

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014**

#### **FINANCIAL HIGHLIGHTS**

- Revenue increased by approximately 40.7% to RMB252.8 million for the six months ended 30 June 2014 from RMB179.7 million for the six months ended 30 June 2013.
- Gross profit increased by approximately 46.5% to RMB75.2 million for the six months ended 30 June 2014 from RMB51.4 million for the six months ended 30 June 2013.
- Net profit increased by approximately 50.9% to RMB12.7 million for the six months ended 30 June 2014 from RMB8.4 million for the six months ended 30 June 2013.
- The Board did not recommend the distribution of interim dividend for the six months ended 30 June 2014.

#### **INTERIM RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) is pleased to announce the unaudited condensed consolidated interim results of Century Sage Scientific Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2014 (the “**Interim Period**”), together with the comparative figures for the corresponding period in 2013. The unaudited condensed consolidated interim results of the Group have not been audited, but have been reviewed by the Company’s auditors, PricewaterhouseCoopers, and the audit committee of the Company (the “**Audit Committee**”).

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*FOR THE SIX MONTHS ENDED 30 JUNE 2014*

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2014</b> <i>RMB'000</i> <b>Unaudited</b>	<b>2013</b> <i>RMB'000</i> <b>Unaudited</b>
Revenue	3	<b>252,797</b>	179,694
Cost of sales		<b>(177,571)</b>	(128,344)
<b>Gross profit</b>		<b>75,226</b>	51,350
Selling expenses		<b>(11,042)</b>	(14,916)
Administrative expenses		<b>(41,558)</b>	(24,406)
Other income		<b>207</b>	(353)
<b>Operating profit</b>	9	<b>22,833</b>	11,675
Finance income		<b>56</b>	44
Finance costs		<b>(5,449)</b>	(1,484)
Finance income — net		<b>(5,393)</b>	(1,440)
<b>Profit before income tax</b>		<b>17,440</b>	10,235
Income tax expense	10	<b>(4,721)</b>	(1,808)
<b>Profit for the period</b>		<b>12,719</b>	8,427
<b>Profit attributable to:</b>			
Owners of the Company		<b>12,719</b>	8,427
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Currency translation differences		<b>(935)</b>	(555)
<b>Other comprehensive loss for the six-month period then ended, net of tax</b>		<b>(935)</b>	(555)
<b>Total comprehensive income for the period</b>		<b>11,784</b>	7,872
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>11,784</b>	7,872
<b>Earnings per share (expressed in RMB per share)</b>			
— Basic and diluted earnings per share	11	<b>0.02</b>	0.01
<b>Dividends</b>	12	<b>—</b>	—

**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET**  
*AS AT 30 JUNE 2014*

		As at	
		30 June 2014	31 December 2013
	<i>Note</i>	<i>RMB'000</i> Unaudited	<i>RMB'000</i> Audited
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	57,058	59,890
Deferred income tax assets		4,257	2,595
Available-for-sale financial assets		4,189	4,189
Other non-current assets		873	1,376
		<u>66,377</u>	<u>68,050</u>
<b>Current assets</b>			
Inventories		308,687	386,970
Trade and other receivables	5	150,030	112,907
Pledged bank deposits		8,349	9,206
Cash and cash equivalents		21,970	53,878
		<u>489,036</u>	<u>562,961</u>
<b>Total assets</b>		<u><u>555,413</u></u>	<u><u>631,011</u></u>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	6	1	1
Share premium		70,674	70,674
Other reserves		(69,664)	(68,729)
Retained earnings		105,764	93,045
<b>Total equity</b>		<u>106,775</u>	<u>94,991</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	7	10,376	4,624

		As at	
		30 June 2014	31 December 2013
	<i>Note</i>	<b>RMB'000</b> <b>Unaudited</b>	<b>RMB'000</b> <b>Audited</b>
<b>Current liabilities</b>			
Trade and other payables	8	293,202	435,191
Current income tax liabilities		40,590	42,661
Borrowings	7	104,470	53,544
		<u>438,262</u>	<u>531,396</u>
<b>Total liabilities</b>		<u>448,638</u>	<u>536,020</u>
<b>Total equity and liabilities</b>		<u>555,413</u>	<u>631,011</u>
<b>Net current assets</b>		<u>50,774</u>	<u>31,565</u>
<b>Total assets less current liabilities</b>		<u>117,151</u>	<u>99,615</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	
	<b>Unaudited</b>					
<b>Balance at January 1, 2013</b>	1	70,674	(68,702)	75,290	77,263	77,263
<b>Comprehensive income</b>						
Profit for the period	–	–	–	8,427	8,427	8,427
<b>Other comprehensive income</b>						
— currency translation differences	–	–	(555)	–	(555)	(555)
Total other comprehensive income, net of tax	–	–	(555)	–	(555)	(555)
<b>Total comprehensive income for the period ended 30 June 2013</b>	–	–	(555)	8,427	7,872	7,872
<b>Balance as at 30 June 2013</b>	<u>1</u>	<u>70,674</u>	<u>(69,257)</u>	<u>83,717</u>	<u>85,135</u>	<u>85,135</u>
<b>Unaudited</b>						
<b>Balance at January 1, 2014</b>	1	70,674	(68,729)	93,045	94,991	94,991
<b>Comprehensive income</b>						
Profit for the period	–	–	–	12,719	12,719	12,719
<b>Other comprehensive income</b>						
— currency translation differences	–	–	(935)	–	(935)	(935)
Total other comprehensive income, net of tax	–	–	(935)	–	(935)	(935)
<b>Total comprehensive income for the period ended 30 June 2014</b>	–	–	(935)	12,719	11,784	11,784
<b>Balance as at 30 June 2014</b>	<u>1</u>	<u>70,674</u>	<u>(69,664)</u>	<u>105,764</u>	<u>106,775</u>	<u>106,775</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Net cash (used in)/generated from operating activities	<u>(24,956)</u>	<u>13,861</u>
Net cash used in investing activities	<u>(1,420)</u>	<u>(25,224)</u>
Net cash (used in)/generated from financing activities	<u>(5,532)</u>	<u>1,825</u>
Net decrease in cash and cash equivalents	<b>(31,908)</b>	<b>(9,538)</b>
Cash and cash equivalents at beginning of period	<u>53,878</u>	<u>35,026</u>
Cash and cash equivalents at end of period	<u><b>21,970</b></u>	<u><b>25,488</b></u>

