding Period to approximately RMB148.8 million for the Reporting 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 Reporting 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 4.4% and 9.0% of the total revenue of the Group for the Corresponding Period and the Reporting Period, respectively, and increased from approximately RMB13.1 million for the Corresponding Period to approximately RMB17.2 million for the Reporting Period, representing an increase of approximately 31.3%. Such increase was mainly attributable to the increase in demand for onsite support services during the Reporting Period.

Sales of self-developed products

Revenue from the sales of self-developed products business segment represented approximately 13.0% and 13.1% of the total revenue of the Group for the Corresponding Period and the Reporting Period, respectively and decreased from approximately RMB38.9 million for the Corresponding Period to approximately RMB25.0 million for the Reporting Period, representing a decrease of approximately 35.7%. 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 40.0% from approximately RMB237.6 million for the Corresponding Period to approximately RMB142.4 million for the Reporting Period. The decrease was mainly attributable to the decrease in the overall business volume of the Group during the Reporting Period. The following table sets forth the cost of sales for each business segment of the Group for the year ended 31 December 2018 and 2019 respectively:

	For the year ended 31 December			
	2019		2018	
	RMB'000	% of total cost	RMB'000	% of total cost
Segment cost of sales				
Application solutions	130,180	91.4%	218,624	92.0%
System maintenance services	7,400	5.2%	5,387	2.3%
Sales of self-developed products	4,863	3.4%	13,568	5.7%
Total	142,443	100.0%	237,579	100.0%

Gross profit and gross profit margin

The Group's gross profit was approximately RMB61.1 million and approximately RMB48.6 million for the Corresponding Period and the Reporting Period, respectively, representing a decrease of approximately 20.5%. The Group's gross profit margin was approximately 20.5% and approximately 25.4% for the Corresponding Period and the Reporting Period, 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 2018 and 2019 respectively:

	For the year ended 31 December			
	2019		2018	
	RMB'000	% of Gross profit margin	RMB'000	% of Gross profit margin
Segment gross profit and gross profit margin				
Application solutions	18,581	12.5%	28,050	11.4%
System maintenance services	9,828	57.0%	7,756	59.0%
Sales of self-developed products	20,178	80.6%	25,319	65.1%
Total	48,587	25.4%	61,125	20.5%

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 33.8% from approximately RMB28.1 million for the Corresponding Period to approximately RMB18.6 million for the Reporting Period. The gross profit margin increased from approximately 11.4% for the Corresponding Period to approximately 12.5% for the Reporting Period. The increase 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 Reporting Period, many of the projects recognised are with relatively more mature technology. Therefore, the Group has better control of the cost in these projects where the gross profit margin was higher. 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 all-IP system project of the China Media Group, the 4K UHD broadcasting vehicle project, etc. These enable the Group to gain leading edge know-how and charge a premium when the new technology projects are launched.

System maintenance services

The Group's gross profit from system maintenance services business segment increased by approximately 26.7% from approximately RMB7.8 million for the Corresponding Period to approximately RMB9.8 million for the Reporting Period. The gross profit margin of this segment decreased slightly from approximately 59.0% for the Corresponding Period to approximately 57.0% for the Reporting 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 20.3% from approximately RMB25.3 million for the Corresponding Period to approximately RMB20.2 million for the Reporting Period. The gross profit margin of this segment increased from approximately 65.1% for the Corresponding Period to approximately 80.6% for the Reporting Period. The increase in gross profit margin is due to the effective control of cost of sales of sales of self-developed products business segments. The Group believes that the 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 Sports Culture Meida Co., Ltd.* (北京永達天恒體育文化傳媒有限公司) ("**Beijing Evertop**"). Beijing Evertop was established in May 2011 and its 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 as at 31 December 2018. The Group's retained 45% equity interest in Beijing Evertop which 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 RMB54.0 million and RMB4.7 million for the Corresponding Period and the Reporting Period, respectively. Such decrease was mainly due to one-off other gains of an aggregate of RMB52.8 million from disposal of interests in a subsidiary and an associated company in the Corresponding Period.

Selling and administrative expenses

Selling expenses decreased by approximately 21.8% from approximately RMB25.5 million for the Corresponding Period to approximately RMB19.9 million for the Reporting 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 increased by approximately 14.8% from approximately RMB96.7 million for the Corresponding Period to approximately RMB111.1 million for the Reporting Period. During the Corresponding Period, there was a provision for impairment of prepayment for acquisition of a subsidiary amounted to approximately RMB16.9 million and provision for inventory obsolescence amounted to approximately RMB1.1 million respectively. During the Reporting Period, there was a provision for inventory obsolescence amounted to approximately RMB30.8 million. Therefore, netting off the effect of provision in both periods, the adjusted administrative expenses increased by approximately 2.0% from approximately RMB78.7 million to approximately RMB80.3 million for the Reporting Period.

Finance costs

Net finance costs decreased by approximately 10.0% from approximately RMB18.9 million for the Corresponding Period to approximately RMB17.0 million for the Reporting Period. The decrease was mainly attributable to the net foreign exchange loss of approximately RMB0.4 million during the Reporting Period compared to a net foreign exchange gain of approximately RMB3.9 million during the Corresponding Period.

Income tax expenses

Income tax expenses amounted to approximately RMB8.2 million and income tax credit amounted to approximately RMB2.9 million for the Corresponding Period and the Reporting Period, respectively. The loss before income tax of the Group was approximately RMB30.6 million and approximately RMB91.5 million for the Corresponding Period and the Reporting Period, respectively. The income tax credit for the Reporting Period mainly arose from the over-provision of tax expenses in prior year of approximately RMB3.0 million.

Loss for the Reporting Period

As a result of the foregoing factors, the loss attributable to owners of the Company was increased by approximately 137.9% from a loss of approximately RMB35.4 million for the Corresponding Period to a loss of approximately RMB84.3 million for the Reporting Period.

Liquidity, financial resources and capital structure

Net cash used in the Group's operating activities amounted to approximately RMB2.5 million for the Reporting Period while net cash generated from operating activities amounted to approximately RMB68.9 million for the Corresponding Period.

Net cash used in the Group's investing activities amounted to approximately RMB2.2 million for the Reporting Period while the net cash generated from the Group's investing activities amounted to approximately RMB20.9 million for the Corresponding Period.

Net cash used in the Group's financing activities amounted to approximately RMB47.8 million for the Reporting Period while the net cash used in the Group's financing activities amounted to approximately RMB84.2 million for the Corresponding Period.

As at 31 December 2019, the Group had current assets of approximately RMB338.6 million (as at 31 December 2018: approximately RMB511.8 million) and current liabilities of approximately RMB309.9 million (as at 31 December 2018: approximately RMB460.5 million). The current ratio (which is calculated by dividing current assets by current liabilities) decreased to approximately 1.09 as at 31 December 2019 from approximately 1.11 as at 31 December 2018.

Foreign exchange exposure

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar ("**USD**") and Hong Kong Dollar ("**HKD**"). 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 Reporting 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 2019, (i) bank borrowings of RMB50,000,000 (2018: RMB25,000,000) was secured by the buildings with carrying amount of RMB32,921,000 (2018: the buildings with carrying amount of RMB22,695,000 and trade receivables of RMB25,750,000); (ii) bank borrowings of RMB23,164,000 (2018: RMB25,222,000) was secured by the key-man life insurance policies included in financial assets at FVPL with carrying amount of RMB48,296,000 (2018: RMB45,263,000); and (iii) other borrowings of RMB5,239,000 (2018: RMB11,879,000) was secured by inventories with carrying amount of RMB22,295,000 (2018: RMB41,583,000).

Gearing position

The gearing ratio, which represented total borrowings divided by total equity multiplied by 100%, was 67.9% and 78.6% as at 31 December 2018 and 2019, respectively. The total borrowings of the Group decreased from approximately RMB181.4 million as at 31 December 2018 to approximately RMB143.3 million as at 31 December 2019. Such decrease was mainly attributable to the net effect of proceeds from borrowings of approximately RMB102.0 million and the repayment of borrowings of approximately RMB147.3 million.

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, out of which RMB4.57 million was paid as at 31 December 2019. During the Reporting Period, a late payment penalty of RMB2.43 million was charged by the Claimant. The remaining balance has been subsequently settled in January 2020.

As at 31 December 2019, 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.

SIGNIFICANT INVESTMENTS HELD

Beijing Evertop was established in May 2011 and its equity interest was held by the Group and Wanda Sports Co., Ltd* (萬達體育有限公司) as to 45% and 55% as at the date of this annual report, respectively. As at 31 December 2019, the investment cost in Beijing Evertop was RMB34,923,000, including a goodwill of approximately RMB23,299,000 arising from the Group's investment in Beijing Evertop. Beijing Evertop is principally engaged in providing event production and broadcasting services for sports and events in the PRC.

Beijing Evertop is a private company whose quoted market price is not available. As at 31 December 2019, the carrying amounts of Beijing Evertop in the Group's consolidated financial statements by using equity method is RMB40,217,000, accounting for approximately 7.81% of the Group's total assets. During the year ended 31 December 2019, the profits contributed by Beijing Evertop was approximately RMB4,824,000. The Group did not receive any realised and unrealised gain or loss or any dividends from Beijing Evertop. In the future, the Group will implement investment strategies based on the actual funding and operation needs of Beijing Evertop.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2019 (2018: Nil).

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**");

* *The official names are in Chinese and the English names are translated for identification purpose only.*

(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 four years.

(b) Movement of the awarded Shares

During the year ended 31 December 2019, a total of 3,141,836 Shares were vested in the name of Selected Participants under the Share Award Plan. A total of 347,836 Shares were remain unvested as at 31 December 2019.

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 2019	Awarded during 2019	Vested during 2019	Lapsed/ cancelled during 2019	Outstanding as at 31 December 2019
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							
So Yun Wah*	21 August 2017	100% on 21 August 2020	100,000	–	–	100,000	–
Song Dandan	18 May 2016	100% on 18 May 2019	100,000	–	100,000	–	–
Li Jinping	18 May 2016	100% on 18 May 2019	100,000	–	100,000	–	–
Zhang Jingyuan	18 May 2016	100% on 18 May 2019	100,000	–	100,000	–	–
	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	591,344	–	147,836	295,672	147,836
Employees	18 May 2016	100% on 18 May 2019	2,870,000	–	1,970,000	900,000	–
Employees	18 September 2019	100% on 18 September 2019	–	624,000	624,000	–	–
			4,161,344	624,000	3,141,836	1,295,672	347,836

* Mr. So Yun Wah resigned during the Current Period.

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

During the Current Period, 624,000 shares were granted to the employees under the Share Award Scheme on 18 September 2019. The closing price of the Company's shares immediately before the date on which the share award was granted was HK$0.139.

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 0.71% 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 four 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.

(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

				Number of share options				
Grantee	Date of grant	Exercise price (HK$)	Outstanding as at 1 January 2019	Granted	Exercised	Cancelled	Lapsed	Outstanding as at 31 December 2019
Executive Director								
Sun Qingjun	9 April 2015	1.84	1,018,000	–	–	–	–	1,018,000
Total			1,018,000	–	–	–	–	1,018,000

2016 Scheme — Type A Options

Grantee	Date of grant	Exercise price (HK$)	Outstanding as at 1 January 2019	Number of share options: Granted	Exercised	Cancelled	Lapsed	Outstanding as at 31 December 2019
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								
So Yun Wah*	7 April 2016	0.77	678,000	–	–	–	678,000	–
Song Dandan	7 April 2016	0.77	244,000	–	–	–	–	244,000
Li Jinping	7 April 2016	0.77	294,000	–	–	–	–	294,000
Zhang Jingyuan	7 April 2016	0.77	256,000	–	–	–	–	256,000
Others								
Employees	7 April 2016	0.77	2,966,000	–	–	–	1,378,000	1,588,000
Total			6,814,000	–	–	–	2,056,000	4,758,000

* Mr. So Yun Wah resigned during the Current Period.

2017 Scheme

Grantee	Date of grant	Exercise price (HK$)	Outstanding as at 1 January 2019	Number of share options: Granted	Exercised	Cancelled	Lapsed	Outstanding as at 31 December 2019
Employees	21 August 2017	0.435	5,000,000	–	–	–	–	5,000,000
Total			5,000,000	–	–	–	–	5,000,000

2018 Scheme

Grantee	Date of grant	Exercise price (HK$)	Outstanding as at 1 January 2019	Number of share options Granted	Exercised	Cancelled	Lapsed	Outstanding as at 31 December 2019
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 Members								
So Yun Wah*	28 November 2018	0.222	2,000,000	–	–	–	2,000,000	–
Song Dandan	28 November 2018	0.222	4,000,000	–	–	–	–	4,000,000
Li Jinping	28 November 2018	0.222	4,000,000	–	–	–	–	4,000,000
Ye Yang	28 November 2018	0.222	3,000,000	–	–	–	–	3,000,000
Zhang Jingyuan	28 November 2018	0.222	1,000,000	–	–	–	–	1,000,000
Others								
Employees	28 November 2018	0.222	35,670,000	–	–	–	–	35,670,000
Total			57,670,000	–	–	–	2,000,000	55,670,000

* Mr. So Yun Wah resigned during the Current Period.

Please refer to note 2.20 for the accounting policy adopted for the share options.

FUTURE OUTLOOK

China has entered into a critical period of 5G network construction and 5G has brought media live broadcasting into the high definition era. In addition to 5G, new technologies including 4K/UHD, artificial intelligence and cloud computing will also reshape the value chain, help transform the old and new growth driving forces, and give rise to new driving forces for the all-media industry.

However, the COVID-19 outbreak has brought about additional uncertainties in the Group's operating environment in China. As far as the Group's businesses are concerned, the outbreak has caused operational delays to some extent. The Group has put in place contingency measures to lower the impact from the outbreak. The situation remains fluid at this stage and thus overall, the Directors remain cautious for the year 2020.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Lo Chi Sum (盧志森), aged 60, 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), TST(HK), 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 64.11% 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 30 years of experience in the broadcasting and television industry. Prior to the founding of the Group, Mr. Lo started his career in the industry in 1987, and he was first employed as a sales manager by Advanced Communication Equipment (International) Co., Ltd ("**ACE**"), a company which then provided, among others, audio and visual system integration services. Mr. Lo was transferred to the Taiwan office of ACE in 1989 and served as a general manager; subsequently, Mr. Lo became a director of ACE. From 2003 to 2006, Mr. Lo also took up the role of director of New Digital Technology Holdings Limited ("**NDT**"), a company which provided, among others, video system integration services. Through his extensive industry-related working experience, Mr. Lo has accumulated in-depth industry knowledge and market understanding for the all-media industry.

Mr. Leung Wing Fai (梁榮輝), aged 51, 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, TST (BVI), TST(HK), 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 5.76% 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 is a certified management accountant and has also been a professional member of the Institute of Management Accountants since April 2018.

* *For identification purposes only*

Mr. Leung has over 25 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 48, is an executive Director and a member of the Investment Committee of the Company. Mr. Wong is currently also the chief technology officer 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 and providing strategic guidelines on the technical direction of the Group. 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 was promoted as the chief technology officer of the Group in June 2019. 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 20 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 55, 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 Beijing New Digital Systems China Co., Ltd.* (北京安達斯信息技術有限公司) ("**BNDS**") (so nominated by ACE). Mr. Sun was then responsible for the daily operation, sales and market operation of BNDS.

* *For identification purposes only*

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Geng Liang (耿亮), aged 51, has been appointed as an executive Director and a member of the Investment Committee of the Company on 3 June 2019. Mr. Geng is currently the chief executive officer of Cogent (HK) and the supervisor of Satron, both of which are indirect wholly-owned subsidiaries of the Company. Mr. Geng joined the Group in April 2012 and since then he has been in charge of professional technical services of the Group in the PRC. Mr. Geng served as an executive Director from May 2013 to March 2017. Mr. Geng graduated with a bachelor's degree in engineering from Beijing Institute of Technology (北京理工大學) in July 1990, subsequently, with a master's degree in engineering from the Beijing Institute of Technology (北京理工大學) in February 1993.

