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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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 18.1% to RMB543.2 million for the year ended 31 December 2017 from RMB662.9 million for the year ended 31 December 2016.
- Gross profit decreased by approximately 15.8% to RMB164.5 million for the year ended 31 December 2017 from RMB195.3 million for the year ended 31 December 2016.
- Net profit decreased by approximately 378.1% to a loss of RMB146.1 million for the year ended 31 December 2017 from a gain of RMB52.5 million for the year ended 31 December 2016.
- The Board does not recommend distribution of any final dividend for the year ended 31 December 2017 (2016: HK0.6 cents per ordinary share).

FINAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Century Sage Scientific Holdings Limited (the "**Company**") hereby presented the audited consolidated final results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017 (the "**Current Period**"), together with the comparative figures for the year ended 31 December 2016 (the "**Corresponding Period**"). The consolidated final results of the Group have been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
	Note	**2017**	2016
		RMB'000	*RMB'000*
Revenue	*3*	**543,165**	662,888
Cost of sales	*5*	**(378,656)**	(467,616)
Gross profit		**164,509**	195,272
Selling expenses	*5*	**(31,193)**	(35,477)
Administrative expenses	*5*	**(272,723)**	(93,103)
Other gains — net	*4*	**9,627**	4,820
Operating (loss)/profit		**(129,780)**	71,512
Finance income	*6*	**193**	3,998
Finance costs	*6*	**(16,591)**	(16,797)
Finance costs — net	*6*	**(16,398)**	(12,799)
Share of profit of investments accounted for using the equity method	*8*	**2,618**	2,715
(Loss)/Profit before income tax		**(143,560)**	61,428
Income tax expense	*9*	**(2,575)**	(8,881)
(Loss)/Profit for the year		**(146,135)**	52,547
(Loss)/Profit attributable to:			
Owners of the Company		**(148,700)**	51,396
Non-controlling interests		**2,565**	1,151
		(146,135)	52,547
Earnings per share (expressed in RMB cents per share)			
— Basic and Diluted	*10*	**(14.57)**	5.07

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
(Loss)/Profit for the year	**(146,135)**	52,547
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Share of increase of other reserve of an associate	**845**	–
Currency translation differences	**838**	(2,797)
Total comprehensive (loss)/income for the year	**(144,452)**	49,750
Attributable to:		
Owners of the Company	**(147,017)**	48,599
Non-controlling interests	**2,565**	1,151
	(144,452)	49,750
Attributable to owners of the Company arises from:		
Continuing operations	**(147,017)**	48,599

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	*11*	**52,209**	56,013
Intangible assets	*12*	**55,081**	57,892
Deferred income tax assets	*22*	**6,133**	1,429
Trade and other receivables	*14*	**3,344**	135,684
Financial assets at fair value through profit or loss	*13*	**44,117**	43,800
Investments accounted for using the equity method	*8*	**43,527**	29,657
Other non-current assets		**1,172**	1,058
Total non-current assets		**205,583**	325,533
Current assets			
Inventories	*15*	**157,957**	193,922
Trade and other receivables	*14*	**457,999**	571,674
Pledged bank deposits		**1,015**	26,240
Cash and cash equivalents	*16*	**57,986**	50,571
Total current assets		**674,957**	842,407
Total assets		**880,540**	1,167,940
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	*17*	**8,106**	8,106
Share premium	*17*	**265,396**	265,396
Other reserves	*19*	**(62,769)**	(66,995)
Retained earnings	*19*	**101,443**	255,456
		312,176	461,963
Non-controlling interests	*7*	**15,919**	13,354
Total equity		**328,095**	475,317

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**As at 31 December** **2017** ***RMB'000***	2016 *RMB'000*
Liabilities			
Non-current liabilities			
Borrowings	*20*	**6,586**	147,704
Deferred income tax liabilities	*22*	**1,847**	2,542
Total non-current liabilities		**8,433**	150,246
Current liabilities			
Trade and other payables	*21*	**268,712**	313,514
Current income tax liabilities		**16,306**	15,539
Borrowings	*20*	**258,994**	213,324
Total current liabilities		**544,012**	542,377
Total liabilities		**552,445**	692,623
Total equity and liabilities		**880,540**	1,167,940

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Cash generated from operations		**113,491**	(78,225)
Interest paid		**(15,738)**	(12,346)
Income tax paid		**(1,808)**	(1,614)
Net cash generated from/(used in) operating activities		**95,945**	(92,185)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		**–**	(14,267)
Purchases of property, plant and equipment		**(6,355)**	(6,016)
Payment of pledged bank deposits		**(1,015)**	(26,240)
Collection of pledged bank deposits		**26,240**	16,115
Purchase of financial assets at fair value through profit or loss		**–**	(23,426)
Purchase of intangible assets		**(4,508)**	(5,270)
Proceeds from sale of property, plant and equipment		**196**	143
Payment for purchase of associates		**(5,034)**	(5,373)
Net cash generated from/(used in) investing activities		**9,524**	(64,334)
Cash flows from financing activities			
Proceeds from borrowings		**80,212**	264,884
Repayments of borrowings		**(175,660)**	(110,300)
Dividends paid to the then shareholders		**(5,313)**	(5,125)
Net cash (used in)/generated from financing activities		**(100,761)**	149,459
Net increase/(decrease) in cash and cash equivalents		**4,708**	(7,060)
Cash and cash equivalents at beginning of year	*16*	**50,571**	62,082
Exchange gain/(loss) on cash and cash equivalents		**2,707**	(4,451)
Cash and cash equivalents at end of the year	*16*	**57,986**	50,571

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

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

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

The consolidated financial statements were approved for issue by the Board on 28 March 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

(a) Compliance with HKFRS

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS").