# **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

## *FOR THE SIX MONTHS ENDED 30 JUNE 2014*

### **1. GENERAL INFORMATION**

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

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

The Company is an investment holding company and its subsidiaries (the “Group”) are principally engaged in the provision of (i) content production, broadcasting and transmission application solutions, (ii) event broadcast services, (iii) system maintenance services and (iv) the development and sales of broadcast and transmission equipment, as well as other related services, for the All-Media industry in the PRC. The Group has operations mainly in the mainland China.

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

This condensed consolidated interim financial information was approved for issue by the board of directors on 26 August 2014.

This condensed consolidated interim financial information has not been audited.

### **2. ACCOUNTING POLICIES**

The accounting policies applied and methods of computation used in the preparation of this Interim Financial Information are consistent with those used in the 2013 Financial Statements, except for the adoption of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group’s operations and mandatory for annual accounting periods beginning 1 January 2014. The adoption of these new and revised standards, amendments and interpretations does not have an impact on the Group’s result of operation and financial position.

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

There are no new standards, and amendments and interpretations to existing standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

### **3. SEGMENT INFORMATION**

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

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

- Application solutions (including “Production and broadcast” and “Transmission”)
- Event broadcast services
- System maintenance services
- Equipment development and sales

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

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>Unaudited</b>	Unaudited
Segment revenue		
Application solutions		
— Production and broadcast	<b>153,662</b>	131,437
— Transmission	<b>71,641</b>	37,810
Subtotal	<b>225,303</b>	169,247
Event broadcast services	<b>8,053</b>	2,023
System maintenance services	<b>11,216</b>	4,704
Equipment development and sales	<b>8,225</b>	3,720
Total	<b>252,797</b>	179,694
Segment cost		
Application solutions		
— Production and broadcast	<b>(115,002)</b>	(97,654)
— Transmission	<b>(49,122)</b>	(25,822)
Subtotal	<b>(164,124)</b>	(123,476)
Event broadcast services	<b>(4,342)</b>	(1,233)
System maintenance services	<b>(5,571)</b>	(2,316)
Equipment development and sales	<b>(3,534)</b>	(1,319)
Total	<b>(177,571)</b>	(128,344)
Segment gross profit		
Application solutions		
— Production and broadcast	<b>38,660</b>	33,783
— Transmission	<b>22,519</b>	11,988
Subtotal	<b>61,179</b>	45,771
Event broadcast services	<b>3,711</b>	790
System maintenance services	<b>5,645</b>	2,388
Equipment development and sales	<b>4,691</b>	2,401
Total	<b>75,226</b>	51,350



	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
	<b>Unaudited</b>	Unaudited
Depreciation		
Application solutions		
— Production and broadcast	<b>1,870</b>	2,620
— Transmission	<b>871</b>	754
	<hr/>	<hr/>
Subtotal	<b>2,741</b>	3,374
Event broadcast services	<b>98</b>	40
System maintenance services	<b>136</b>	94
Equipment development and sales	<b>100</b>	74
	<hr/>	<hr/>
Total	<b>3,075</b>	3,582
	<hr/> <hr/>	<hr/> <hr/>

#### **4. PROPERTY, PLANT AND EQUIPMENT**

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
	<b>Unaudited</b>	Unaudited
Opening net book amount	<b>59,890</b>	64,513
Additions	<b>676</b>	2,642
Disposals	<b>(433)</b>	–
Depreciation	<b>(3,075)</b>	(3,582)
	<hr/>	<hr/>
Closing net book amount	<b>57,058</b>	63,573
	<hr/> <hr/>	<hr/> <hr/>
At 30 June		
Cost	<b>78,293</b>	76,980
Accumulated depreciation	<b>(21,235)</b>	(13,407)
	<hr/>	<hr/>
Net book amount	<b>57,058</b>	63,573
	<hr/> <hr/>	<hr/> <hr/>