Mr. Geng has over 18 years of experience in the all-media industry. Before he joined the Group, and during the period from March 2001 to May 2008, Mr. Geng was employed as a sales manager and general manager for greater China by Tandberg Television Ltd, a company which provides an advanced compression systems, on-demand and content distribution solutions; he was responsible for the sales and business development of digital TV in China. From June 2008 to December 2008, Mr. Geng joined Multimedia Solutions and Systems Integration of Ericsson (China) Communication Co Ltd., as the head of sales, responsible for sales and business development of Ericsson multimedia solution in China. From March 2009 to March 2012, Mr. Geng was employed by Ericsson Television Limited, a company which provides TV solutions and services, as vice president of Greater China, where he was responsible for sales and business development of digital TV solution.

Mr. Zheng Yi (鄭藝), aged 52, has been appointed as an executive Director and a member of the Investment Committee of the Company on 16 September 2019. Mr. Zheng graduated with a bachelor's degree in journalism from Communication University of China (中國傳媒大學) in August 1998, and a master's degree in business administration from China Europe International Business School (中歐國際工商學院) in April 2012. Mr. Zheng has over 30 years of experience in the all-media industry. Before joining the Group, Mr. Zheng had served as senior management in several broadcasting companies from July 1986 to August 2017.

Independent Non-Executive Directors ("INED")

Dr. Ng Chi Yeung, Simon (吳志揚), aged 62, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Hung Muk Ming (洪木明), aged 55, 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 from January 2013 to March 2020.

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 Holdings Group Limited (formerly known as Silver Grant International Industries Limited) (stock code: 00171) and CA Cultural Technology Group Limited (formerly known as China Animation Characters Company Limited) (stock code: 01566) and IBO Technology Company Limited (stock code: 02708).

Mr. Mak Kwok Wing (麥國榮), aged 65, 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

Ms. Song Dandan (宋丹丹), aged 38, is currently the president and a director of CSS (Beijing) and is mainly in charge of the business management and daily operation of CSS (Beijing). Ms. Song joined the Group in September 2007.

Ms. Song graduated from Jilin University (吉林大學) with a bachelor's degree in social work and administration in 2002.

Ms. Song has over 15 years of experience in the all-media industry. Before joining the Group, Ms. Song served as a sales manager of Beijing Wangdao Technology Co., Ltd.* (北京網道科技有限公司) from October 2002 to August 2004, and Ms. Song served as sales manager of BNDS from September 2004 to September 2007.

Mr. Li Jinping (李金平), aged 37, is currently the president and a director of TST (Beijing) and is mainly in charge of the business management and daily operation of TST (Beijing). Mr. Li joined the Group in October 2007. Mr. Li is also a director of Beijing BroadVision.

Mr. Li graduated from Harbin Engineering University (哈爾濱工程大學) in July 2005 with a bachelor's degree in electronic information engineering.

Mr. Li has over 15 years of experience in the all-media industry. Prior to joining the Group, Mr. Li was employed by BNDS as an engineer.

Ms. Zhang Jingyuan (張靖媛), aged 43, is currently the vice director of the human resources and administration department of the Group. Ms. Zhang joined the Group in February 2009 and since then, she is mainly in charge of the management of human resources and administration matters of the Group. Ms. Zhang is also a supervisor of Tongda and Cogent (Beijing).

Ms. Zhang graduated from Renmin University of China (中國人民大學) in October 2009 with a master's degree in human resources management.

Ms. Zhang has over 15 years of experience in human sources management. Prior to joining the Group, Ms. Zhang served as employee of Jilin Carbon Group Co., Ltd.* (吉林炭素集團有限責任公司) from July 1997 to October 2003, served as human resources ("**HR**") manager of Beijing Campus On-line Information Technology Co., Ltd.* (北京校園在線信息技術有限公司) from October 2003 to February 2005, served as HR manager of BNDT from February 2005 to February 2008 and served as HR manager of Beijing Meizhong Shuanghe Medical Equipment Co., Ltd.* (北京美中雙和醫療器械有限公司) from February 2008 to January 2009.

Ms. Ye Yang (葉陽), aged 30, is currently the assistant to the chief executive officer of the Group and the secretary to the Board. Ms. Ye is primarily responsible for the daily affairs of the Board. Ms. Ye joined the Group in August 2016. Ms. Ye is also a director of Cogent (Beijing) and a supervisor of TST (Beijing).

Ms. Ye graduated from University of International Business and Economics (對外經濟貿易大學) in June 2014 with a master's degree in international law. Ms. Ye obtained PRC legal professional qualification certificate in March 2014.

Prior to joining the Group, Ms. Ye served as a consultant of capital market of Orrick, Herrington & Sutcliffe LLP, Beijing Office from July 2014 to July 2016.

* *For identification purposes only*

Mr. So Yun Wah (蘇潤華), aged 49, was the executive vice president of CSS (Beijing) and resigned during the Reporting Period. Mr. So joined the Group in March 2009 as vice president of marketing of CSS (Beijing). He was primarily responsible for marketing development of the Group in the PRC. Mr. So was 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* (漢雅星空文化科技有限公司), 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 30 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 Chartered Governance Institute 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)
Mr. Sun Qingjun (孫清君) *(appointed with effect from 3 April 2019)*
Mr. Geng Liang (耿亮) *(appointed with effect from 3 June 2019)*
Mr. Zheng Yi (鄭藝) *(appointed with effect from 16 September 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)

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

PRINCIPAL ACTIVITIES

Please refer to note 1 to the consolidated financial statements in this annual report for details regarding the principal activities of the Group.

RESULTS AND DIVIDENDS

The Group's results for the Current Period and the state of affairs of the Company and the Group as at 31 December 2019 are set out in the accompanying consolidated financial statements.

The Directors do not recommend distribution of any final dividend for the year ended 31 December 2019 (2018: 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 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 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 Reporting 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 151 and note 27 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserves available for distribution to equity holders, comprising the share premium, accumulated losses and share option reserves, amounted to approximately RMB171.3 million (as at 31 December 2018: approximately RMB258.6 million).

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, revenue from the Group's five largest customers accounted for approximately 51.7% (2018: 49.4%) of the Group's total revenue and the revenue from the largest customer included therein accounted for approximately 19.7% (2018: 24.0%) of the Group's total revenue.

For the Reporting Period, supplies from the Group's five largest suppliers accounted for approximately 37.1% (2018: 26.3%) of the Group's total operating cost and supplies from the largest supplier included therein accounted for approximately 11.3% (2018: 6.6%) of the Group's total operating cost.

None of the Directors or any of their close associates or any shareholders of the Company (which, to the knowledge of the Directors, own more than 5% of the issued shares of the Company) had any beneficial interest in the Group's five largest customers and/or five largest suppliers for the Reporting 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 2019, the Group had a total of 223 employees (as at 31 December 2018: 261 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 2019, 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 RMB440,260 (equivalent to Nil to HKD500,000)	3
RMB440,261 to RMB880,520 (equivalent to HKD500,001 to HKD1,000,000)	2
	5

During the year ended 31 December 2019, 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 and Article 109 of the Articles, Mr. Leung Wing Fai, Mr. Geng Liang, Mr. Zheng Yi, Mr. Hung Muk Ming and Mr. Mak Kwok Wing will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting (the "**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 2019 are set out in note 39(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 Joint Auditors' Report" in this annual report.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACTS

Apart from the particulars disclosed in note 35 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 2019 or at any time during the year ended 31 December 2019 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

For the year ended 31 December 2019, 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.

For the year ended 31 December 2019, 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 2019, other than the service contracts of the Directors, there was no contract entered into by the Company relating to its management and administration or subsisting during the year under review which is substantial to the entire or any part of the business of the Group.

CONNECTED TRANSACTIONS

Details of the related party transactions of the Company for the year ended 31 December 2019 and undertaken in the usual course of business are set out in note 35 to the consolidated financial statements. None of these related party transactions constitutes a discloseable connected transaction or continuing connected transaction as defined under Chapter 14A of 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 2019 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 2019, 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)	64.11%
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)	5.76%
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)	0.64%
Mr. Sun Qingjun ("Mr. Sun")	The Company	Beneficial owner	2,036,000 Shares (L) (Note 6)	0.20%
Mr. Geng Liang ("Mr. Geng")	The Company	Beneficial owner	17,801,047 Shares (L) (Note 7)	1.71%
Dr. Ng Chi Yeung, Simon ("Dr. Ng")	The Company	Beneficial owner	1,000,000 Shares (L) (Note 8)	0.10%
Mr. Hung Muk Ming ("Mr. Hung")	The Company	Beneficial owner	1,000,000 Shares (L) (Note 8)	0.10%
Mr. Mak Kwok Wing ("Mr. Mak")	The Company	Beneficial owner	1,000,000 Shares (L) (Note 8)	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 2019.

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

As at 31 December 2019, 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)	64.11%
Future Miracle Limited	Beneficial owner	60,000,000 Shares (L) (Note 3)	5.76%
Ms. Wang Hui	Interest of spouse	60,000,000 Shares (L) (Note 4)	5.76%

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 100,000 awarded Shares granted to Mr. Wong under the Share Award Plan on 21 August 2017; and (iii) 250,000 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 include (i) the share options to subscribe for 1,018,000 Shares granted to Mr. Sun under the Share Option Scheme on 9 April 2015; and (ii) the share options to subscribe for 1,018,000 Shares granted to Mr. Sun under the Share Option Scheme on 7 April 2016. Details of the exercise price and exercise dates of the share options were set out in the section headed "Share Award Plan and Share Option Scheme" in this annual report.

7. These Shares represented an aggregate of 17,801,047 Shares issued to Mr. Geng on 20 June 2019 as part of the consideration shares for the acquisition of 100% equity interest of Satron pursuant to the equity transfer agreement dated 14 May 2019.

8. 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 2019.

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 the audited consolidated financial statements of the Group for the year ended 31 December 2019.

JOINT AUDITORS

PricewaterhouseCoopers ("PwC") resigned as the auditors of the Company with effect from 16 December 2019.

Mazars CPA Limited and LKY China were appointed as the joint auditors of the Company with effect from 16 December 2019 to fill the casual vacancy following the resignation of PwC. Mazars CPA Limited and LKY China will retire and a resolution for their re-appointment as joint 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 (2018: Nil).

In or about December 2019, the outbreak of COVID-19 emerged in Wuhan and rapidly spread throughout China. People from all walks of life and overseas Chinese were actively contributing to the fight against the virus. The Company had also arranged to purchase nearly 8,000 medical face masks and donated them to Wuhan in February 2020.

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

CHANGES IN DIRECTORS' INFORMATION

The changes in directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the interim report of the Company for the six months ended 30 June 2019 are set out below:

(1) Mr. Zheng Yi has been appointed as the executive Director with effect from 16 September 2019.

(2) Mr. Lo Chi Sum and Mr. Leung Wing Fai have been appointed as directors of TST (HK) with effect from 23 April 2019.

(3) Mr. Wong Kwok Fai has ceased to be chief solutions officer of the product and application development centre of the Group and was promoted as the chief technology officer of the Group in June 2019.

(4) Service contracts of each of Mr. Lo Chi Sum, Mr. Leung Wing Fai and Mr. Wong Kwok Fai as executive Directors have been renewed for a term of three years with effect from 12 March 2020.

(5) Mr. Hung Muk Ming has ceased to be a certified tax adviser of the Taxation Institute of Hong Kong since March 2020.

EVENTS AFTER THE CURRENT PERIOD

(a) In view of the outbreak of COVID-19 in or about December 2019 in the PRC, the PRC authority has taken national prevention and control of the COVID-19. The COVID-19 has certain impacts on the business operation and overall economy in some geographical areas or industries in the PRC. To a certain extent the outbreak might affect the production progress of TV broadcasting program and most of broadcasting events scheduled in the second half of 2020, and the extent of the impact depends on the duration of the epidemic and the implementation of regulatory policies and relevant protective measures. The Group will stay alert on the development and situation of the COVID-19, continuing to assess its impacts on the financial position and operating results of the Group and take necessary action to mitigate the business risk in the PRC.

At the date of publication of these consolidated financial statements, the Group was not able to estimate the financial impact of these events.

(b) On 20 April 2020, Cerulean Coast Limited, the controlling Shareholder (as defined under the Listing Rules) and is wholly owned by Mr. Lo, and Future Miracle Limited, a shareholder of the Company and is wholly owned by Mr. Leung, have respectively pledged 311,960,000 ordinary shares and 28,040,000 ordinary shares (collectively, the "**Pledged Shares**") in the issued share capital of the Company, in favour of an independent third party (the "**Lender**") as security for a loan facility in an aggregate amount of RMB50,000,000 provided by the Lender to the Group as general working capital. For details, please refer to the announcement of the Company published on 20 April 2020.

On behalf of the Board
Lo Chi Sum
Chairman

Hong Kong, 22 April 2020

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 2019, 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 2019.

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 2019, the Board comprised nine Directors, consisting of six 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)*
Mr. Sun Qingjun *(member of the Investment Committee)*
Mr. Geng Liang *(member of the Investment Committee)*
Mr. Zheng Yi *(member of the Investment Committee)*

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

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

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

(2) Chairman and Chief Executive Officer

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

Currently, the 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 2019, 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 2019 are summarised as follows:

Directors	Type of Training (Note)
Mr. Lo Chi Sum	A
Mr. Leung Wing Fai	A
Mr. Wong Kwok Fai	A
Mr. Sun Qingjun	A
Mr. Geng Liang	A
Mr. Zheng Yi	A
Dr. Ng Chi Yeung, Simon	A&B
Mr. Hung Muk Ming	A&B
Mr. Mak Kwok Wing	A&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 three meetings to review the audit plan, the annual financial results and report for the year ended 31 December 2018, the interim financial results and report for the six months ended 30 June 2019 and the risk management and internal control systems of the Company, and to consider and recommend to the Board on the appointment of joint auditors to fill the casual vacancy following the resignation of the Company's auditors.

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 and recommend to the Board on the service contract and remuneration package of Mr. Sun Qingjun, Mr. Geng Liang and Mr. Zheng Yi, the executive Directors appointed during the year.

(3) Nomination Committee

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

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree annually on measurable objectives for achieving diversity on the Board, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the year under review, the Nomination Committee held three meetings to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, to consider and recommend to the Board on the appointment of Mr. Sun Qingjun, Mr. Geng Liang and Mr. Zheng Yi as executive Directors, and to make recommendation on the re-election of the retiring directors at the annual general meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board in terms of age, cultural and educational background, professional experience, skills, knowledge and length of service is maintained and did not recommend any changes to the measurable objectives set for implementing diversity on the Board. For the year ended 31 December 2019, the Board has fulfilled the measurable objectives of the Board Diversity Policy. 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. A summary of the Board Diversity Policy and the Director Nomination Policy are set out below.

- *Board Diversity Policy*

  The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance and adopted a Board Diversity Policy aiming to set out the approach to achieve diversity on the Board on 13 June 2014 and amended the Board Diversity Policy on 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.

  Pursuant to the Board Diversity Policy, the Nomination Committee will discuss and agree annually measurable objectives for implementing diversity on the Board, including but not limited to gender, age, cultural and educational background, race, professional experience, skills, knowledge and length of service, and recommend them to the Board for adoption. The Nomination Committee of the Board will also ensure that recruitment and selection procedures of director candidates are appropriately structured so that a diverse range of candidates are considered by the Company. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

  The Company will review annually on its diversity, including the gender proportion of the Board, senior management and staff, and monitor the progress on achieving these diversity objectives. 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.

  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.

- *Director Nomination Policy*
  The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

  The Company adopted a Director Nomination Policy on 28 December 2018 which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

  The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

  - Character and integrity;
  - Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
  - Any measurable objective adopted to achieve diversity of the Board;
  - Requirements of Independent Non-executive Directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the Listing Rules; and
  - Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

  The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the year ended 31 December 2019, Mr. Sun Qingjun, Mr. Geng Liang and Mr. Zheng Yi was appointed as executive Directors and their selection, nomination and appointment were conducted in accordance with the Director Nomination Policy.

  The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

(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 2019.