## 5. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2014 RMB'000 Unaudited	31 December 2013 RMB'000 Audited
Trade receivables	74,418	42,416
Less: provision for impairment of trade receivable	(613)	(342)
	<hr/>	<hr/>
Trade receivables — net	73,805	42,074
Other receivables		
Amount due from customers for contract work	874	472
Deposit for guarantee certificate over tendering and performance (a)	13,861	14,631
Amounts due from shareholders/directors	–	3,390
Prepayments	53,683	33,615
Value-added tax receivables	–	5,556
Cash advance to staff	3,446	4,975
Others	4,361	8,194
	<hr/>	<hr/>
	<b>150,030</b>	<b>112,907</b>
	<hr/> <hr/>	<hr/> <hr/>

As of 31 December 2013 and 30 June 2014, the fair values of trade and other receivables of the Group approximate their carrying amounts.

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

Invoices issued to our customers are payable on issuance and no credit terms are stipulated in our project contracts generally. As at 31 December, 2013 and 30 June, 2014, the ageing analysis of the trade receivables based on revenue recognition date is as follows:

	As at	
	30 June 2014 RMB'000 Unaudited	31 December 2013 RMB'000 Audited
Up to 3 months	52,456	20,588
3 to 6 months	12,255	14,124
6 months to 1 year	7,755	871
1 to 2 years	712	6,232
2 to 3 years	1,013	259
Over 3 years	227	342
	<hr/>	<hr/>
	<b>74,418</b>	<b>42,416</b>
	<hr/> <hr/>	<hr/> <hr/>

## 6. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares <i>HK\$'000</i>	Equivalent nominal value of ordinary shares <i>RMB'000</i>
Authorised:			
Ordinary share of HK\$0.1 each at 18 December 2012 (date of incorporation) and 31 December 2013	3,800,000	380	308
Ordinary shares of HK\$0.01 each, subsequent to share split (a)	34,200,000	–	–
Increase of authorised ordinary shares (b)	<u>4,962,000,000</u>	<u>49,620</u>	<u>39,363</u>
<b>Balance at 30 June, 2014</b>	<u><u>5,000,000,000</u></u>	<u><u>50,000</u></u>	<u><u>39,671</u></u>
Issued and fully paid:			
Ordinary share of HK\$0.1 each at 31 December 2013	10,000	1	1
Sub-division of shares (a)	<u>90,000</u>	<u>–</u>	<u>–</u>
<b>Balance at 30 June, 2014</b>	<u><u>100,000</u></u>	<u><u>1</u></u>	<u><u>1</u></u>
Capitalisation issue (c)	749,900,000	7,499	5,949
Issuance of ordinary shares (d)	<u>250,000,000</u>	<u>2,500</u>	<u>1,983</u>
<b>Balance at 7 July, 2014</b>	<u><u>1,000,000,000</u></u>	<u><u>10,000</u></u>	<u><u>7,933</u></u>

### (a) Sub-division of shares

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

### (b) Increase in authorised share capital

Pursuant to the written resolution of shareholders passed on 13 June 2014, the authorised share capital of our Company was increased from HK\$380,000 to HK\$50,000,000 by the creation of 4,962,000,000 new shares.

### (c) Capitalisation issue

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

### (d) Issuance of new ordinary shares upon IPO

On 7 July, 2014, upon its listing on the Main Board of The Stock Exchange of Hong Kong Limited, the Company issued 250,000,000 new ordinary shares at par value of HK\$0.01 per share for cash consideration of HK\$1.08 each.

## 7. BORROWINGS

	As at	
	30 June 2014 <i>RMB'000</i> Unaudited	31 December 2013 <i>RMB'000</i> Audited
Non-current		
Bank borrowings	10,376	4,624
Current		
Bank borrowings	104,470	53,544
Total borrowings	<u>114,846</u>	<u>58,168</u>

As at 31 December 2013 and 30 June 2014, bank borrowings of RMB28,499,000 and RMB3,500,000 are secured by the buildings of the Group, cost of which amounting to RMB51,720,000 and RMB51,722,000; trade receivables of RMB30,339,000 and RMB23,200,000, respectively.

As at 31 December 2013 and 30 June 2014, bank borrowings of RMB41,019,000 and RMB23,814,000 were guaranteed by Mr. Leung Wing Fai, a shareholder of the Company. The personal guarantees have been released before the Company's listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited on 7 July 2014.

## 8. TRADE AND OTHER PAYABLES

	As at	
	30 June 2014 <i>RMB'000</i> Unaudited	31 December 2013 <i>RMB'000</i> Audited
Trade payables	63,829	93,420
Amounts due to customers for contract work	38	514
Advances from customers	174,937	239,095
Employee benefits payable	3,996	11,011
Other taxes payable	41,611	20,860
Amounts due to shareholders/directors	–	16
Dividends payable	–	60,000
Accrual for professional service fee	7,438	2,400
Others	1,353	7,875
	<u>293,202</u>	<u>435,191</u>

As at 30 June 2014, the aging analysis of the trade payables based on invoice date were as follows:

	As at	
	<b>30 June 2014</b>	31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>Unaudited</b>	Audited
Up to 3 months	41,271	76,764
3 to 6 months	14,056	5,099
6 months to 1 year	4,630	4,020
1 to 2 years	3,286	5,705
2 to 3 years	355	501
Over 3 years	231	1,331
	<u>63,829</u>	<u>93,420</u>

## 9. OPERATING PROFIT

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

	Six months ended 30 June	
	<b>2014</b>	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>Unaudited</b>	Unaudited
Equipment costs	113,370	92,547
Servicing and agency costs	34,584	27,758
Business development	2,688	4,941
Depreciation and amortisation	3,806	3,517
Listing expenses	12,223	–
	<u>166,671</u>	<u>128,763</u>

## 10. INCOME TAX EXPENSE

### Cayman Islands income tax

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

### BVI income tax

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

### Hong Kong profits tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate at 16.5% for the years ended 31 December 2013 and six months ended 2014 on the estimated assessable profit for the year. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the Relevant Periods.

## PRC enterprise income tax (“EIT”)

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

CSS Beijing and TST Beijing have obtained the High and New Technology Enterprise (“HNTE”) qualification, in which the applicable income tax rate during the approved period is 15%. Details of the HNTE qualification are summarized as follows:

<b>Entities</b>	<b>HNTE Certification Period</b>
CSS Beijing	From 30 October 2012 to 30 October 2015
TST Beijing	From 24 December 2010 to 24 December 2013
TST Beijing	From 5 December 2013 to 5 December 2016

CTL Beijing obtained a “Software Production Enterprise” qualification in 2012. According to the law on corporate income tax Caishui201227 and Guofa20114, CTL Beijing is entitled to enjoy the preferential taxation policy of “two year exemptions and three year 50% reduction on EIT”. Hence, the applicable EIT tax rate for CTL Beijing is 0% for the years ended 31 December 2013, and 12.5% for the six months ended 30 June 2014.

## PRC withholding tax

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

The income tax expense of the Group for the six months ended 30 June 2014 is analysed as follows:

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>RMB’000</b>	<b>RMB’000</b>
	<b>Unaudited</b>	<b>Unaudited</b>
Current income tax	<b>6,383</b>	2,251
Deferred income tax	<b>(1,662)</b>	(443)
Income tax expense	<b>4,721</b>	1,808

Income tax expense is recognised based on management’s estimate of weighted average annual income tax rate expected for the full financial year.

## 11. EARNINGS PER SHARE

For the purpose of computing basic and diluted earnings per share, ordinary shares were assumed to have been issued and allocated on 1 January 2013 as if the Company has been established by then.

### (a) Basic

Basic earnings per share for the six months ended 30 June 2013 and 2014 are calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares deemed to be in issue during each respective year:

	Six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
Profit attributable to owners of the Company ( <i>in RMB'000</i> )	12,719	8,427
Weighted average number of ordinary shares in issue ( <i>i</i> )	<u>750,000,000</u>	<u>750,000,000</u>
Basic earnings per share ( <i>RMB</i> )	<u>0.02</u>	<u>0.01</u>

- (i) The calculation of basic earnings per share was adjusted retrospectively by considering the impact of the result of the sub-division of shares on 13 June 2014 and capitalization issue on 7 July 2014 as disclosed in note 5 (a) and (c).

### (b) Diluted

There is no dilution to earnings per share during the period because there were no potential dilutive ordinary shares existing during the period. The diluted earnings per share equal the basic earnings per share.

## 12. DIVIDENDS

Final dividend of RMB60,000,000 that relates to the year ended 31 December 2013 was paid for the six months ended 30 June 2014. Final dividend of RMB15,563,000 that relates to the year ended 31 December 2012 was paid for the year ended 31 December 2013.

The board of directors has resolved not to declare an interim dividend in respect of the six months ended 30 June 2014 (for the six months ended 30 June 2013: nil).

## 13. OPERATING LEASE COMMITMENTS

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

	As at	
	30 June	31 December
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Audited
No later than 1 year	1,435	1,242
Later than 1 year and no later than 2 years	885	575
Later than 2 years	<u>617</u>	<u>814</u>
	<u>2,937</u>	<u>2,631</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Due to the sustained demand in the market and the increase in completion of services and projects rendered to the Group's customers, the Group's revenue increased from RMB179.7 million for the six months ended 30 June 2013 (“**Corresponding Period**”) to RMB252.8 million for the Interim Period.

The Group is the leading China-based one-stop provider of high-end all-media application solutions in the PRC. The Group provides the television stations, internet service providers, and other media content providers with the infrastructure or avenues to facilitate the completion of their content sourcing, production and broadcast. The Group's business is made up of four main business segments: (1) application solutions; (2) event broadcast services; (3) equipment development and sales; and (4) system maintenance services.