(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 2019 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Lo Chi Sum	4/4	–	3/3	3/3	1/1
Leung Wing Fai	4/4	–	3/3	–	1/1
Wong Kwok Fai	4/4	–	–	–	1/1
Sun Qingjun(1)	3/3	–	–	–	1/1
Geng Liang(2)	2/2	–	–	–	0/0
Zheng Yi(3)	1/1	–	–	–	0/0
Ng Chi Yeung, Simon	4/4	3/3	3/3	3/3	1/1
Hung Muk Ming	4/4	3/3	3/3	3/3	1/1
Mak Kwok Wing	4/4	3/3	3/3	–	1/1

(1) Mr. Sun Qingjun was appointed as executive Director with effect from 3 April 2019.
(2) Mr. Geng Liang was appointed as executive Director with effect from 3 June 2019.
(3) Mr. Zheng Yi was appointed as executive Director with effect from 16 September 2019.

During the year ended 31 December 2019, an annual general meeting of the Company was held on 3 June 2019. 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 2019, no significant risks, or material internal control failings or weaknesses have been identified by the Board or the management.

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

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

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems. The management has reported and confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2019.

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 2019, 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 2019.

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 joint auditors of the Company about their reporting responsibilities in the consolidated financial statements is set out in the Independent Joint Auditors' Report in this annual report.

G. Auditors' Remuneration

The remuneration paid/payable to the Company's external joint auditors of the Company in respect of audit services for the year ended 31 December 2019 amounted to RMB1,500,000.

An analysis of the remuneration paid/payable to the external joint auditors of the Company, Mazars CPA Limited and LKY China, in respect of audit services and non-audit services for the year ended 31 December 2019 is set out below:

Service Category	Fees Paid/Payable (RMB)
Audit Services	
— Annual audit for the year ended 31 December 2019	1,500,000
Non-audit Services	–
TOTAL	1,500,000

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 2019.

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 910, 9/F., Tins Enterprises Centre, 777 Lai Chi Kok Road, Cheung Sha Wan, Kowloon, Hong Kong
Attention:	Board of Directors
Tel:	(852) 2370 9722
Fax:	(852) 2370 3766
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 54, 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. Policies relating to Shareholders

The Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a Dividend Policy on payment of dividends. The Company do not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

M. Company's Constitutional Documents

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

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 2019 to 31 December 2019.

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 2019 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 and 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》) and the Regulations on Control of Water Pollution in Beijing (《北京市水污染防止條例》). During the year 2019, 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 application solutions, system maintenance 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 2019, the Group and its offices did not generate a significant amount of hazardous and non-hazardous waste from our business activities. During the year 2019, the major source of our carbon emissions was from electricity consumption. During the year 2019, electricity-related carbon dioxide equivalent generated from our business operation was approximately 278,391 kg with an intensity of approximately 1,248 kg per employee.

In strict compliance with local laws and regulations in respect of environmental protection, during the year 2019, 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 2019, 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 2019, the total consumption in electricity of the Group was approximately 276,229 kwh representing an intensity of approximately 1,238.70 kwh per employee.

During the year 2019, 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 2019, the total consumption in water of the Group was approximately 1,538 tonnes, representing an intensity of approximately 6.90 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 2019, the Group was not aware of any material non-compliance with relevant standards, rules and regulations.

As at 31 December 2019, the Group had a total of 223 employees, whose details are set out below:

By Nature of Employment (Full Time/Internship & Part-time)	
Full Time	211
Internship & part-time	12

By Gender	
Female	65
Male	158

By Age Group	
30 and below	102
31 to 50	106
51 and above	15

Health and Safety

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

The Group provides centralised guidance and supervision on its subsidiaries' workplace health and safety in accordance with the laws and regulations of China related to occupational health and safety as well as industry standards, such as the PRC Labour Law (《中華人民共和國勞動法》). In addition, the Group defines rules about occupational health and safety by formulating various manuals for daily operations, with a view to raising the awareness about occupational safety and health among its entire staff. During the year 2019, the Group was not aware of any material non-compliance with relevant standards, rules and regulations.

During the year 2019, 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.

Going forward, the Group will continue to provide staff members with diversified professional training programs by engaging external lecturers, with a view to helping them work in a professional and efficient manner. The Group will also 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 2019, 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 2019, 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 2019, 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 2019.

Charitable Activities

In or about December 2019, the outbreak of COVID-19 emerged in Wuhan and rapidly spread throughout among China. China has taken comprehensive and stringent measures to establish a nationwide joint prevention and control system. In February 2020, the Company arranged a donation of a total of nearly 8,000 to Wuhan. People with the same determination can overcome all challenges. We firmly believe that with the concerted efforts of Chinese people and the international community, we will be able to beat the epidemic and win victory.

INDEPENDENT JOINT AUDITORS' REPORT

MAZARS

MAZARS CPA LIMITED
中審眾環（香港）會計師事務所有限公司
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5/F, Dah Sing Life Building, 99-105 Des Voeux Road,
Central, Hong Kong
香港中環德輔道中99-105號大新人壽大廈五樓

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

OPINION

We have audited the consolidated financial statements of Century Sage Scientific Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 63 to 153, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and of its financial performance and 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 (the "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 "*Joint Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 *(continued)*

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition for application solution services	
Refer to Notes 5 and 6 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 RMB148,761,000 for the year ended 31 December 2019. The sales of equipment and relevant services are highly interdependent and regarded as one performance obligation. Revenue for the application solutions is recognised at a point in time when the equipment is delivered, and the installation is completed and accepted by the customers. We have identified this area as a key audit matter due to the complexity of contract terms and the significance of the amount of the revenue recognised.	Our procedures, among others, included: — Obtaining an understanding of the controls over the revenue recognition, evaluating and testing the effectiveness of the controls; — Obtaining and reviewing major contracts of the application solution services and evaluating the accounting treatment based on major terms of the contracts, on a sample basis; — Obtaining and inspecting the acceptance reports signed by the customers as evidence for delivery of the equipment, completion of the installation and acceptance by the customers; and — Sending confirmations to major customers to confirm the amount payable to the Group as at 31 December 2019 and the revenue amount for the year then ended.

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of trade receivables *Refer to Notes 3.1(b), 4 and 19 to the consolidated financial statements* As at 31 December 2019, the Group's trade receivables amounted to approximately RMB126,508,000, net of credit loss provision for impairment of trade receivables of approximately RMB29,210,000, which accounted for 25% of the Group's total assets. 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, ageing 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 amount is significant and 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.	Our procedures, among others, included: — Understanding and evaluating the design, implementation and operating effectiveness of key internal controls which govern credit control, debt collection and estimate of expected credit losses; — Assessing, on a sample basis, whether items in the trade receivables ageing report were classified within the appropriate ageing category by comparing individual items in the report with the relevant sales invoices and completion dates of relevant projects; — Assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements; and — Inspecting subsequent cash receipts from customers relating to those balances as at 31 December 2019, on a sample basis.

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for inventories *Refer to Notes 4 and 20 to the consolidated financial statements* As at 31 December 2019, the carrying amount of inventories amounted to RMB90,756,000, net of provision for inventories of RMB35,035,000, which accounted for 18% of the Group's total assets. When the cost of inventories was higher than their net realisable value, the Group made the provision for inventories based on the difference between the cost and the net realisable value. The recognition of net realisable value involved significant accounting estimation, including estimations on expected sales volume, sales price and related costs to sell. We have identified the above matter as a key audit matter because of its significance to the consolidated financial statements and the recognition of net realisable value involved significant management judgements and estimations.	Our procedures, among others, included: — Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls relating to the identification of slow moving and obsolete inventories, monitoring inventory ageing and making relevant inventory provisions; — Evaluating the Group's inventory write-down and provision policy with reference to the requirements of the prevailing accounting standards; — Assessing whether the inventory write-downs and provisions made were consistent with the Group's inventory write-down and provision policy by recalculating the inventory write-downs and provisions based on the relevant parameters in the Group's policy; — Assessing, on a sample basis, whether items in the inventory ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with underlying documentation, which included purchase invoices, goods receipt notes and production records; and — Assessing, on a sample basis, whether inventories were stated at the lower of cost and net realisable value with reference to selling volume and prices achieved and costs to sell after year end.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in Company's 2019 annual report but does not include the consolidated financial statements and our joint auditors' 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 THOSE CHARGED WITH GOVERNANCE 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

JOINT AUDITORS' 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 a joint auditors' report that includes our opinion. This report is made 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 the consolidated financial statements.

JOINT AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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 joint auditors' 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 joint auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

We communicate with those charged with governance 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.

JOINT AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

We also provide those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our joint auditors' 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.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 22 April 2020

The engagement director of Mazars CPA Limited on the audit resulting in this independent joint auditors' report is:

She Shing Pang
Practising Certificate number: P05510

LKY China
Certified Public Accountants
Hong Kong, 22 April 2020

The engagement partner of LKY China on the audit resulting in this independent joint auditors' report is:

Yan Tat Wah, Joseph
Practising Certificate number: P01866

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	2019 RMB'000	2018 RMB'000
		Year ended 31 December	
CONTINUING OPERATIONS			
Revenue	6	**191,030**	298,704
Cost of sales	7	**(142,443)**	(237,579)
Gross profit		**48,587**	61,125
Selling expenses	7	**(19,925)**	(25,465)
Administrative expenses	7	**(111,052)**	(96,737)
Other gains, net	6	**4,688**	53,997
Operating loss		**(77,702)**	(7,080)
Finance costs, net	9	**(16,993)**	(18,948)
Share of profit (loss) of associates	11	**3,156**	(4,618)
Loss before income tax		**(91,539)**	(30,646)
Income tax credit (expense)	12	**2,895**	(8,156)
Loss from continuing operations for the year		**(88,644)**	(38,802)
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations		**–**	3,157
Loss for the year		**(88,644)**	(35,645)
Loss attributable to:			
Owners of the Company		**(84,325)**	(35,449)
Non-controlling interests		**(4,319)**	(196)
		(88,644)	(35,645)
Loss per share (expressed in RMB cents per share) — basic and diluted	13		
— From continuing operations		**(8.16)**	(3.78)
— From discontinued operations		**–**	0.31
		(8.16)	(3.47)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Loss for the year	**(88,644)**	(35,645)
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**(2,688)**	(2,018)
Total comprehensive loss for the year	**(91,332)**	(37,663)
Total comprehensive loss attributable to:		
Owners of the Company	**(87,013)**	(37,467)
Non-controlling interests	**(4,319)**	(196)
	(91,332)	(37,663)
Total comprehensive loss attributable to owners of the Company:		
From continuing operations	**(87,013)**	(40,624)
From discontinued operations	**–**	3,157
	(87,013)	(37,467)
Total comprehensive loss attributable to non-controlling interests:		
From continuing operations	**(4,319)**	(196)
From discontinued operations	**–**	–
	(4,319)	(196)

The notes on pages 69 to 153 are integral parts of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Note	2019 RMB'000	2018 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	14	**37,352**	40,112
Intangible assets	15	**43,947**	50,170
Right-of-use assets	16	**4,295**	–
Deferred income tax assets	30	**1,027**	1,229
Trade and other receivables	19	**24,809**	27,197
Financial assets at fair value through profit or loss	17	**–**	45,263
Interests in associates	11	**64,998**	61,842
Other non-current assets	18	**–**	693
Total non-current assets		**176,428**	226,506
Current assets			
Inventories	20	**90,756**	148,359
Other current assets	21	**27,933**	46,694
Trade and other receivables	19	**157,816**	255,102
Financial assets at fair value through profit or loss	17	**48,296**	–
Pledged bank deposits	22	**107**	2,211
Bank balances and cash	23	**13,670**	59,452
Total current assets		**338,578**	511,818
Total assets		**515,006**	738,324
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	25	**8,290**	8,106
Share premium	27(e)	**269,212**	265,396
Other reserves	27	**(66,164)**	(65,851)
Accumulated (losses) profits		**(40,419)**	43,906
		170,919	251,557
Non-controlling interests	10	**11,404**	15,723
Total equity		**182,323**	267,280

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
Liabilities			
Non-current liabilities			
Bank and other borrowings	28	**21,257**	9,387
Lease liabilities	16	**1,068**	–
Deferred income tax liabilities	30	**457**	1,152
Total non-current liabilities		**22,782**	10,539
Current liabilities			
Contract liabilities	24	**57,452**	89,528
Trade and other payables	29	**115,051**	185,148
Current income tax liabilities		**12,668**	13,842
Bank and other borrowings	28	**122,052**	171,987
Lease liabilities	16	**2,678**	–
Total current liabilities		**309,901**	460,505
Total liabilities		**332,683**	471,044
Total equity and liabilities		**515,006**	738,324

The notes on pages 69 to 153 are integral parts of the consolidated financial statements.

The consolidated financial statements on pages 63 to 153 were approved and authorised for issue by the Board of Directors on 22 April 2020 and signed on its behalf by

Lo Chi Sum
Chairman

Leung Wing Fai
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company						
		Share capital RMB'000	Share premium RMB'000 (Note 27(e))	Other reserves RMB'000 (Note 27)	Accumulated profits (losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 31 December 2017		8,106	265,396	(62,769)	101,443	312,176	15,919	328,095
— Change in accounting policies		–	–	–	(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
Loss for the year		–	–	–	(35,449)	(35,449)	(196)	(35,645)
Other comprehensive loss								
— currency translation differences		–	–	(2,018)	–	(2,018)	–	(2,018)
Total comprehensive loss		–	–	(2,018)	(35,449)	(37,467)	(196)	(37,663)
Transactions with owners								
Changes in ownership interests								
Disposal of subsidiaries		–	–	(744)	–	(744)	–	(744)
Contributions and distributions								
Employee share option and share award scheme — value of employee services		–	–	(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
Balance as at 1 January 2019		**8,106**	**265,396**	**(65,851)**	**43,906**	**251,557**	**15,723**	**267,280**
Loss for the year		**–**	**–**	**–**	**(84,325)**	**(84,325)**	**(4,319)**	**(88,644)**
Other comprehensive loss								
— currency translation differences		**–**	**–**	**(2,688)**	**–**	**(2,688)**	**–**	**(2,688)**
Total comprehensive loss		**–**	**–**	**(2,688)**	**(84,325)**	**(87,013)**	**(4,319)**	**(91,332)**
Transactions with owners								
Contributions and distributions								
Issue of new shares for acquisition of a subsidiary	32	**184**	**3,816**	**–**	**–**	**4,000**	**–**	**4,000**
Employee share option and share award scheme — value of employee services	26	**–**	**–**	**2,375**	**–**	**2,375**	**–**	**2,375**
Total transaction with owners		**184**	**3,816**	**2,375**	**–**	**6,375**	**–**	**6,375**
Balance at 31 December 2019		**8,290**	**269,212**	**(66,164)**	**(40,419)**	**170,919**	**11,404**	**182,323**

The notes on pages 69 to 153 are integral parts of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES			
Cash generated from operations	34(a)	**12,272**	86,498
Interest received		**41**	–
Interest paid		**(16,036)**	(15,140)
Income tax refunded (paid)		**1,246**	(2,466)
Net cash (used in) generated from operating activities		**(2,477)**	68,892
INVESTING ACTIVITIES			
Acquisition of a subsidiary, net of cash acquired	32	**(588)**	–
Purchases of property, plant and equipment		**(1,928)**	(6,553)
Decrease (Increase) in pledged deposits		**2,104**	(1,196)
Purchase of intangible assets		**(2,304)**	(3,170)
Proceeds from sale of property, plant and equipment		**477**	2,752
Proceeds from disposal of interests in an associate		**–**	9,149
Proceeds from disposal of interests in subsidiary		**–**	19,964
Net cash (used in) generated from investing activities		**(2,239)**	20,946
FINANCING ACTIVITIES			
Proceeds from bank and other borrowings	34(b)	**102,061**	78,600
Repayments of bank and other borrowings	34(b)	**(147,330)**	(162,807)
Interest of lease liabilities		**(243)**	–
Repayment of lease liabilities	34(b)	**(2,315)**	–
Net cash used in financing activities		**(47,827)**	(84,207)
Net (decrease) increase in cash and cash equivalents		**(52,543)**	5,631
Cash and cash equivalents at beginning of year		**59,452**	57,986
Effect of foreign exchange rate changes		**(443)**	(4,165)
Cash and cash equivalents at end of the year	23	**6,466**	59,452

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 (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The ultimate holding company of the Company is Cerulean Coast Limited, which owns 64.11% (2018: 65.42%) of the Company's issued shares as at 31 December 2019. The ultimate controlling party of the Group is Mr. Lo Chi Sum.

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 (together 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 People's Republic of China (the "PRC"). The Group has operations mainly in the PRC.

These consolidated financial statements are presented in Renminbi ("RMB") and rounded to the nearest thousand ("000"), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

The preparation of consolidated financial statements in conformity with HKFRSs 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.

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for contingent consideration receivable and financial assets at fair value through profit or loss ("FVPL"), which are measured at fair value as explained in the accounting policies set out below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(c) New and amended standards adopted by the Group

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2018 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year:

Annual Improvements to HKFRSs	2015–2017 Cycle
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Employee Benefits
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases

Except for HKFRS 16 as described in Note 2.2 below, the adoption of the above new/revised HKFRSs does not have any significant impact on the consolidated financial statements.

(d) New standards and interpretations not yet adopted

Amendments to HKASs 1 and 8	Definition of Material [1]
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform [1]
Amendments to HKFRS 3	Definition of a Business [2]
HKFRS 17	Insurance Contracts [3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]

[1] Effective for annual periods beginning on or after 1 January 2020

[2] Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020

[3] Effective for annual periods beginning on or after 1 January 2021

[4] The effective date to be determined

The Group is in the process of making a detailed assessment of the possible impact on the future adoption of the new/revised HKFRSs. So far the management is of the opinion that the adoption of the new/revised HKFRSs will not have any significant impact on the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies and disclosures

Adoption of HKFRS 16

HKFRS 16 replaces HKAS 17 and related interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Group has applied HKFRS 16 for the first time at 1 January 2019 (i.e. the date of initial application, the "DIA") using the modified retrospective approach in which comparative information has not been restated. Instead, the Group recognised the cumulative effect of initially applying HKFRS 16 as an adjustment to the balance of accumulated profits or other component of equity, where appropriate, at the DIA.

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying HKFRS 16.

As lessee

Before the adoption of HKFRS 16, lease contracts were classified as operating lease or finance lease in accordance with the Group's accounting policies applicable prior to the DIA.

Upon adoption of HKFRS 16, the Group accounted for the leases in accordance with the transition provisions of HKFRS 16 and the Group's accounting policies applicable from the DIA.

As lessee — leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA, except for leases for which the underlying asset is of low value, and the Group applied the following practical expedients on a lease-by-lease basis:

(a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;

(b) adjusted the right-of-use assets at the DIA by the provision for onerous leases recognised immediately before the DIA by applying HKAS 37, as an alternative to performing an impairment review at the DIA;

(c) did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA;

(d) excluded initial direct costs from the measurement of the right-of-use assets at the DIA; and

(e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Adoption of HKFRS 16 *(continued)*

As lessee — leases previously classified as operating leases (continued)

At the DIA, right-of-use assets were, on a lease-by-lease basis, measured at either,

(a) their carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the DIA; or

(b) an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the DIA. The weighted average incremental borrowing rate applied to the lease liabilities at the DIA is 5.32%.

Reconciliation of operating lease commitments disclosed applying HKAS 17 at 31 December 2018 and lease liabilities recognised at the DIA is as follows:

	RMB'000
Operating lease commitments at 31 December 2018	5,658
Discounted using the lessee's incremental borrowing rate at the DIA	5,404
Less:	
Short-term leases with remaining lease term ending on or before 31 December 2019	(2,571)
Lease liabilities at 1 January 2019	2,833

At the DIA, all right-of-use assets were presented within the line item "right-of-use assets" on the consolidated statement of financial position. Besides, lease liabilities were shown separately on the consolidated statement of financial position.

The financial impacts for the initial adoption of HKFRS 16 are as follows:

	31 December 2018 RMB'000	Reclassification RMB'000	Adjustments RMB'000	1 January 2019 RMB'000
Assets				
Right-of-use assets	–	693	2,833	3,526
Other non-current assets	693	(693)	–	–
Liabilities				
Lease liabilities	–	–	(2,833)	(2,833)
	693	–	–	693

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Principles of consolidation and equity accounting

(i) Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and all of its 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. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control. 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).

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are presented, separately from owners of the Company, in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by HKFRSs.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

Goodwill arising on an acquisition of an associate is measured as the excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the acquired associate. Such goodwill is included in interests in associates. On the other hand, any excess of the Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately in profit or loss as an income.

The Group determines at each reporting date whether there is any objective evidence that the interests in associates are impaired. If this is the case, the Group calculates the amount of impairment as the excess of the carrying value of the associate over its recoverable amount. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

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 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 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.

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as equity transactions. 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 re-measured 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 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 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) Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the Company and the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(vi) 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 statement of profit or loss. 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 statement of profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

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 re-measured 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 re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Separate financial statements

Investments in subsidiaries are accounted by the Company for at cost less impairment. Cost also includes direct attributable costs of investment. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss within "finance cost". All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss 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 have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(2) income and expenses for each statement of profit or loss 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, 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, fixtures and 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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in consolidated statement of profit or loss in the period in which the item is derecognised.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Intangible assets *(continued)*

(i) Goodwill *(continued)*

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 ("VIU") 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 relationships	5–7 years
Technical know-how	5 years
Development costs	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 VIU. 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 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

The Group classifies its financial assets in the following measurement categories:

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

- those to be measured at amortised cost.

The classification depends on the Group'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

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis. A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

(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 included in administrative expenses 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 included in administrative expenses 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 consolidated statement of profit or loss as applicable.

(iv) Impairment

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 which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1(b) for further detail.

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, labour costs, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.14 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts (if any).

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 share premium 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. Trade payables 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 Borrowing costs

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

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

2.18 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Current and deferred income tax *(continued)*

(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.

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 assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries and associates where the Group 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.

2.19 Employee benefits

(i) 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.

(ii) Employee leaves 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 end of the reporting period.

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. When the options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits (losses).

Share Award Plan

The share award plan is administered by the trustee of the share award plan, 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 are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2.22 Revenue recognition

Revenue comprises 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. 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 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 enforceable 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)*

(i) 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 interdependent 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.

(ii) 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.

(iii) Sales of self-developed products

The Group sells self-developed equipment 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.

2.24 Leases

Applicable from 1 January 2019

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.24 Leases *(continued)*

Applicable from 1 January 2019 *(continued)*

As lessee (continued)

The right-of-use asset is initially measured at cost, which comprises

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is re-measured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is re-measured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group re-measures the lease liability using a revised discount rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.24 Leases *(continued)*

Applicable from 1 January 2019 *(continued)*

As lessee (continued)

The Group recognises the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the re-measurement in profit or loss.

A lease modification is accounted for as a separate lease if

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.

(b) the Group determines the lease term of the modified contract.

(c) the Group re-measures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the re-measurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss.

(e) for all other lease modifications, the Group accounts for the re-measurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

Applicable before 1 January 2019

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. 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.

2.25 Dividend distribution

Dividend distribution to the Company's ordinary 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.27 Contract assets and contract liabilities

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

For the business of application solutions, it is common for the Group to receive from the customer the whole or some of the contractual payments before the services are completed or when the goods are delivered (i.e. the timing of revenue recognition for such transactions). The Group recognises a contract liability until it is recognised as revenue. During that period, any significant financing components, if applicable, will be included in the contract liability and will be expensed as accrued unless the interest expense is eligible for capitalisation.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and 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. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks.

(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 ("USD") and Hong Kong Dollar ("HKD"). 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 equipment from all over the world and the management control the payment schedule to reduce the foreign exchange risk.

At 31 December 2019, if USD and HKD had weakened/strengthened by 5% (2018: 5%) against the RMB with all other variables held constant, loss before taxation for the year would have changed mainly as a result of foreign exchange gains/losses on translation of USD/HKD bank balances and cash, trade and other receivables, trade and other payables and bank and other borrowings denominated in USD and HKD.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign exchange risk (continued)

	2019 RMB'000	2018 RMB'000
Increase (decrease) in loss before taxation for the year		
Weakened 5% (2018: 5%)		
— USD	**(2,601)**	(1,093)
— HKD	**(668)**	(1,171)
Strengthened 5% (2018: 5%)		
— USD	**2,601**	1,093
— HKD	**668**	1,171

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes in foreign currency represent management's assessment of reasonably possible changes in foreign exchange rates over the year until the end of the next annual reporting period.

(ii) Interest rate risk

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

The Group's interest rate risk arises from bank and other borrowings with variable interest rates. Borrowings 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 2019, if the interest rate on all bank and other borrowings had been 100 basis points (2018: 100 basis points) higher/lower with all other variables held constant, the Group's loss before tax for the year would have been increased/decreased by approximately RMB932,000 (2018: RMB1,420,000).

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

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

The credit risk of bank balances is limited because the counterparties are banks with good reputation and most of them are the state-owned banks in the PRC or licensed banks in Hong Kong.

As at 31 December 2019, there were five customers contributed over 46% (2018: 37%) of the Group's total trade and other receivables.

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:

	2019 **RMB'000**	2018 RMB'000
Bank balances and cash	**13,670**	59,452
Trade receivables	**126,508**	225,502
Other receivables excluding prepayments	**52,784**	56,797
Pledged bank deposits	**107**	2,211
	193,069	343,962

(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 assesses 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 ("ECLs") on a timely basis. In calculating the ECL rates, The Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets

Trade receivables and other receivables are subject to the ECL 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 ECLs 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 months at the end of the reporting period 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 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.

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 48 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 consolidated statement of profit or loss.

To measure the ECLs, trade receivables has 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.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets (continued)

31 December 2019	Less than 1 year past due	More than 1 year but less than 2 years past due	More than 2 years but less than 3 years past due	More than 3 years but less than 4 years past due	More than 4 years past due	Total
Expected loss rate	0.80%	5.50%	17.72%	27.20%	100%	18.76%
Gross carrying amount (RMB'000) — Trade receivables	50,638	37,079	31,824	20,675	15,502	155,718
Loss allowance (RMB'000) — Trade receivables	407	2,038	5,639	5,624	15,502	29,210

31 December 2018	Less than 1 year past due	More than 1 year but less than 2 years past due	More than 2 years but less than 3 years past due	More than 3 years but less than 4 years past due	More than 4 years past due	Total
Expected loss rate	0.77%	2.81%	16.27%	25.46%	100%	10.74%
Gross carrying amount (RMB'000) — Trade receivables	96,525	79,035	39,831	26,504	10,961	252,856
Loss allowance (RMB'000) — Trade receivables	746	2,219	6,480	6,748	10,961	27,154

The movements in loss allowances are summarised as follows:

	2019 RMB'000	2018 RMB'000
Opening loss allowance as at 1 January	27,154	22,088
Receivables written off during the year as uncollectible	–	3,278
Increase in loss allowance recognised in profit or loss during the year	2,056	1,788
31 December	29,210	27,154

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets (continued)

In respect of other receivables, the balances are considered to be low risk based on the past history of making payments when due and current ability to pay, and therefore the impairment provision is determined based on 12 months ECL. After applying the ECL model, the management considered that no impairment provision at the end of the reporting period.

(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.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total contractual undiscounted cash flows RMB'000	Total carrying amounts RMB'000
At 31 December 2019					
Trade and other payables (excluding non-financial liabilities)	**106,957**	**–**	**–**	**106,957**	**106,957**
Lease liabilities (including interest)	**2,689**	**1,087**	**–**	**3,776**	**3,746**
Bank and other borrowings (including interest)	**130,170**	**23,766**	**–**	**153,936**	**143,309**
	239,816	**24,853**	**–**	**264,669**	**254,012**
At 31 December 2018					
Trade and other payables (excluding non-financial liabilities)	178,492	–	–	178,492	178,492
Bank and other borrowings (including interest)	153,214	34,371	1,299	188,884	181,374
	331,706	34,371	1,299	367,376	359,866

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity.

	2019 **RMB'000**	2018 RMB'000
Bank and other borrowings	**143,309**	181,374
Lease liabilities	**3,746**	–
Total debt	**147,055**	181,374
Less: Pledged bank deposits	**(107)**	(2,211)
Less: Bank balances and cash	**(13,670)**	(59,452)
Net debt	**133,278**	119,711
Total equity	**182,323**	267,280
Gearing ratio	**73%**	45%

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation

(a) 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 consolidated 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 HKFRS 13 "*Fair Value Measurement*".

The following table presents the Group's financial assets that are measured at fair value:

	Level 1 RMB'000	**Level 2** RMB'000	**Level 3** RMB'000
As at 31 December 2019			
Contingent consideration receivable	**–**	**–**	**17,755**
Financial assets at FVPL	**–**	**–**	**48,296**
	–	**–**	**66,051**
As at 31 December 2018			
Contingent consideration receivable	–	–	17,755
Financial assets at FVPL	–	–	45,263
	–	–	63,018

There were no transfers between levels 1, 2 and 3 during the year (2018: Nil).

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

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading 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)*

(b) 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 end of the reporting 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 3.

(c) Fair value measurements using significant unobservable inputs (Level 3)

The following table presents the changes in Level 3 instruments:

Description	Financial assets at FVPL – key-man life insurance policies RMB'000	Contingent consideration receivable RMB'000	Total RMB'000
As at 31 December 2019			
At beginning of the reporting period	**45,263**	**17,755**	**63,018**
Fair value changes	**3,033**	**–**	**3,033**
At end of the reporting period	**48,296**	**17,755**	**66,051**

Description	Financial assets at FVPL – key-man life insurance policies RMB'000	Contingent consideration receivable RMB'000	Total RMB'000
As at 31 December 2018			
At beginning of the reporting period	44,117	–	44,117
Addition — disposal of a subsidiary	–	17,755	17,755
Fair value changes	1,146	–	1,146
At end of the reporting period	45,263	17,755	63,018

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

(c) Fair value measurements using significant unobservable inputs (Level 3) *(continued)*

The above fair value changes are reported in "Other gains (loss), net" in the consolidated statement of profit or loss.

Description of the valuation techniques and inputs used in Level 3 fair value measurement

The Group recognises the fair value of key-man life insurance policies at the end of each reporting period and fair value is based on cash flows discounted using a rate based on the market interest and risk premium specific to the financial instrument.

The Group recognises the fair value of contingent consideration receivable at the end of each reporting period and fair value is based on profits projections for aggregate performance of the disposed subsidiary.

Valuation process of the Group

The Group reviews estimation of fair values of key-man life insurance policies and contingent consideration receivable which are categorised into Level 3 of the fair value hierarchy. Reports with estimation of fair value prepared by the independent valuer on annually basis.

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 and other receivables

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 statement of profit or loss.

Management also reviews its trade and other receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables. Details of the key assumption and inputs used in estimating ECL are set out in Note 3.1(b) to the consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

4.1 Critical accounting estimates and assumptions *(continued)*

(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 CGUs have been determined based on value-in-use ("VIU") calculations. These calculations require the use of estimates.

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

(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) Provision for 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 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 consolidated statement of profit or loss is the difference between the carrying value and net realisable 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) Fair value estimation

Some of the Group's assets are measured at fair value for financial reporting purposes. The management have determined the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of the Group's financial assets at FVPL and contingent consideration receivable, the Group uses market-observable data to the extent it is available. The management of the Group will exercise their judgements based on their experience to establish and determine the appropriate valuation techniques and inputs to the valuation model.

(f) Identification of performance obligations

For application solution services, the Group assesses the nature of the goods or services provided and determines that the sales of equipment and the relevant service are regarded as one performance obligation after considering the factors of significant integration, significant modification or customisation, and highly interdependence or interrelation.

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

Inter-segment revenue and transfers are transacted with reference to the cost of sales and are eliminated on consolidation.

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.