Riding on (i) the Group's comprehensive range of high quality services and products; (ii) strong technical expertise to support the design of customised application solutions; and (iii) the research and development of new products and services, the Group ranked number one, in terms of revenue in 2012, among providers of all-media application solutions that facilitate content production, broadcast and transmission by the all-media industry in the PRC. The Group continued to achieve remarkable growth in its financial performance during the Interim Period. Due to the sustained demand in the market and the increase in completion of services and projects rendered to the Group's customers, such as major broadcasters and internet services providers, the Group's revenue increased significantly by 40.7% from RMB179.7 million for the Corresponding Period to RMB252.8 million for the Interim Period. The Group's profit also increased significantly by 50.9% from RMB8.4 million for the Corresponding Period to RMB12.7 million for the Interim Period.

The Directors believe that the Group's financial performance follows the seasonal factors in the industry, that due to budgetary and planning processes of most of the state-owned enterprises in the first half of the year, the Group is expected to experience a higher amount of revenue recognition in the second half of the year. For instance, the revenue and net profit for the six months ended 30 June 2013 were approximately 28.6% and 10.8% of that for the year ended 31 December 2013, respectively. The Directors are of the view that this seasonal trend will continue in the future.

Benefiting from Three-Networks Convergence (三網融合), high definition (“**HD**”) migration and the next generation broadcasting network which were in line with the PRC government's policies, the demand in the all-media industry in the PRC is expected to increase. According to CCID Report (as disclosed in the Company's prospectus dated 24 June 2014, the “**Prospectus**”), the market size for the provision of application solutions for the all-media industry in the PRC, in terms of operating revenue, was expected to increase from RMB7.8 billion in 2012 to RMB13.4 billion in 2015 while the total revenue of the system maintenance services was expected to increase from RMB2.0 billion in 2012 to RMB3.8 billion in 2015. Based on the growing PRC all-media market demand, the Group continues to expand the business to seize opportunities to grow its market share.



The provision of “application solutions” services to the Group’s customers continued to be the Group’s core business segment that also underpins the future business expansion of the Group. This business segment involves customising application solutions to customers in a turnkey package including system engineering design, provision of software and hardware equipment used in the system, system integration and after-sale services. During the Interim Period, the Group has completed various high profile projects, which included (i) the high definition studios for China Central Television (CCTV) (中國中央電視台); (ii) a HDTV studio cluster project for a prominent listed internet service provider; and (iii) a HDTV production project for the BTV Network (Internet) TV (北京電視台北京網絡廣播電視台). Due to the support from the PRC government policy and the HDTV conversion drive, the Group sees a continuous rolling out of projects from broadcasters as well as network and new media operators.

“Event broadcast services” is a business segment involving customising packages that the Group provides for live broadcast events, such as engineering design, on-site operation and technical support services to the customer’s content production team and leasing of equipment for the event based on the needs of host broadcasters and their content production teams. For the Interim Period, the Group has completed services to a Shanghai customer for their various sport events. The Group also cooperated with a prominent listed internet service provider for their broadcasting of 2014 World Cup football event.

“Equipment development and sales” business segment is a natural extension from “application solutions” and “event broadcast services” segments. Leveraging on its insight of the broadcasting industry gained from its relationships with broadcasters and content providers when providing its “application solutions” services and “event broadcast services”, the Group has been developing broadcast and transmission equipment since 2010, with the successful launch of a product in the same year. This segment has been a rapidly growing business segment of the Group. In addition to the expansion of sales in the PRC, the Group has also delivered its systems to Indonesia which marked our inroad strategies to the Southeast Asian market.

In the segment of “system maintenance services”, the Group has achieved noticeable growth in the maintenance services segment in the Interim Period primarily due to the increase in recurring orders of its services and taking benefits from the increase in demand of its services from the application solutions segment.

During the Interim Period, the Group has received significant repeat orders from major broadcasters such as Shenzhen Media Group (深圳廣播電影電視集團) and Guangzhou Television (廣州市廣播電視台) for their HDTV production facilities which are part of their multi-year high-definition conversion projects. The Group is also awarded a project by the China Network TV (CNTV, “央視國際網絡有限公司”) for the National network video database platform phase 1 (國家網絡視頻數據庫一期平台). Leveraging on strong technical expertise and years of successful cooperation with these all-media operators, the Group is confident to continue supporting its customers for their multi-phases projects in the future.

The Group noted some tenders for projects were delayed or postponed in the Interim Period. The Group believed it was related to the generally more stringent budget control of many government-funded projects in the PRC. However, the Directors believed that the PRC government investments in the all-media industry remain strong due to the reasons including (i) the Group was awarded a government-funded HDTV project with a contract value of RMB25 million from the Tibet Television Station in June 2014; and (ii) in mid-August 2014, a report on promoting the integration of traditional and new media was approved at a reform group meeting chaired by President Xi Jinping of the PRC. Further, the Group completed a project for CCTV Kehua Co., Ltd. (中視科華有限公司) for the upgrade of their fleet of satellite vehicle systems for 31 provinces in the PRC. It showed that the PRC government will continue to support the broadcast television station and new media industry although it casted control on general government spending.