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

For the year ended 31 December 2019

	Application solutions RMB'000	System maintenance services RMB'000	Sales of self-developed products RMB'000	Sports and events business (Discontinued operations) RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Revenue (from external customers)	148,761	17,228	25,041	–	–	191,030
— Inter-segment revenue	–	–	14,035	–	(14,035)	–
Total revenue	148,761	17,228	39,076	–	(14,035)	191,030
Results						
Segment results	18,581	9,828	20,178	–	–	48,587
Share of results of associates						3,156
Unallocated income						7,121
Unallocated expenses						(133,410)
Finance costs, net						(16,993)
Loss before taxation						(91,539)
Taxation						2,895
Loss for the year						(88,644)

5. SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2018

	Application solutions RMB'000	System maintenance services RMB'000	Sales of self-developed products RMB'000	Sports and events business (Discontinued operations) RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Revenue (from external customers)	246,674	13,143	38,887	30,456	–	329,160
— Inter-segment revenue	–	–	7,869	–	(7,869)	–
Total revenue	246,674	13,143	46,756	30,456	(7,869)	329,160
Results						
Segment results	28,050	7,756	25,319	15,213	–	76,338
Share of results of associates						(4,618)
Unallocated income						6,930
Unallocated expenses						(139,401)
Gain on disposal of a subsidiary						51,234
Gain on disposal of an associate						1,578
Finance costs, net						(18,948)
Loss before taxation						(26,887)
Taxation						(8,758)
Loss for the year						(35,645)

5. SEGMENT INFORMATION *(continued)*

Information about major customers

Revenue from customers from application solution segment individually accounting for 10% or more of the revenue of the Group is as follows:

	Year ended 31 December			
	2019		2018	
	Amount RMB'000	% of total revenue	Amount RMB'000	% of total revenue
Customer A	37,502	20%	71,791	24%
Customer B	25,156	13%	N/A	N/A

The revenue from Customer B was less than 10% of the revenue of the Group for the year ended 31 December 2018.

The Group's revenue were principally derived from the business carried out in the PRC. The revenue from external customers in the PRC and other countries and districts are disclosed as follows:

	2019 RMB'000	2018 RMB'000
Revenue from continuing operation		
The PRC	175,053	260,993
Hong Kong	10,302	30,733
Others	5,675	6,978
	191,030	298,704

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Total of non-current assets other than deferred tax assets, financial assets at FVPL, trade and other receivables and interests in associates		
The PRC	85,060	90,793
Hong Kong	364	182
Others	170	–
	85,594	90,975

6. REVENUE AND OTHER GAINS, NET

Revenue represents the net invoiced value of services provided or goods sold, after allowances for returns and trade discounts, during the year.

An analysis of the Group's revenue is as follows:

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15:		
Application solutions	**148,761**	246,674
System maintenance services	**17,228**	13,143
Sales of self-developed products	**25,041**	38,887
	191,030	298,704
Timing of revenue recognition		
At a point in time	**173,802**	285,561
Over time	**17,228**	13,143
	191,030	298,704

The revenue from contracts with customers within HKFRS 15 is based on fixed price.

	2019 RMB'000	2018 RMB'000
Other gains		
Gain on disposal of a subsidiary	**–**	51,234
Gain on disposal of an associate	**–**	1,578
Value added tax refund	**843**	2,859
Government grants	**888**	1,870
Fair value gains on financial assets at FVPL (Note 17)	**3,033**	1,146
Others	**2,357**	1,055
Other gains	**7,121**	59,742
Other losses		
Loss from disposal of property, plant and equipment	**–**	(171)
Late payment penalty/Compensation for a legal dispute (Note 36)	**(2,433)**	(5,574)
Other losses	**(2,433)**	(5,745)
Other gains, net	**4,688**	53,997

7. EXPENSES BY NATURE

	2019 RMB'000	2018 RMB'000
Inventory costs (Note 20) *	**133,918**	220,532
Employee benefit expenses (Note 8)	**60,878**	73,289
Provision for inventory obsolescence (Note 20)	**30,828**	1,055
Travelling and transportation expenses	**8,819**	8,245
Amortisation expenses of intangible assets (Note 15)	**8,527**	8,081
Depreciation expenses of property, plant and equipment (Note 14)	**4,312**	4,498
Office expenses	**3,291**	3,115
Business development	**2,865**	3,403
Others	**2,844**	2,467
Leases expenses under short term leases	**2,660**	–
Depreciation expenses of right-of-use assets (Note 16)	**2,459**	–
Legal fee and professional charges	**2,295**	3,613
Advertising costs	**2,259**	1,340
Credit loss provision impairment (Note 19)	**2,056**	2,724
Servicing and agency costs	**1,993**	2,057
Value-added tax and other transaction taxes	**1,916**	2,587
Auditors' remuneration	**1,500**	2,112
Provision for prepayment for acquisition of a subsidiary	**–**	16,934
Rental expenses for leases previously classified as operating leases under HKAS 17	**–**	3,729
	273,420	359,781

* Cost of inventories includes RMB2,954,000 (2018: RMB7,114,000) relating to employee benefit expenses.

8. EMPLOYEE BENEFIT EXPENSES

	2019 RMB'000	2018 RMB'000
Wages and salaries	**45,386**	52,640
Contributions to defined contribution plans	**7,207**	8,583
Welfare and other allowances	**5,200**	9,074
Bonus	**3,014**	6,482
Share based payment expenses (Note 26)	**2,375**	(320)
	63,182	76,459
Less: Employee benefit expenses capitalised as "Intangible Assets"	**(2,304)**	(3,170)
	60,878	73,289

8. EMPLOYEE BENEFIT EXPENSES *(continued)*

(a) Defined contribution plans

The Group has arranged its Hong Kong employees to join Mandatory Provident Fund ("MPF") Scheme. Under the MPF Scheme, each of the Group's companies (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the MPF Scheme Ordinance. The contributions from each of the employers and employees are subject to a cap of HKD1,500 per month and thereafter contributions are voluntary.

The Group's employees in the PRC are required to participate in a defined contribution retirement scheme administered and operated by local municipal governments. The Group's PRC subsidiaries contribute funds which are calculated on fixed percentage of the employees' salaries (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

Of the five highest paid individuals in the Group, four (2018: three) individuals were directors of the Company and whose emoluments are set out in Note 39. The emoluments of the remaining one (2018: two) non-director individual(s), are as follows:

	2019 RMB'000	2018 RMB'000
Salaries	**604**	1,415
Contribution to defined contribution plans	**128**	142
Bonuses	**–**	174
Share based payment expenses	**161**	160
	893	1,891

The number of the highest paid individuals (excluding the directors of the Company) whose remuneration fell within the following band is as follows:

	Number of individuals	
	2019	2018
Emolument bands		
HKD500,001 — HKD1,000,000	**–**	1
HKD1,000,001 — HKD1,500,000	**1**	1

No remuneration was paid or payable by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of these individuals waived any emoluments during the years ended 31 December 2019 and 2018.

9. FINANCE INCOME AND COSTS

	2019 RMB'000	2018 RMB'000
Finance income		
— Interest income on short-term bank deposits	**41**	277
Finance costs		
— Interest expenses on bank and other borrowings	**(15,151)**	(15,368)
— Interest expenses on lease liabilities	**(243)**	–
— Interest expenses on amounts due to directors	**(240)**	–
— Interest expenses on amount due to a shareholder	**(980)**	–
— Net foreign exchange loss	**(420)**	(3,857)
	(17,034)	(19,225)
Finance costs, net	**(16,993)**	(18,948)

10. SUBSIDIARIES

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	British Virgin Islands ("BVI"), limited liability company	Investment holding company, Hong Kong	10,000 ordinary shares of USD1 each	100%
Indirectly owned:				
Cortesia Limited	BVI, limited liability company	Investment holding company, Hong Kong	1 ordinary share of USD1	100%
Century Sage Scientific 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
Times Sage Technology Limited (formerly known as Century Sage Scientific Information Technology Co., Limited)	BVI, limited liability company	TV broadcast application solutions 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 RMB30,000,000 (2018: RMB12,000,000)	100%
Evertop Technology (Int'l) Limited	Hong Kong, limited liability company	TV broadcast application solutions industry, Hong Kong	2 ordinary shares of HKD1 each	100%
Cogent Technologies Limited	BVI, limited liability company	TV broadcast application solutions industry, the PRC	1 ordinary share of USD1	100%
Cogent Tech (Asia) Limited	Hong Kong, 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 RMB12,000,000	100%
Century Sage Scientific (HK) Limited	Hong Kong, 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 *) ("Beijing BroadVision")	The PRC, limited liability company	R&D of TV broadcasting and multi-media production, 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
泰德星創(北京)科技有限公司 (Satron Technologies (Beijing) Company Limited *) ("Satron")	The PRC, limited liability company	Research and development and sales of professional video products, and transmission and communication equipment, the PRC	Registered capital of RMB5,000,000	100% (2018: Nil)
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	New Taiwan dollar ("TWD") 10,000	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	Macau Pataca25,000	100%

Unless stated otherwise, the percentage of equity interests held by the Company for the years ended 31 December 2019 and 2018 are the same.

* The official names are in Chinese and the English names are translated for identification purpose only.

Material non-controlling interests

Set out below are the summarised financial information for Beijing BroadVision of which non-controlling interests is material to the Group. The summarised financial information represents amounts before inter-company eliminations since acquisition.

Summarised statement of financial position

	2019 RMB'000	2018 RMB'000
Current assets	**21,597**	38,794
Current liabilities	**(6,114)**	(14,968)
Net current assets	**15,483**	23,826
Non-current assets	**7,844**	8,009
Non-current liabilities	**(825)**	–
Net non-current assets	**7,019**	8,009
Net assets	**22,502**	31,835
Carrying amount of non-controlling interests	**10,987**	15,187

10. SUBSIDIARIES *(continued)*

Material non-controlling interests *(continued)*

Summarised statement of comprehensive income

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Revenue	**17,282**	30,907
Loss before income tax	**(9,625)**	(317)
Income tax credit	**292**	563
Total comprehensive (loss) income	**(9,333)**	246
(Loss) profit attributable to non-controlling interests	**(4,200)**	111
Dividend paid to non-controlling interests	**–**	–

Summarised statement of cash flows

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Operating activities		
Cash used in operations	**(3,269)**	(4,580)
Income tax paid	**(84)**	(1,089)
Net cash used in operating activities	**(3,353)**	(5,669)
Net cash used in investing activities	**(437)**	(250)
Net cash used in financing activities	**(4,000)**	–
Net decrease in cash and cash equivalents	**(7,790)**	(5,919)
Cash and cash equivalents at beginning of year	**9,508**	15,427
Cash and cash equivalents at end of year	**1,718**	9,508

11. INTERESTS IN ASSOCIATES

The amount recognised in the consolidated statement of financial position is as follows:

	2019 RMB'000	2018 RMB'000
Cost of investment	**61,352**	61,352
Share of post-acquisition profits and other comprehensive income, net of dividends received	**3,646**	490
	64,998	61,842

The amount recognised in the consolidated statement of profit or loss is as follows:

	2019 RMB'000	2018 RMB'000
Share of profit (loss) of associates	**3,156**	(4,618)

Details of the material associates at the end of the reporting period are as follows:

Name of entities	Place of business, country of incorporation	% of ownership interest		Nature of the relationship	Carrying amount	
		2019	2018		2019 RMB'000	2018 RMB'000
北京格非科技股份有限公司 (Beijing Gefei Technology Corporation *) ("Beijing Gefei")	Beijing, The PRC	**49%**	49%	Note (i)	**24,781**	26,449
北京永達天恒體育文化傳媒有限公司 (Beijing Evertop Sports Culture Media Co., Ltd *) ("Beijing Evertop")	Beijing, The PRC	**45%**	45%	Note (ii)	**40,217**	35,393
					64,998	61,842

* The official names are in Chinese and the English names are translated for identification purpose only.

(i) In December 2015, the Group acquired 49% equity interests of Beijing Gefei which has a series of broadcast and monitoring software systems. Beijing Gefei is engaged in the development and production of core technology equipment systems for the production and processing of radio and television media.

(ii) In November 2018, the Group entered into an agreement with an independent third party for disposal of 55% equity interests of Beijing Evertop (the "Disposal") which is engaged in sports and event business. Followed by the Disposal, the Group retain 45% equity interests in Beijing Evertop.

(iii) All associates are private companies and there is no quoted market price available for the investments.

(iv) All associates are accounted for using the equity method in the consolidated financial statements.

11. INTERESTS IN ASSOCIATES *(continued)*

Relationship with associates

Beijing Gefei's strong technological development capability, well known self-developed products as well as widespread customer base are advantageous to the Group's future growth strategy. Beijing Gefei has been delivering solutions to its customers, and the majority of which are different from the Group's existing customers. As such, the sales generated from Beijing Gefei will be a good complement to the Group and enables the Group to accelerate its market penetration in the PRC.

Beijing Evertop, a non-wholly owned subsidiary of the Wanda Group, a multinational conglomerate company in the PRC, provide business synergy between the Group and the Wanda Group by putting together the skills and techniques of the Group and the Wanda Group to provide more diversified solutions to its customers and participate in more sports and events.

Summarised financial information

Summarised financial information prepared using the same accounting policies as adopted by the Group is set out below.

(a) Beijing Gefei

(i) Summarised statement of financial position

	2019 RMB'000	2018 RMB'000
Current assets	**94,626**	89,309
Current liabilities	**(50,196)**	(45,266)
Net current assets	**44,430**	44,043
Non-current assets	**392**	477
Net assets	**44,822**	44,520

(ii) Summarised statement of comprehensive income

	2019 RMB'000	2018 RMB'000
Revenue	**42,695**	30,676
Profit (Loss) before income tax	**302**	(8,903)
Income tax expense	**–**	(708)
Total comprehensive income (loss)	**302**	(9,611)

11. INTERESTS IN ASSOCIATES *(continued)*

Summarised financial information *(continued)*

(a) Beijing Gefei *(continued)*

(iii) Reconciliation of summarised financial information

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

	2019 RMB'000	2018 RMB'000
Opening net assets	**44,520**	54,131
Profit (Loss) for the year	**302**	(9,611)
Closing net assets	**44,822**	44,520
Share of net assets (49%)	**21,963**	21,815
Fair value adjustments	**1,815**	3,631
Goodwill	**1,003**	1,003
Carrying value of interest in an associate	**24,781**	26,449

(b) Beijing Evertop

(i) Summarised statement of financial position

	2019 RMB'000	2018 RMB'000
Current assets	**98,421**	118,903
Current liabilities	**(72,249)**	(104,101)
Net current assets	**26,172**	14,802
Non-current assets	**12,801**	12,861
Non-current liabilities	**(808)**	(787)
Net assets	**38,165**	26,876

11. INTERESTS IN ASSOCIATES *(continued)*

Summarised financial information *(continued)*

(b) Beijing Evertop *(continued)*

(ii) Summarised statement of comprehensive income

	Year ended 31 December 2019 RMB'000	Period from post-acquisition to 31 December 2018 RMB'000
Revenue	**100,866**	20,016
Profit before income tax	**10,135**	2,460
Income tax credit (expense)	**585**	(1,415)
Total comprehensive income	**10,720**	1,045

(iii) Reconciliation of summarised financial information

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

	2019 RMB'000	2018 RMB'000
Opening net assets	**26,876**	25,831
Profit for the year/period	**10,720**	1,045
Closing net assets	**37,596**	26,876
Share of net assets (45%)	**16,918**	12,094
Goodwill	**23,299**	23,299
Carrying value of interest in an associate	**40,217**	35,393

12. INCOME TAX (CREDIT) EXPENSE

	2019 RMB'000	2018 RMB'000
PRC enterprise income tax ("EIT")		
— Current income tax	**601**	3,369
— Over-provision in prior year	**(3,003)**	–
	(2,402)	3,369
Withholding income tax	**–**	1,180
Deferred income tax (Note 30)	**(493)**	4,209
Income tax (credit) expense	**(2,895)**	8,758
Income tax (credit) expense is attributable to:		
— Loss from continuing operations	**(2,895)**	8,156
— Profit from discontinued operations	**–**	602
	(2,895)	8,758

Reconciliation of tax (credit) expense:

	2019 RMB'000	2018 RMB'000
(Loss) Profit before income tax:		
— From continuing operations	**(91,539)**	(30,646)
— From discontinued operations	**–**	3,759
	(91,539)	(26,887)
Tax calculated at applicable tax rates of 25% (2018: 25%)	**(22,885)**	(6,722)
Tax effects of:		
— Expenses not deductible for tax purpose	**894**	229
— Effect of preferential/different tax rate	**8,105**	(1,268)
— Adjustments in respect of prior years	**–**	(1,707)
— Share of results of associates	**(789)**	1,155
— Withholding income tax for dividend	**–**	1,180
— Unrecognised temporary differences	**6,308**	(645)
— Reversal of temporary differences for which deferred income tax asset was recognised	**202**	6,093
— Utilisation of temporary difference previously not recognised	**(518)**	(531)
— Unrecognised tax losses	**8,791**	10,974
— Over-provision in prior year	**(3,003)**	–
Income tax (credit) expense	**(2,895)**	8,758

12. INCOME TAX (CREDIT) 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.

Hong Kong profits tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for the year ended 31 December 2019 (2018: 16.5%) on the estimated assessable profit for the year. Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes during both years.