## FINANCIAL REVIEW

### Revenue

Revenue of the Group increased significantly by 40.7% from RMB179.7 million for the Corresponding Period to RMB252.8 million for the Interim Period. The Group targeted to expand the development and operations of segments from event broadcast services, system maintenance services and equipment development and sales, while the segment of application solutions will remain to contribute substantially to the Group's revenue. The table below sets out the Group's segmental revenue for the six months ended 30 June 2013 and 2014:

	For the six months ended 30 June			
	2014		2013	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
<b>Segment revenue</b>				
Application solutions				
— Production and broadcast	<b>153,662</b>	<b>60.8%</b>	131,437	73.1%
— Transmission	<b>71,641</b>	<b>28.3%</b>	37,810	21.0%
Subtotal	<b>225,303</b>	<b>89.1%</b>	169,247	94.2%
Event broadcast services	<b>8,053</b>	<b>3.2%</b>	2,023	1.1%
System maintenance services	<b>11,216</b>	<b>4.4%</b>	4,704	2.6%
Equipment development and sales	<b>8,225</b>	<b>3.3%</b>	3,720	2.1%
Total	<b>252,797</b>	<b>100.0%</b>	179,694	100.0%

### *Application solutions*

Revenue generated by the Group's application solutions segment remained the most substantial contributor to its revenue, representing approximately 94.2% and 89.1% respectively of the total revenue of the Group for the six months ended 30 June 2013 and 2014 and increased from approximately RMB169.2 million for the Corresponding Period to approximately RMB225.3 million for the Interim Period.

Our application solutions can be divided by their functions into two major categories: (i) production and broadcast; and (ii) transmission. Revenue from production and broadcast, and from transmission respectively increased from RMB131.4 million and RMB37.8 million for the Corresponding Period to RMB153.7 million and RMB71.6 million for the Interim Period, representing a growth rate of 16.9% and 89.5%, respectively. Such increase was mainly attributable to the increase in completion of projects as rendered to the Group's customers during the Interim Period.

#### *Event broadcast services*

Revenue from event broadcast services represented approximately 1.1% and 3.2% of the total revenue of the Group for the six months ended 30 June 2013 and 2014, respectively and increased approximately from RMB2.0 million for the Corresponding Period to RMB8.1 million for the Interim Period, representing an increase of 298.1%. Such increase was mainly attributable to the increase in market demand for event broadcast and equipment leasing services and the Group's effort in expanding the segment business during the Interim Period.

#### *System maintenance services*

Revenue from system maintenance services represented approximately 2.6% and 4.4% of the total revenue of the Group for the six months ended 30 June 2013 and 2014, respectively and increased approximately from RMB4.7 million for the Corresponding Period to RMB11.2 million for the Interim Period, representing an increase of 138.4%. Such increase was mainly attributable to the increasing demand for the Group's onsite support services during the Interim Period.

#### *Equipment development and sales*

Revenue from equipment development and sales represented approximately 2.1% and 3.3% of the total revenue of the Group for the six months ended 30 June 2013 and 2014, respectively and increased approximately from RMB3.7 million for the Corresponding Period to RMB8.2 million for the Interim Period, representing an increase of 121.1%. Such increase was mainly attributable to an increase in the number of units of the Group's portable satellite flyaway terminals sold during the Interim Period.

## Cost of sales

For the six months ended 30 June 2013 and 2014, the Group's cost of sales was RMB128.3 million and RMB177.6 million respectively, representing an increase of 38.4%. Such increase was mainly attributable to the increase in the overall business volume during the Interim Period. The following table sets forth the cost of sales for each business segment for the six months ended 30 June 2013 and 2014:

	For the six months ended 30 June 2014		2013	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
<b>Segment cost of sales</b>				
Application solutions				
— Production and broadcast	<b>115,002</b>	<b>64.8%</b>	97,654	76.1%
— Transmission	<b>49,122</b>	<b>27.7%</b>	25,822	20.1%
Subtotal	<b>164,124</b>	<b>92.4%</b>	123,476	96.2%
Event broadcast services	<b>4,342</b>	<b>2.4%</b>	1,233	1.0%
System maintenance services	<b>5,571</b>	<b>3.1%</b>	2,316	1.8%
Equipment development and sales	<b>3,534</b>	<b>2.0%</b>	1,319	1.0%
Total	<b>177,571</b>	<b>100.0%</b>	128,344	100.0%

The Group's cost of sales for the application solutions segment increased by 32.9% for the Interim Period, compared to the Corresponding Period, which was primarily due to the increase in revenue of the Group.

## Gross profit and gross profit margin

For the six months ended 30 June 2013 and 2014, the Group's gross profit was RMB51.4 million and RMB75.2 million respectively. The Group's gross profit margin was 28.6% and 29.8% for the Corresponding Period and the Interim Period, respectively. The following table sets forth the gross profit and gross profit margin of each of the Group's segments during the periods:

	For the six months ended 30 June			
	2014		2013	
	<i>Gross profit</i>	<i>Gross profit</i>		<i>Gross profit</i>
	<i>margin</i>	<i>margin</i>		<i>margin</i>
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
<b>Segment gross profit and gross profit margin</b>				
Application solutions				
— Production and broadcast	<b>38,660</b>	<b>25.2%</b>	33,783	25.7%
— Transmission	<b>22,519</b>	<b>31.4%</b>	11,988	31.7%
Subtotal	<b>61,179</b>	<b>27.2%</b>	45,771	27.0%
Event broadcast services	<b>3,711</b>	<b>46.1%</b>	790	39.1%
System maintenance services	<b>5,645</b>	<b>50.3%</b>	2,388	50.8%
Equipment development and sales	<b>4,691</b>	<b>57.0%</b>	2,401	64.5%
Total	<b>75,226</b>	<b>29.8%</b>	51,350	28.6%