PRC EIT

Entities incorporated in the PRC are subject to the 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 which are allowed to enjoy the preferential policies and provisions as discussed below:

Cogent (Beijing), CSS (Beijing), TST (Beijing) and Beijing BroadVision obtained the High and New Technology Enterprise qualification and the applicable income tax rate for the year ended 31 December 2019 is 15% (2018: 15%).

PRC withholding tax

In addition, according to the EIT law, dividends, interests, rent, royalties and gains on transfers of property received by a foreign enterprise, i.e. a non-China tax resident enterprise, will be subject to PRC withholding tax at 10% or a reduced treaty rate depending on provisions of tax treaty entered between the PRC and the jurisdiction where the foreign enterprise incorporated. The withholding tax rate is 5% for the holding company in Hong Kong if the holding 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 and associates of the Group. The relevant group companies have successfully obtained endorsement from various PRC tax bureaus to enjoy the treaty benefit of 5% EIT rate on dividends received from the PRC subsidiaries and associates of the Group. Accordingly, withholding income tax has been provided at 5% of the dividends to be distributed by the PRC subsidiaries and associates of the Group.

13. LOSS PER SHARE

(a) Basic

Basic loss per share for the years ended 31 December 2019 and 2018 are calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares deemed to be in issue during each respective year:

	2019	2018
Loss attributable to owners of the Company (in RMB'000)		
— From continuing operations	(84,325)	(38,606)
— From discontinued operations	–	3,157
	(84,325)	(35,449)
Weighted average number of ordinary shares in issue (in thousand)	1,033,221	1,020,301
Basic loss per share (RMB cents per share)		
— From continuing operations	(8.16)	(3.78)
— From discontinued operations	–	0.31
	(8.16)	(3.47)

(b) Diluted

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

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Vehicles and machinery RMB'000	Furniture, fixture and equipment RMB'000	Total RMB'000
Reconciliation of carrying amount – Year ended 31 December 2018				
At 1 January 2018	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)
At 31 December 2018	35,906	1,714	2,492	40,112
Reconciliation of carrying amount – Year ended 31 December 2019				
At 1 January 2019	**35,906**	**1,714**	**2,492**	**40,112**
Currency translation differences	**–**	**–**	**4**	**4**
Additions	**369**	**528**	**1,031**	**1,928**
Additions — acquisition of a subsidiary (Note 32)	**–**	**–**	**97**	**97**
Disposals	**(8)**	**(4)**	**(465)**	**(477)**
Depreciation	**(2,560)**	**(527)**	**(1,225)**	**(4,312)**
At 31 December 2019	**33,707**	**1,711**	**1,934**	**37,352**
At 31 December 2018				
Cost	54,364	12,157	14,773	81,294
Accumulated depreciation	(18,458)	(10,443)	(12,281)	(41,182)
	35,906	1,714	2,492	40,112
At 31 December 2019				
Cost	**53,624**	**6,227**	**19,875**	**79,726**
Accumulated depreciation	**(19,917)**	**(4,516)**	**(17,941)**	**(42,374)**
	33,707	**1,711**	**1,934**	**37,352**

The Group's buildings are located in the PRC.

Depreciation expenses of RMB4,312,000 (2018: RMB3,838,000) and RMBNil (2018: RMB660,000) have been charged in administrative expenses and selling expenses respectively for the year ended 31 December 2019.

As at 31 December 2019, buildings with carrying amount of RMB32,921,000 (2018: RMB22,695,000) have been pledged for bank borrowings (Note 28(b)).

15. INTANGIBLE ASSETS

	Goodwill RMB'000 (Note a)	Computer software RMB'000	Customer relationships RMB'000	Technical know-how RMB'000	Development costs RMB'000	Total RMB'000
Reconciliation of carrying amount – year ended 31 December 2018						
At 1 January 2018	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)
At 31 December 2018	21,012	11,299	5,450	2,859	9,550	50,170
Reconciliation of carrying amount – year ended 31 December 2019						
At 1 January 2019	**21,012**	**11,299**	**5,450**	**2,859**	**9,550**	**50,170**
Additions	**–**	**–**	**–**	**–**	**2,304**	**2,304**
Amortisation charge	**–**	**(2,040)**	**(2,033)**	**(1,318)**	**(3,136)**	**(8,527)**
At 31 December 2019	**21,012**	**9,259**	**3,417**	**1,541**	**8,718**	**43,947**
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
At 31 December 2019						
Cost	**21,012**	**18,729**	**12,336**	**6,688**	**16,933**	**75,698**
Accumulated amortisation	**–**	**(9,470)**	**(8,919)**	**(5,147)**	**(8,215)**	**(31,751)**
Net book value	**21,012**	**9,259**	**3,417**	**1,541**	**8,718**	**43,947**

Amortisation expense of RMB8,527,000 (2018: RMB8,081,000) for the year ended 31 December 2019 has been charged in administrative expenses.

15. INTANGIBLE ASSETS *(continued)*

(a) Goodwill

Goodwill acquired through business combinations has been allocated to two individual CGUs for impairment test:

	CGUs					
	AVIT		Beijing BroadVision		Total	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Goodwill	**12,100**	12,100	**8,912**	8,912	**21,012**	21,012

Impairment tests for goodwill

The recoverable amounts of the AVIT and Beijing BroadVision have been determined on the basis of VIU. The VIU calculation uses cash flow projection based on financial budgets approved by management covering a 5-year period by applying certain key assumptions below:

	CGUs			
	AVIT		Beijing BroadVision	
	2019	2018	**2019**	2018
Gross margin	**52.0%**	63.0%	**57.0%**	62.0%
Pre-tax discount rate	**15.8%**	15.8%	**15.8%**	15.8%
Average growth rate	**8.0%**	10.0%	**8.0%**	10.0%
Perpetual growth rate	**3.0%**	3.0%	**3.0%**	3.0%

The pre-tax discount rates used reflects the specific risks relating to the relevant business. The perpetual growth rates are based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Other key assumptions for the VIU calculation are budgeted growth rate and budgeted gross margin, which are determined based on the past performance and the management's expectation of the market development, future performance of the CGUs and market growth forecast.

The recoverable amounts of the CGUs of AVIT and Beijing BroadVision are determined to be higher than their respective carrying amount. Accordingly, the management considers that the goodwill attributable to these two CGUs is not impaired. Management is of the opinion that any reasonably possible change in the key assumptions would not cause the carrying amounts of the CGUs to exceed their recoverable amounts.

16. LEASES

Right-of-use assets	Properties RMB'000
Reconciliation of carrying amount – year ended 31 December 2019	
At 1 January 2019	–
Upon adoption of HKFRS 16 (Note 2.2)	3,526
Additions	3,228
Depreciation	(2,459)
At 31 December 2019	4,295
At 31 December 2019	
Cost	6,754
Accumulated depreciation	(2,459)
Net book amount	4,295

Depreciation expenses of RMB2,459,000 (2018: Nil) for the year ended 31 December 2019 has been charged in administrative expenses.

The Group's right-of-use assets in respect of properties represent the prepaid operating lease payment of car parks located in the PRC with unexpired lease term of 46 years and leases of various offices and warehouses respectively. Rental contracts are typically made for fixed periods of 2 to 3 years. Lease terms are negotiated on an individual basis and contain similar terms and conditions.

As at 31 December 2019, all of the Group's right-of-use assets were located in the PRC.

Restrictions or covenants

Most of the leases impose a restriction that, unless the approval is obtained from the lessor, the right-of-use assets can only be used by the Group and the Group is prohibited from selling or pledging the underlying assets.

For leases of properties, the Group is required to keep those properties in a good state of repair and return the properties in their original condition at the end of the leases.

Until the year ended 31 December 2018, leases of offices and warehouses were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease. Prepaid operating lease payments in respect of car parks were recorded in other non-current assets and amortisation was charged to profit or loss on a straight line basis over the period of the leases.

16. LEASES *(continued)*

Lease liabilities	2019 RMB'000	2018 RMB'000
Lease liabilities		
Non-current	**1,068**	–
Current	**2,678**	–
	3,746	–

Note: The incremental borrowing rate applied to the lease liabilities during the year is 5.32%.

	2019 RMB'000	2018 RMB'000
Lease payments:		
Short-term leases	**2,660**	–
Operating lease payments	**–**	3,729
Expenses recognised in profit or loss	**2,660**	3,729
Lease payments:		
Interest on lease liabilities	**243**	–
Under leases	**2,315**	–
Total cash outflow for leases	**5,218**	3,729

Commitments under leases

At 31 December 2019, the Group was committed to lease contracts in relation to office premises that have not yet commenced. The related lease payments that were not paid and not reflected in the measurement of lease liabilities were RMB1,086,000.

16. LEASES *(continued)*

At 31 December 2018

The Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	RMB'000
No later than 1 year	3,382
Later than 1 year and no later than 2 years	2,032
Later than 2 years and no later than 3 years	244
	5,658

17. FINANCIAL ASSETS AT FVPL

	2019 RMB'000	2018 RMB'000
At beginning of the year	**45,263**	44,117
Fair value change	**3,033**	1,146
At end of the year	**48,296**	45,263
Less: Non-current portion	**–**	(45,263)
	48,296	–

The financial assets at FVPL represented key-man life insurance policies. The Group is the beneficiary of the insurance policies. The insurance policies are pledged to the bank as securities for bank borrowings which are repayable in January 2020 as disclosed in Note 28(d). The management, after considering that the bank borrowings have been subsequently settled in 2020 and the Group would redeem the insurance policies within one year, has classified the financial assets at FVPL as current assets as at 31 December 2019.

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:

	2019	2018
Mortality rate	**0.31%**	0.21%
Discount rate	**3.89%**	3.65%

A decrease in discount rate or increase in mortality rate would result in an increase in the fair value of key-man life insurance policies.

18. OTHER NON-CURRENT ASSETS

As at 31 December 2018, other non-current assets mainly include prepaid rental for car parks for a lease period of 46 years.

Upon application of HKFRS 16 on 1 January 2019, the other non-current assets were classified to right-of-use assets (Note 2.2).

19. TRADE AND OTHER RECEIVABLES

	Note	2019 RMB'000	2018 RMB'000
Trade receivables			
— from third parties		153,027	244,744
— from associates		2,691	7,912
	(iv)	155,718	252,656
Less: provision for impairment of trade receivables		(29,210)	(27,154)
Trade receivables, net		126,508	225,502
Other receivables			
Deposit for guarantee certificate over tendering and performance	(i)	18,139	20,985
Deposit paid for acquisition of a subsidiary	(ii)	16,934	16,934
Cash advance to employees		5,183	5,424
Contingent consideration receivable	(iii)	17,755	17,755
Consideration receivable in relation to disposal of Beijing Evertop		2,900	2,900
Others		12,140	9,733
		73,051	73,731
Less: provision for impairment of deposits paid for acquisition of a subsidiary	(ii)	(16,934)	(16,934)
		56,117	56,797
Total trade and other receivables		182,625	282,299
Less: Non-current portion			
Contingent consideration receivable	(iii)	17,755	17,755
Trade receivables — third parties	(iv)	7,108	9,496
Less: provision for impairment of trade receivables		(54)	(54)
Non-current portion		24,809	27,197
Current portion		157,816	255,102

19. TRADE AND OTHER RECEIVABLES *(continued)*

As at 31 December 2019, the fair values of trade and other receivables of the Group approximate to their carrying amounts.

Notes:

(i) Deposits for guarantee certificate over tendering and performance are placed with customers for performing the contracts and they are interest free and will be returned when the contracts complete.

(ii) The amount represented a refundable deposit paid in relation to a proposed acquisition of 100% equity interests 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 was 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 interests of another target company. In 2018, management has evaluated that the acquisition of this new 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. Management is 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 contingent receivable for disposal of Beijing Evertop in 2018. The contingent consideration receivable will be settled only when the profits after tax of Beijing Evertop for the three years ending 31 December 2020 shall not be less than RMB30,000,000 (the "Target Profits") in aggregate.

In the event that Beijing Evertop generates profits exceeded RMB21,000,000 but less than the Target Profits during three years ending 31 December 2020, the consideration shall be reduced on a pro-rata basis for the shortfall.

At 31 December 2019, the fair value of the contingent consideration receivable is determined by an independent valuer by applying income approach on the estimated profits from Beijing Evertop for the three years ending 31 December 2020 and the probability of occurrence of each expected earning scenario.

During the year ended 31 December 2019, there was no fair value change on contingent consideration receivable (2018: fair value loss of RMB245,000 was recognised).

A decrease in the estimated profits of Beijing Evertop would result in a decrease in the fair value of the contingent consideration receivable.

As at 31 December 2019, it is estimated that a decrease of 10% in the estimated profits of Beijing Evertop, with all other variables held constant, the fair value of the contingent consideration receivable would decrease by RMB2,571,000.

19. TRADE AND OTHER RECEIVABLES *(continued)*

Notes: *(continued)*

(iv) Invoices issued to our customers (both third parties and associates) 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 three 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. The aging analysis of the trade receivables based on invoice date is as follows:

	2019 **RMB'000**	2018 RMB'000
Up to 3 months	**43,054**	37,524
Over 3 months but less than 6 months	**6,795**	10,671
Over 6 months but less than 1 year	**10,789**	48,130
Over 1 year but less than 2 years	**27,079**	79,035
Over 2 years but less than 3 years	**31,824**	39,831
Over 3 years	**36,177**	37,465
	155,718	252,656

The Group applies simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables.

Information about the impairment of trade receivables and the Group's exposure to credit risk and foreign exchange risk are detailed in Note 3.1.

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

	2019 **RMB'000**	2018 RMB'000
Trade receivables		
RMB	**113,349**	209,451
USD	**742**	730
HKD	**12,417**	15,321
	126,508	225,502
Other receivables		
RMB	**55,720**	50,169
HKD	**21**	3,254
USD	**206**	644
Euro ("EUR")	**–**	1,556
Others	**170**	1,174
	56,117	56,797
	182,625	282,299

19. TRADE AND OTHER RECEIVABLES *(continued)*

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

	2019 RMB'000	2018 RMB'000
At beginning of the year	**27,154**	171,416
Opening loss allowance as at 1 January 2018		
— calculated under HKFRS 9	**–**	22,088
Provision for impairment	**2,056**	2,724
Trade receivables write off	**–**	(169,074)
At end of the year	**29,210**	27,154

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.

20. INVENTORIES

	2019 RMB'000	2018 RMB'000
Equipment and parts	**95,348**	106,217
Contract work in progress	**30,443**	46,349
	125,791	152,566
Provision for inventories	**(35,035)**	(4,207)
	90,756	148,359

The cost of inventories recognised as expense is included in "cost of sales" amounted to RMB133,918,000 (2018: RMB220,532,000) for the year ended 31 December 2019.

21. OTHER CURRENT ASSETS

	2019 RMB'000	2018 RMB'000
Prepayment for purchase of goods or services	**27,933**	46,694

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 bear interest rates ranging from 0.30% to 0.35% per annum for the year ended 31 December 2019 (2018: 0.35% to 0.48% per annum).

23. BANK BALANCES AND CASH

	2019 RMB'000	2018 RMB'000
Cash on hand	23	391
Cash at banks	13,647	59,061
Bank balances and cash	13,670	59,452
Bank overdrafts (Note 28(g))	(7,204)	–
As stated in the consolidated statement of cash flows	6,466	59,452

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

	2019 RMB'000	2018 RMB'000
RMB	12,419	54,459
HKD	352	162
USD	27	2,013
Great Britain Pound ("GBP")	80	390
Others	792	2,428
	13,670	59,452

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 bank deposits ranging from 0.30% to 0.35% per annum for the year ended 31 December 2019 (2018: 0.35% to 0.48% per annum).

24. CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
Contract liabilities — third parties	**57,419**	81,600
Contract liabilities — associates	**33**	7,928
	57,452	89,528

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

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within HKFRS 15 during the year are as follows:

	2019 RMB'000	2018 RMB'000
At 1 January	**89,528**	55,181
Recognised as revenue	**(80,260)**	(33,789)
Receipt of advances or recognition of receivables	**48,184**	68,136
At 31 December	**57,452**	89,528

For the year ended 31 December 2019, there is a decrease in the overall contract activities and customer base of the Group and the negotiation of smaller prepayments, thereby decreasing the amount arising from the receipt of advances or recognition of receivables.

At 31 December 2019, most of the contract liabilities are expected to be settled within next 12 months.

25. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares HKD'000
Authorised:		
Ordinary shares of HKD0.01 each as at 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	5,000,000,000	50,000

Ordinary shares of HKD0.01 each, issued and fully paid:

	Number of ordinary shares	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000
Balance at 1 January 2018 and 31 December 2018	1,020,300,761	10,203	8,106
Balance at 1 January 2019	1,020,300,761	10,203	8,106
Issue of ordinary shares (i)	20,942,408	209	184
Balance at 31 December 2019	1,041,243,169	10,412	8,290

(i) During the year, the Group has acquired 100% of the share capital of Satron at an aggregate consideration of RMB5,880,000 which was satisfied as to (i) RMB1,880,000 in cash, and (ii) the allotment and issue of 20,942,408 ordinary shares of the Company. The relevant shares were issued on 20 June 2019. The shares issued rank pari passu in all respects among themselves and with other shares then in issue.

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 "Share Award Plan Trustee"). The purposes of the Share Award Plan are 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. The Share Award Plan, unless early terminated, will remain in force for 10 years until 23 March 2024.

The board of directors shall notify 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:

(a) 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;

(b) such shares as may be purchased by the Share Award Plan Trustee on the Stock Exchange by utilising the funds allocated by the board of directors out of the Group's resources;

(c) such shares as may be subscribed for at par value by the Share Award Plan Trustee by utilising the Group's resources; and

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

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:

(a) the date specified on the notice of the award given by the board of directors to the Share Award Plan Trustee; and

(b) 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 of directors in writing.

26. SHARE BASED PAYMENTS *(continued)*

(i) Share Award Plan *(continued)*

The major shareholder of the Company, Cerulean Coast Limited, has reserved and set aside a total of 22,500,000 award shares which are held by the Share Award Plan Trustee. The Share Award Plan involves granting of existing shares held by the Share Award Plan 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 2019	**4,161,344**
Granted	**624,000**
Vested	**(3,141,836)**
Forfeited	**(1,295,672)**
At 31 December 2019	**347,836**
At 1 January 2018	5,927,687
Vested	(295,672)
Forfeited	(1,470,671)
At 31 December 2018	4,161,344

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date. The fair value of awarded shares granted during the year ended 31 December 2019 was RMB0.13 per share (2018: Nil).

(ii) Share Option Scheme

The Company has adopted a share option scheme (the "Share Option Scheme") on 13 June 2014. The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted. The purpose of the Share Option Scheme is to grant options to selected participants as incentives or rewards for their contribution to the Group. The eligibility of any participants to the grant of any option shall be determined by board of directors from time to time taking into account of his contribution to the development and growth of the Group.

The options will expire either after 10 years from the date of grant or upon the termination or the issuance of termination notice of the relevant grantee's employment with the Group. The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 30% of the total number of shares in issue from time to time.

26. SHARE BASED PAYMENTS *(continued)*

(ii) Share Option Scheme *(continued)*

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the shares in issue at the date of the passing of the relevant ordinary resolution. If any option is to be granted to connected person(s), it must be approved by independent non-executive directors or independent shareholders as the case may be.

The maximum number of shares in respect of which share options may be granted to a specifically identified single grantee under the Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

Share options granted under the Scheme where applicable to a director, chief executive, substantial shareholder or management shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive directors who are the prospective grantees in question). In addition, any share options granted to a substantial shareholder or any independent non-executive director of the Company, or any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

Under the Share Option Scheme, the options granted may be accepted by a participant within 21 days from the date of such offer. A consideration of HKD1 is payable on acceptance of the offer of grant of an option. Options may be exercised 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.

The subscription price for shares payable on exercise of share options granted under the Share Option Scheme shall be a price determined by the directors of the Company, but shall in any event 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, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of share.

The options granted prior to and remaining outstanding at termination, if any, shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme

2015

On 9 April 2015, the board of directors of the Company approved to grant 14,216,000 share options at the exercise price of HKD1.84 per share (the "2015 Scheme"). The options were divided into two 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.

26. SHARE BASED PAYMENTS *(continued)*

(ii) Share Option Schemes *(continued)*

2016

On 7 April 2016, the board of directors of the Company approved to grant 13,542,000 share options at the exercise price of HKD0.77 per share (the "2016 Scheme") representing the following:

Type A: 12,912,000 share options under the 2016 Scheme were divided into two 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.

Type B: The remaining 630,000 share options under the 2016 Scheme were divided into two 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.

2017

On 21 August 2017, the board of directors of the Company approved to grant 7,200,000 share options at the exercise price of HKD0.435 per share. The options were divided into two 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 grant date.

2018

On 28 November 2018, the board of directors of the Company approved to grant 57,670,000 share options at the exercise price of HKD0.222 per share. The options can be exercised beginning on the 2nd anniversary of the grant date.

The following table discloses movements of the Company's share options held by directors and employees of the Group during the years ended 31 December 2019 and 2018:

2019:

Name of category of participant	Date of grant	Exercise price HKD	Outstanding at 1 January 2019	Reclassification during the year	Lapsed during the year	Outstanding at 31 December 2019
Directors in aggregate	9 April 2015	1.840	–	1,018,000	–	1,018,000
	7 April 2016	0.770	1,358,000	1,018,000	–	2,376,000
	28 November 2018	0.222	8,000,000	–	–	8,000,000
Employees in aggregate	9 April 2015	1.840	1,018,000	(1,018,000)	–	–
	7 April 2016	0.770	5,456,000	(1,018,000)	(2,056,000)	2,382,000
	21 August 2017	0.435	5,000,000	–	–	5,000,000
	28 November 2018	0.222	49,670,000	–	(2,000,000)	47,670,000
			70,502,000	–	(4,056,000)	66,446,000
Weighted average exercise price (HKD)			0.313	–	0.500	0.302

26. SHARE BASED PAYMENTS *(continued)*

(ii) Share Option Schemes *(continued)*

2018:

Name of category of participant	Date of grant	Exercise price HKD	Outstanding at 1 January 2018	Granted during the year	Cancelled during the year	Lapsed during the year	Outstanding at 31 December 2018
Directors in aggregate	7 April 2016	0.770	1,358,000	–	–	–	1,358,000
	28 November 2018	0.222	–	8,000,000	–	–	8,000,000
Employees in aggregate	9 April 2015	1.840	4,072,000	–	–	(3,054,000)	1,018,000
	7 April 2016	0.770	10,630,000	–	–	(5,174,000)	5,456,000
	21 August 2017	0.435	7,200,000	–	(2,000,000)	(200,000)	5,000,000
	28 November 2018	0.222	–	49,670,000	–	–	49,670,000
			23,260,000	57,670,000	(2,000,000)	(8,428,000)	70,502,000
Weighted average exercise price (HKD)			0.854	0.222	0.435	1.150	0.313

No share option was granted during the year ended 31 December 2019.

No share option was exercised during the years ended 31 December 2019 and 2018.

As at 31 December 2019, 5,776,000 share options are exercisable (2018: 3,916,000).

(iii) Share-based payment expenses

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

	2019 RMB'000	2018 RMB'000
Share Award Plan		
— Employees (excluding directors of the Company)	319	438
— Directors of the Company (Note 39)	13	–
	332	438
Share Option Scheme		
— Employees (excluding directors of the Company)	1,449	(856)
— Directors of the Company (Note 39)	594	98
	2,043	(758)
	2,375	(320)

27. OTHER RESERVES

	Merger reserve RMB'000 (Note a)	Translation reserve RMB'000 (Note b)	Share option reserve RMB'000 (Note c)	Capital reserve RMB'000 (Note d)	Total RMB'000
Balance at 1 January 2018	(70,612)	(5,982)	11,110	2,715	(62,769)
Disposal of subsidiary	–	–	–	(744)	(744)
Employee share award and option scheme	–	–	(320)	–	(320)
Currency translation difference	–	(2,018)	–	–	(2,018)
Balance at 31 December 2018 and at 1 January 2019	**(70,612)**	**(8,000)**	**10,790**	**1,971**	**(65,851)**
Employee share award and option scheme	**–**	**–**	**2,375**	**–**	**2,375**
Currency translation difference	**–**	**(2,688)**	**–**	**–**	**(2,688)**
Balance at 31 December 2019	**(70,612)**	**(10,688)**	**13,165**	**1,971**	**(66,164)**

Notes:

a. The merger reserve of the Group represents the difference between the nominal value of the shares of the Company, acquired pursuant to the Group reorganisation, over the nominal value of the Company's shares issued in exchange thereof.

b. The translation reserve has been set up and is dealt with in accordance with the accounting policies adopted for foreign currency translation as set out in Note 2 to the consolidated financial statements.

c. The share option reserve comprises the fair value of share-based payment transactions and is dealt with in accordance with the accounting policy as set out in Note 2 to the consolidated financial statements.

d. The capital reserve has been set up to deal with the changes in ownership interests in subsidiaries that do not result in a loss of control. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised in capital reserves.

e. Share premium represents the excess of the net proceeds or consideration from issuance of the Company's shares over their par value.

28. BANK AND OTHER BORROWINGS

	Note	2019 RMB'000	2018 RMB'000
Bank borrowings, unsecured and guaranteed	(a)	–	4,000
Bank borrowings, secured and guaranteed	(b)	50,000	25,000
Bank borrowings, unsecured and unguaranteed	(c)	32,420	71,681
Bank borrowings, secured and unguaranteed	(d)	23,164	25,222
Other borrowings, secured and unguaranteed	(e)	5,239	11,879
Other borrowings, unsecured and unguaranteed	(f)	25,282	43,592
Bank and other borrowings		136,105	181,374
Bank overdrafts, unsecured and unguaranteed	(g)	7,204	–
		143,309	181,374
Non-current		21,257	9,387
Current		122,052	171,987
		143,309	181,374

(a) Bank borrowings, unsecured and guaranteed

As at 31 December 2018, the bank borrowings bore interest at the prevailing interest rate of Loan Prime Rate ("LPR") in the PRC plus 0.91% per annum and were guaranteed by Beijing Zhongguancun Sci-Tech Financing Guaranty Co., Ltd, an independent third party. The bank borrowings were wholly repaid during the year.

(b) Bank borrowings, secured and guaranteed

The bank borrowings bear interest (i) at the prevailing interest rate of LPR in the PRC plus 0.2575% per annum or 1.02% per annum; or (ii) at fixed rate of 6.5% per annum (2018: (i) prevailing interest rate of LPR in the PRC plus 0.92% per annum; or (ii) prevailing interest rate of the People's Bank of China with 40% mark-up).

The bank borrowings are secured by the buildings with carrying amount of RMB32,921,000 (2018: the buildings with carrying amount of RMB22,695,000 and trade receivables of RMB25,750,000) and are guaranteed by two independent parties, Beijing Zhongguancun Sci-Tech Financing Guaranty Co., Ltd. and Beijing Culture Sci-Tech Financing Guaranty Co., Ltd (2018: Beijing Zhongguancun Sci-Tech Financing Guaranty Co., Ltd. and Beijing Culture Sci-Tech Financing Guaranty Co., Ltd.). The bank borrowings are wholly repayable within one year.

28. BANK AND OTHER BORROWINGS *(continued)*

(c) Bank borrowings, unsecured and unguaranteed

The bank borrowings are unsecured, bear interest (i) at The Hong Kong Interbank Offered Rate plus 4% per annum; or (ii) at The London Interbank Offered Rate ("LIBOR") plus 4.5% per annum (2018: (i) LIBOR plus 4.5% per annum; or (ii) fixed interest rate of 6.5% per annum). The bank borrowings are wholly repayable within one year.

(d) Bank borrowings, secured and unguaranteed

The bank borrowings bear interest at LIBOR plus 1% per annum (2018: LIBOR plus 1% per annum). The bank borrowings are wholly repayable within one year.

The bank borrowings are secured by the key-man life insurance policies included in financial assets at FVPL with carrying amount of RMB48,296,000 (2018: RMB45,263,000).

The bank borrowings are wholly repayable in January 2020. As at 31 December 2018, the management has classified the bank borrowings as current liabilities due to the repayment on demand clause.

(e) Other borrowings, secured and unguaranteed

The other borrowings bear interest at the prevailing interest rate of LPR in the PRC plus 1.35% per annum (2018: prevailing interest rate of LPR in the PRC plus 1.35% per annum) and are secured by inventories of RMB22,295,000 (2018: RMB41,583,000). As at 31 December 2019, amount of RMB3,982,000 (2018: RMB6,640,000) included in the balance are repayable within one year and classified as current liabilities.

(f) Other borrowings, unsecured and unguaranteed

The other borrowings are unsecured, bear interest at rates ranging from 5.5% to 12% per annum (2018: 5.5% to 12% per annum). As at 31 December 2019, amount of RMB5,282,000 (2018: RMB5,944,000) included in the balance are repayable within one year and classified as current liabilities.

(g) Bank overdrafts, unsecured and unguaranteed

The bank overdrafts bear interest at Hongkong and Shanghai Banking Corporation Limited's HKD Best Lending rate plus 0.5% per annum.

28. BANK AND OTHER BORROWINGS *(continued)*

(h) The scheduled repayment dates of the Group's bank and other borrowings, as set out in loan arrangements without considering the effect of any repayment on demand clause, are as follows:

	2019 RMB'000	2018 RMB'000
Repayable on demand or within 1 year	122,052	146,765
Repayable after 1 year but within 2 years	21,257	33,352
Repayable after 2 years but within 5 years	–	1,257
	143,309	181,374

(i) The exposure of the Group's bank and other borrowings to interest rate changes are as follows:

	2019 RMB'000	2018 RMB'000
Fixed interest rate	45,282	85,618
Variable interest rate	98,027	95,756
	143,309	181,374

(j) The carrying amounts of the Group's bank and other borrowings are denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
HKD	30,993	54,149
USD	37,077	52,846
RMB	75,239	74,379
	143,309	181,374

29. TRADE AND OTHER PAYABLES

	Note	2019 RMB'000	2018 RMB'000
Trade payables			
— to third parties		58,978	94,130
— to associates		1,714	10,483
	(a)	60,692	104,613
Other payables			
Other taxes payables		18,994	34,927
Employee benefits payables		8,094	6,656
Amounts due to an associate	(b)	821	11,236
Amounts due to directors	(c)	2,630	7,622
Amount due to a shareholder	(d)	9,511	8,071
Accrual for professional service fees		1,500	1,199
Compensation payable for a legal dispute (Note 36)		3,437	2,774
Interest payables		3,846	4,731
Consideration payables for the acquisition of a subsidiary (Note 32)		558	–
Loan from a third party	(e)	4,500	–
Others		468	3,319
		54,359	80,535
		115,051	185,148

29. TRADE AND OTHER PAYABLES *(continued)*

(a) The credit period of trade payables is normally within 60 (2018: 60) days. The ageing analysis of the trade payables based on invoice date is as follows:

	2019 RMB'000	2018 RMB'000
Within 3 months	**40,335**	67,281
Over 3 months but within 6 months	**2,817**	13,959
Over 6 months but within 1 year	**11,435**	13,293
Over 1 year but within 2 years	**2,935**	991
Over 2 years but within 3 years	**531**	7,600
Over 3 years	**2,639**	1,489
	60,692	104,613

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

	2019 RMB'000	2018 RMB'000
RMB	**44,440**	69,958
USD	**15,733**	29,088
HKD	**172**	1,182
EUR	**314**	3,869
TWD	**10**	516
GBP	**23**	–
	60,692	104,613

(b) The amounts due to Beijing Evertop are unsecured, interest-free and repayable on demand.

(c) Except for the balance of RMB240,000 which is interest-free, the amounts due to Mr. Lo Chi Sum and Mr. Leung Wing Fai are unsecured, bear interest at rate of 5.25% per annum and repayable on demand.

(d) The balance represents the amount due to Cerulean Coast Limited, a shareholder of the Company, beneficially owned by Mr. Lo Chi Sum. Except for the balance of RMB980,000 which is interest-free, the balance is unsecured, bears interest at rate of 5.25% per annum and repayable on demand.

(e) The amount is unsecured, interest-free and repayable on demand.

30. DEFERRED INCOME TAX

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

	2019 RMB'000	2018 RMB'000
Deferred tax assets: — to be recovered after more than 12 months	**1,027**	1,229
Deferred tax liabilities: — to be recovered after more than 12 months	**(457)**	(1,152)
Deferred tax assets — net	**570**	77

The movement in deferred income tax assets (liabilities) are as follows:

	Provision for impairment loss on trade and other receivables RMB'000	Provision for inventory obsolescence RMB'000	Fair value surplus arising from acquisition of subsidiaries RMB'000	Total RMB'000
At 1 January 2018	5,737	396	(1,847)	4,286
Credited to the consolidated statement of profit or loss	(4,508)	(396)	695	(4,209)
At 31 December 2018 and at 1 January 2019	**1,229**	**–**	**(1,152)**	**77**
Credited to the consolidated statement of profit or loss (Note 12)	**(202)**	**–**	**695**	**493**
At 31 December 2019	**1,027**	**–**	**(457)**	**570**

As at 31 December 2019, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside the PRC, for which no deferred income tax liability had been provided, were approximately RMB16,090,000 (2018: RMB27,970,000). 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.

30. DEFERRED INCOME TAX *(continued)*

Unrecognised deferred tax assets arising from

	2019 RMB'000	2018 RMB'000
Before multiplied by the applicable tax rates:		
Deductible temporary differences	**60,493**	30,576
Tax losses	**142,628**	90,612
	203,121	121,188

No deferred tax asset has been recognised in respect of these items due to the unpredictability of future profit streams. No deductible temporary differences expire under current tax legislation. The expiry dates of unrecognised tax losses are as follows:

	2019 RMB'000	2018 RMB'000
Tax losses expiring on 31 December 2019	**–**	134
Tax losses expiring on 31 December 2020	**1,761**	1,761
Tax losses expiring on 31 December 2022	**6,571**	6,571
Tax losses expiring on 31 December 2023	**16,872**	16,872
Tax losses expiring on 31 December 2024	**41,279**	–
Tax loss without expiry date	**76,145**	65,274
	142,628	90,612

31. DIVIDENDS

The directors of the Company do not recommend payment of any final dividend for the year ended 31 December 2019 (2018: Nil).

32. ACQUISITION OF A SUBSIDIARY

On 14 May 2019, the Company, Satron and Mr. Geng Liang (who was appointed as executive director of the Company on 3 June 2019) and Mr. Liu Yuan (together as the "Vendors") entered into an equity transfer agreement (the "Agreement") pursuant to which the Company agreed to acquire and the Vendors agreed to sell the entire equity interests of Satron at a total consideration of RMB5,880,000, which was settled by a combination of cash in the amount of RMB1,880,000 and allotment of 20,942,408 ordinary shares of the Company (the "Consideration Shares"). The acquisition was completed on 21 May 2019. The fair value of the Consideration Shares was assessed by the management based on the market price of the Company's shares on the completion date.

The acquisition is expected to diversify the Group's self-developed product line and bring in more talents to the Group for the Group's research and development of video and transmission products.

The following table summarises the consideration paid for acquisition of Satron, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RMB'000
Consideration	
— Cash consideration	1,322
— Consideration payables (Note 29)	558
— Consideration Shares	4,000
Total consideration transferred	5,880
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment (Note 14)	97
Inventories	649
Trade, other receivables and prepayments	4,404
Bank balances and cash	734
Trade and other payables	(4)
Total identifiable net assets	5,880

In respect of the acquired subsidiary, the fair value of trade and other receivables acquired includes trade receivables with a fair value of RMB404,000. The total gross contractual amount for trade receivables due is RMB404,000, none of which is expected to be uncollectible.

32. ACQUISITION OF A SUBSIDIARY *(continued)*

The revenue included in the consolidated statement of profit or loss contributed by Satron was RMB979,000 since the date of acquisition. Satron also incurred losses of RMB94,000 over the same period.

Had Satron been consolidated from 1 January 2019, the consolidated statement of profit or loss would show pro-forma revenue of RMB191,562,000 and losses of RMB84,652,000.

Net cash flow on acquisition of a subsidiary:

	RMB'000
Cash consideration paid	(1,322)
Cash and cash equivalents in the subsidiary acquired	734
	(588)

33. FINANCIAL INSTRUMENTS BY CATEGORY

	At amortised costs RMB'000	Financial assets at FVPL RMB'000	Total RMB'000
At 31 December 2019			
Assets as per consolidated statement of financial position			
Financial assets at FVPL	–	48,296	48,296
Trade and other receivables excluding prepayments	161,537	17,755	179,292
Bank balances and cash	13,670	–	13,670
Pledged bank deposits	107	–	107
	175,314	66,051	241,365

	Other financial liabilities at amortised cost RMB'000
At 31 December 2019	
Liabilities as per consolidated statement of financial position	
Bank and other borrowings	143,309
Trade and others payables excluding non-financial liabilities	106,957
Lease liabilities	3,746
	254,012

33. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

	At amortised costs RMB'000	Financial assets at FVPL RMB'000	Total RMB'000
At 31 December 2018			
Assets as per consolidated statement of financial position			
Financial assets at FVPL	–	45,263	45,263
Trade and other receivables excluding prepayments	264,544	17,755	282,299
Bank balances and cash	59,452	–	59,452
Pledged bank deposits	2,211	–	2,211
	326,207	63,018	389,225

	Other financial liabilities at amortised cost RMB'000
At 31 December 2018	
Liabilities as per consolidated statement of financial position	
Bank and other borrowings	181,374
Trade and others payables excluding non-financial liabilities	178,492
	359,866

34. CASH GENERATED FROM OPERATIONS

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

	2019 RMB'000	2018 RMB'000
Loss before income tax from		
— Continuing operations	**(91,539)**	(30,646)
— Discontinued operations	**–**	3,759
Loss before income tax	**(91,539)**	(26,887)
Adjustments for:		
— Provision for impairment of trade receivables (Note 19)	**2,056**	2,724
— Provision for inventories (Note 20)	**30,828**	1,055
— Amortisation of intangible assets (Note 15)	**8,527**	8,081
— Depreciation of property, plant and equipment (Note 14)	**4,312**	7,076
— Depreciation of right-of-use assets (Note 16)	**2,459**	–
— Interest income (Note 9)	**(41)**	(277)
— Interest expenses (Note 9)	**16,614**	15,368
— Fair value change in financial assets at FVPL (Note 17)	**(3,033)**	(1,146)
— Loss on disposals of property, plant and equipment	**–**	171
— Share based compensation expenses (Note 26)	**2,375**	(320)
— Share of (profit) loss of associates (Note 11)	**(3,156)**	4,618
— Gain on disposal of a subsidiary	**–**	(51,234)
— Gain on disposal of an associate	**–**	(1,578)
— Decrease in inventories	**27,425**	8,543
— Decrease in trade and other receivables	**137,686**	95,145
— (Decrease) Increase in trade and other payables	**(122,241)**	25,159
Cash generated from operations	**12,272**	86,498

34. CASH GENERATED FROM OPERATIONS *(continued)*

(b) Changes in liabilities arising from financing activities:

	Lease liabilities RMB'000	Bank and other borrowings (excluding bank overdrafts) RMB'000
As at 1 January 2018	–	265,581
Proceeds from bank and other borrowings	–	78,600
Repayments of bank and other borrowings	–	(162,807)
As at 31 December 2018	–	181,374
Upon adoption of HKFRS 16	2,833	–
At 1 January 2019 — Upon adoption of HKFRS 16	2,833	181,374
New leases	3,228	–
Cash flows:		
Repayment of lease liabilities	(2,315)	–
Proceeds from bank and other borrowings	–	102,061
Repayments of bank and other borrowings	–	(147,330)
As at 31 December 2019	**3,746**	**136,105**

35. RELATED PARTY TRANSACTIONS

(a) Key management compensation

Key management includes directors. The compensation paid or payable to key management for employee services is shown as follows:

	2019 RMB'000	2018 RMB'000
Salaries, bonus and other allowances	**6,093**	4,636
Contribution to defined contribution plans	**187**	45
Share based payment expenses (Note 26 and Note 39)	**607**	98
	6,887	4,779

(b) In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following transactions with related parties:

Related party relationship	Nature of transactions	2019 RMB'000	2018 RMB'000
Directors	Interest expenses (Note 1)	**240**	–
Shareholder	Interest expenses (Note 2)	**980**	–
Associate	Interest expenses	**–**	1,281
	Purchases	**12,546**	–
	Sales	**(9,358)**	–

Note 1: The interest expenses were paid/payable to Mr. Lo Chi Sum and Mr. Leung Wing Fai.

Note 2: The interest expenses were paid/payable to Cerulean Coast Limited which is beneficially owned by Mr. Lo Chi Sum.

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, which provided the application solution services for the systems to a client in Hunan (the "Client"), the end-user of the systems. The contractual claim amounting to RMB6,770,000 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 RMB9,990,000 against the subsidiary and the Client.

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 RMB7,600,000. In September 2018, the Claimant and the subsidiary entered to a settlement agreement to reduce the compensation to RMB5,574,000 in instalments, out of which approximately RMB4,570,000 was paid as at 31 December 2019. The remaining balance has been subsequently settled in 2020.

During the year ended 31 December 2019, a late payment penalty of RMB2,433,000 was charged by the Claimant.

37. EVENTS AFTER REPORTING PERIOD

(a) In view of the outbreak of Coronavirus Disease 2019 ("COVID-19") in December 2019 in the PRC, the PRC authority has taken national prevention and control of the COVID-19. The COVID-19 has certain impacts on the business operation and overall economy in some geographical areas or industries in the PRC. To a certain extent the outbreak might affect the production progress of the TV broadcasting program and most of broadcasting events scheduled in the second half of 2020, and the extent of the impact depends on the duration of the epidemic and the implementation of regulatory policies and relevant protective measures. The Group will stay alert on the development and situation of the COVID-19, continuing to assess its impacts on the financial position and operating results of the Group and take necessary action to mitigate the business risk in the PRC.

    At the date of publication of these consolidated financial statements, the Group was not able to estimate the financial impact of these events.

(b) On 20 April 2020, Cerulean Coast Limited, the controlling shareholder of the Company (as defined under the listing rules) and is wholly owned by Mr. Lo Chi Sum, and Future Miracle Limited, a shareholder of the Company and is wholly owned by Mr. Leung Wing Fai, have respectively pledged 311,960,000 ordinary shares and 28,040,000 ordinary shares (collectively, the "Pledged Shares") of the Company, in favour of an independent third party (the "Lender") as security for a loan facility of RMB50,000,000 provided by the Lender to the Group as general working capital. For details, please refer to the announcement of the Company published on 20 April 2020.

38. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2019 RMB'000	2018 RMB'000
Assets			
Non-current assets			
Investments in subsidiaries		**94,749**	94,749
Amounts due from subsidiaries	38(c)	**41,996**	93,050
		136,745	187,799
Current assets			
Amounts due from subsidiaries	38(d)	**32,380**	78,922
Other receivables		**67**	66
Cash and cash equivalents		**7**	1
		32,454	78,989
Total assets		**169,199**	266,788
Equity and liabilities			
Equity			
Share capital		**8,290**	8,106
Share premium	38(b)	**269,212**	265,396
Share option reserve	38(b)	**13,165**	10,790
Accumulated losses	38(b)	**(121,602)**	(17,610)
Total equity		**169,065**	266,682
Liabilities			
Current liabilities			
Trade and other payables		**134**	106
Total equity and liabilities		**169,199**	266,788

This statement of financial position was approved and authorised for issue by the Board of Directors on 22 April 2020 and signed on its behalf by

Lo Chi Sum
Chairman

Leung Wing Fai
Executive director

38. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

(b) Reserve movements of the Company

	Share premium RMB'000	Accumulated losses RMB'000	Share option reserves RMB'000
Balance at 1 January 2018	265,396	40	11,110
Loss for the year	–	(17,650)	–
Employee share option and share award scheme — value of employee services	–	–	(320)
Balance at 31 December 2018	265,396	(17,610)	10,790
Balance at 1 January 2019	**265,396**	**(17,610)**	**10,790**
Issue of new shares	**3,816**	**–**	**–**
Loss for the year	**–**	**(93,492)**	**–**
Employee share option and share award scheme — value of employee services	**–**	**–**	**2,375**
Balance at 31 December 2019	**269,212**	**(111,102)**	**13,165**

(c) The amounts due from subsidiaries are unsecured, non-interest bearing and the settlement of which is neither planned nor likely to occur in the foreseeable future.

(d) The amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demands.

39. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The emoluments paid or payable to the directors and chief executive of the Company by the Group during the year were as follows:

Year ended 31 December 2019

Name	Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Contribution to defined contribution plans RMB'000	Share based payment RMB'000	Total RMB'000
Chairman, chief executive officer and executive director						
Mr. Lo Chi Sum	–	1,690	141	16	–	1,847
Executive directors						
Mr. Leung Wing Fai	–	845	70	16	–	931
Mr. Wong Kwok Fai	–	845	70	16	320	1,251
Mr. Sun Qingjun	–	643	142	95	167	1,047
Mr. Geng Liang	–	493	70	9	–	572
Mr. Zheng Yi	–	257	35	35	–	327
Independent non-executive directors						
Dr. Ng Chi Yeung, Simon	–	264	–	–	40	304
Mr. Hung Muk Ming	–	264	–	–	40	304
Mr. Mak Kwok Wing	–	264	–	–	40	304
	–	5,565	528	187	607	6,887

39. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(a) Directors' emoluments *(continued)*

Year ended 31 December 2018

Name	Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Contribution to defined contribution plans 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
	–	3,959	677	45	98	4,779

Mr. Sun Qingjun, Mr. Geng Liang and Mr. Zheng Yi have been appointed as executive directors with effect from 3 April 2019, 3 June 2019 and 16 September 2019 respectively.

No emoluments were paid by the Group to other directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the years ended 31 December 2019 and 2018.

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

Saved as disclosed in Notes 32 and 35, 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 *(2018: Nil).*

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 consolidated financial statements of respective years and does not form part of the audited consolidated financial statements.

	Year Ended 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
CONTINUING OPERATIONS					
Results					
Revenue	**191,030**	298,704	543,165	662,888	623,432
Cost of sales	**(142,443)**	(237,579)	(378,656)	(467,616)	(440,488)
Gross profit	**48,587**	61,125	164,509	195,272	182,944
Selling expenses	**(19,925)**	(25,465)	(31,193)	(35,477)	(34,685)
Administrative expenses	**(111,052)**	(96,737)	(272,723)	(93,103)	(85,847)
Other gains, net	**4,688**	53,997	9,627	4,820	3,503
Operating (loss) profit	**(77,702)**	(7,080)	(129,780)	71,512	65,915
Finance costs, net	**(16,993)**	(18,948)	(16,398)	(12,799)	(8,700)
Share of profit (loss) of associates/ investments accounted for using the equity method	**3,156**	(4,618)	2,618	2,715	(38)
(Loss) Profit before income tax	**(91,539)**	(30,646)	(143,560)	61,428	57,177
Income tax credit (expense)	**2,895**	(8,156)	(2,575)	(8,881)	(7,090)
(Loss) Profit from continuing operations for the year	**(88,644)**	(38,802)	(146,135)	52,547	50,087
DISCONTINUED OPERATIONS					
Profit from discontinued operations	**–**	3,157	–	–	–
(Loss) Profit for the year	**(88,644)**	(35,645)	(146,135)	52,547	50,087
(Loss) Earnings Per Share — basic and diluted (RMB)					
From continuing operations	**(8.16)**	(3.78)	(14.57)	5.07	5.01
From discontinuing operations	**–**	0.31	–	–	–
	(8.16)	(3.47)	(14.57)	5.07	5.01
Assets and Liabilities					
Total Assets	**515,006**	738,324	880,540	1,167,940	825,476
Total Liabilities	**332,683**	471,044	552,445	692,623	414,103
Total Equity	**182,323**	267,280	328,095	475,317	411,373