The Group's gross profit increased by 46.5% during the Interim Period and gross profit margin improved gently from 28.6% to 29.8%. The improvement of the Group's gross profit margin was mainly attributable to an improvement in the gross profit margin for the application solutions segment from 27.0% to 27.2% as well as the equipment leasing business under the event broadcast services segment from 39.1% to 46.1%. Vis-à-vis gross profit margin in our system maintenance services segment slightly decreased. The decrease was mainly attributable to increased aggregate cost of parts used for maintenance services. Gross profit margin in the equipment development and sales segment also decreased. Such decrease was primarily due to our selective discounting of the selling price of the portable satellite flyaway terminal product to certain customers in order to further broaden the Group's customer base.

## Selling expenses

Selling expenses for the six months ended 30 June 2013 and 2014 were RMB14.9 million and RMB11.0 million respectively, representing a decrease of 26.0%. Such decrease 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**

Administrative expenses for the six months ended 30 June 2013 and 2014 were RMB24.4 million and RMB41.6 million respectively, representing an increase of 70.3%. Such increase was mainly attributable to (i) the one-off listing expenses of RMB12.2 million recognised in the income statements; and (ii) the increase in employee benefit expense.

## **Finance costs**

For the six months ended 30 June 2013 and 2014, finance costs of the Group were RMB1.5 million and RMB5.4 million respectively, representing an increase of 267.2%. Such increase was mainly attributable to the increase in interest expenses associated with the Group's project financing and short-term borrowings for working capital requirements.

## **Income tax expenses**

Income tax expenses amounted to RMB1.8 million and RMB4.7 million respectively for the six months ended 30 June 2013 and 2014, representing an increase of 161.1%. The effective tax rate increased to approximately 27.1% for the six months ended 30 June 2014 from approximately 17.7% for the Corresponding Period, primarily due to the one-off listing expenses of RMB12.2 million recognised in the income statement for the six months ended 30 June 2014 which was not tax deductible.

## **Profit for the period**

As a result of the aforementioned factors, profit attributable to owners of the Company increased from RMB8.4 million to RMB12.7 million for the six months ended 30 June 2013 and 2014, representing an increase of 50.9%.

## **Liquidity, financial resources and capital structure**

Net cash used in the Group's operating activities amounted to RMB25.0 million for the Interim Period and net cash generated from the Group's operating activities amounted to RMB13.9 million for the Corresponding Period. The net cash outflow of the Group's operating activities mainly arose from: (i) the incurrence of non-recurring listing expenses; (ii) deferral in collection of trade receivables; (iii) the decrease in advances from customers; and (iv) the decrease in inventories resulted from the improvement of the project management and inventory planning work for the Interim Period.

Net cash used in the Group's investing activities amounted to RMB25.2 million and RMB1.4 million for the six months ended 30 June 2013 and 2014 respectively. The net cash outflow for the Interim Period mainly arose from the purchase of equipment and the pledged deposits placed for the issuance of trade related documents.

Net cash used in the Group's financing activities amounted to RMB5.5 million for the Interim Period and net cash generated from the Group's financing activities amounted to RMB1.8 million for the Corresponding Period. The net cash used in financing activities for the Interim Period was mainly attributable to the payment of dividend declared for the year ended 31 December 2013 but was partially offset by the proceeds from bank loans.

## **Gearing position**

The gearing ratio, represented total borrowings divided by total equity multiplied by 100%, was 61.2% and 107.6% respectively as of 31 December 2013 and 30 June 2014. The total borrowings of the Group increased from RMB58.2 million as at 31 December 2013 to RMB114.8 million as at 30 June 2014. Such increase was mainly attributable to the new borrowings of RMB24.8 million long-term financing and RMB24.0 million working capital loan. The total borrowings as at 30 June 2014 mainly comprised RMB63.9 million working capital loans, RMB24.8 million long-term borrowings and RMB23.2 million loans from project financing.

## **Significant investments, mergers and acquisitions**

For the Interim Period, the Group had no significant investments, mergers and acquisitions.

## **Contingent liabilities**

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

As at 30 June 2014, 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.

## **Interim dividend**

The Board did not recommend the distribution of interim dividend for the Interim Period.

## **Employees and remuneration policies**

As at 30 June 2014, the Group had a total of 245 employees (as at 31 December 2013: 239 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 order to recognise and reward the contribution of certain eligible participants to the growth and development of the Group, the Company adopted a share award plan (the “**Share Award Plan**”) on 24 March 2014. As of the date of this announcement, no awards have been granted or agreed to be granted under the Share Award Plan.

In order to reward or make incentive to the employees, Directors and other selected participants for their contributions to our Group, the Company conditionally adopted a share option scheme (the “**Share Option Scheme**”) on 13 June 2014. As of the date of this announcement, no share options have been granted or agreed to be granted under the Share Option Scheme.

## **FUTURE OUTLOOK**

Looking ahead, the Group is confident about the future development of the all-media industry in the PRC as it will be driven by the increase in market demand and support from government policies. The Group will strive to maintain its leading position as the prominent one-stop solutions provider of All-Media industry in the PRC.

In the application solutions segment, the Group will continue to grow and expand its coverage in the mainland China, and when the Directors consider appropriate, to certain selected countries. Foreseeing the digitalisation and HDTV conversions as the key drivers of the rapid market growth, the Group will expand its sales, distribution and services network in the PRC. The Group will also continue to expand its product and services offerings, such as mobile and interactive visualisation technologies.

In the event broadcast services segment, the Group intends to increase its capacity as well as service quality by recruiting more experienced staff and acquiring more advanced equipment for the provision of the event broadcast services. The Group will also look for broadening its event broadcast services to a wider customer base beyond the host broadcasters or the TV stations, such as corporate users or even more wide spread customer bases.

In the research and development segment, the Group has already launched additional new series of high quality transmission equipment. This new series is a 3G/LTE based transmission equipment, being a complement to its existing satellite equipment. The Group has received positive feedback from overseas countries such as the United States of America and India. The Group expects the new product ranges as well as overseas businesses will start to contribute to its revenue from the fourth quarter of 2014 onwards.

The Group has achieved noticeable growth in the maintenance services segment in the Interim Period. The Group will enlarge the revenue contribution from recurring maintenance services by enhanced service team and value-added services.

The Group will continue to look for potential opportunities to expand the business in the all-media industry in the PRC. The Group believes its success and growth will sustain, leveraging its ability to provide high quality services and products and its strong technical expertise. Riding on its solid businesses of four main business segments as set out above, the Group will endeavor to maximise returns to its stakeholders.



## **SUBSEQUENT EVENT AFTER THE INTERIM PERIOD**

Pursuant to the written resolutions of the shareholders of the Company passed on 13 June 2014, conditional upon the share premium account of the Company being credited as a result of the global offering of the Company (the “**Global Offering**”), the Directors were authorised to capitalise the amount of HK\$7,499,000 standing to the credit of the share premium account of the Company by applying that sum in paying up in full at par 749,900,000 shares of the Company of HK\$0.01 each (the “**Shares**”) for allotment and issue to the holders of Shares whose names appeared on the register of members of the Company at the close of business on 13 June 2014 in proportion to their then existing shareholding in the Company.

On 7 July 2014, 250,000,000 Shares were issued at an issue price of HK\$1.08 each by way of the Global Offering and the Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on the same date.

## **USE OF PROCEEDS FROM GLOBAL OFFERING**

Trading of the Shares on the Stock Exchange commenced on 7 July 2014, and the Group raised net proceeds of approximately HK\$214.8 million from the Global Offering, after the Interim Period. The Group intends to apply such proceeds in a manner consistent with the intended use of proceeds as disclosed in the Prospectus. Details of the intended use of proceeds were set out in the Prospectus.

## **OTHER INFORMATION**

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

As the Company was listed on 7 July 2014 (the “**Listing Date**”), the Company was not required to comply with the provisions under the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) in relation to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) for the Interim Period. Since the Listing Date, the Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules (with certain modifications) as the code of conduct regarding directors’ securities transactions. Having made specific enquiry of the Directors, all Directors confirmed that they have complied with the code of conduct and the required standard as set out in the Model Code regarding directors’ securities transactions from the Listing Date up to the date of this announcement.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities from the Listing Date and up to the date of this announcement.

## **CORPORATE GOVERNANCE**

As the Company was listed on 7 July 2014, the Company was not required to comply with the requirements under the code provisions contained in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules for the Interim Period.

The Directors recognise the importance of good corporate governance in the management of the Group. The Board will review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

## **AUDIT COMMITTEE**

The Audit Committee comprises three members, all of whom are independent non-executive Directors, namely Mr. Hung Muk Ming, Mr. Ma Guoli and Dr. Ng Chi Yeung, Simon. Mr. Hung Muk Ming is the Chairman of the Audit Committee. The Audit Committee has written terms of reference in compliance with the Listing Rules and the CG Code.

The Audit Committee has in conjunction with the management reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters of the Group. The Audit Committee has no disagreement with the accounting treatment adopted by the Company. The condensed consolidated interim results of the Group for the Interim Period are unaudited but have been reviewed by PricewaterhouseCoopers, the auditors of the Company, and by the Audit Committee.

## **PUBLICATION**

The interim results announcement of the Company for the Interim Period is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.css-group.net](http://www.css-group.net)) respectively. The 2014 interim report will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board  
**Century Sage Scientific Holdings Limited**  
**Lo Chi Sum**  
*Chairman*

Hong Kong, 26 August 2014

*As at the date of this announcement, the executive Directors are Mr. Lo Chi Sum, Mr. Leung Wing Fai, Mr. Zhou Jue, Mr. Sun Qingjun, Mr. Huang He and Mr. Geng Liang, and the independent non-executive Directors are Mr. Ma Guoli, Dr. Ng Chi Yeung, Simon and Mr. Hung Muk Ming.*