(b) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss, which is carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

2.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses — Amendments to HKAS 12, and
- Disclosure initiative — amendments to HKAS 7.

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the Current Period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

HKFRS 9 Financial instruments

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The Group's financial assets that are currently classified as fair value through profit or loss (FVPL) will continue to be measured on the same basis under HKFRS 9.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group expects limited effect in the loss allowance for trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

HKFRS 15 Revenue from Contracts with Customers

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

Accounting for free services delivered — HKFRS 15 requires the transaction price to be allocated to each separate performance obligation based on relative stand-alone selling prices of equipment or integration and installation services provided to the customer. This will result in certain amounts being allocated to the services element of the application solution services changed from recognised based on percentage of completion method to recognised upon acceptance of the service by customers, the timing of the revenue recognition will be affected. The impacts on the revenue and retained earnings are considered to be insignificant to the Group.

Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

HKFRS 16 Lease

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB7,008,000.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Mandatory application date/Date of adoption by the Group

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

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

3 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 Current Period:

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

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

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

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Segment revenue		
Application solutions	**376,378**	528,877
Sports and events business	**80,385**	58,312
System maintenance services	**19,527**	18,936
Sales of self-developed products	**66,875**	56,763
Total	**543,165**	662,888
Segment cost		
Application solutions	**(303,862)**	(400,080)
Sports and events business	**(42,943)**	(29,114)
System maintenance services	**(8,116)**	(9,947)
Sales of self-developed products	**(23,735)**	(28,475)
Total	**(378,656)**	(467,616)
Segment gross profit		
Application solutions	**72,516**	128,797
Sports and events business	**37,442**	29,198
System maintenance services	**11,411**	8,989
Sales of self-developed products	**43,140**	28,288
Total	**164,509**	195,272
Depreciation and amortization		
Application solutions	**11,745**	11,948
Sports and events business	**2,508**	1,317
System maintenance services	**609**	428
Sales of self-developed products	**2,087**	1,282
Total	**16,949**	14,975

For the year ended 31 December 2017, one customer accounted for greater than 10% of the Group's total revenues:

	Year ended 31 December			
	2017		2016	
	Amount	**% of total revenue**	Amount	% of total revenue
	RMB'000		*RMB'000*	
Customer A	**63,946**	**12%**	34,479	5%
Customer B	**27,436**	**5%**	–	0%
Customer C	**17,132**	**3%**	–	0%
Customer D	**–**	**0%**	120,292	18%
Customer E	**–**	**0%**	115,614	18%
	108,514	**20%**	270,385	41%

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

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Revenue		
Mainland China	**511,476**	490,536
Hong Kong	**24,358**	127,866
Others	**7,331**	44,486
	543,165	662,888

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Total of non-current assets other than deferred tax assets, financial assets at fair value through profit or loss, and investment in associates		
Mainland China	**48,939**	232,288
Hong Kong	**62,867**	56,356
	111,806	288,644

4 OTHER GAINS/(LOSS) — NET

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Gain/(loss) from disposal of property, plant and equipment	**290**	(85)
Fair value gains on financial assets at fair value through profit or loss *(Note 13)*	**317**	1,311
Government grants	**3,225**	2,777
Value added tax refund	**4,528**	1,433
Others	**1,267**	(616)
	9,627	4,820

5 EXPENSE BY NATURE

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Inventory costs *(Note 15)*	**338,006**	422,658
Provision for bad debts *(Note 14)*	**169,438**	845
Employee benefit expenses	**83,142**	86,121
Servicing and agency costs	**19,056**	15,315
Travelling and transportation expenses	**11,803**	11,020
Depreciation expense *(Note 11)*	**9,630**	9,711
Amortisation expenses of intangible assets *(Note 12)*	**7,319**	5,264
Office expenses	**6,460**	6,103
Operating lease rentals	**6,334**	6,215
Legal fee and professional charges	**5,068**	3,519
Business development	**4,417**	5,028
Business tax and other transaction taxes	**3,632**	1,065
Transportation costs	**3,181**	7,630
Auditor's remuneration	**2,643**	2,450
Advertising costs	**2,339**	3,544
Provision for inventory obsolescence *(Note 15)*	**299**	216
Others	**9,805**	9,492
	682,572	596,196

6 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Finance expenses		
— Interest expenses on bank borrowings	**(12,614)**	(12,346)
— Net foreign exchange loss	**(3,977)**	(4,451)
	(16,591)	(16,797)
Finance income		
— Interest income on short-term bank deposits	**193**	874
— Interest income on long-term trade receivable	**–**	3,124
	193	3,998
Net finance costs	**(16,398)**	(12,799)

7 SUBSIDIARIES

The following is a list of the principal subsidiaries of the Group as at 31 December 2017:

Name	**Place of incorporation and kind of legal entity**	**Principal activities and place of operation**	**Particulars of issued share capital**	**Effective equity interests held**
Directly owned:				
Century Sage Scientific International Limited	British virgin islands ("BVI"), limited liability company	Investment holding company, Hong Kong ("HK")	10,000 ordinary shares of USD1 each	100%
Indirectly owned:				
Cortesia Limited	BVI, limited liability company	Investment holding company, HK	1 ordinary shares of USD1 each	100%
Century Sage Scientific Group Ltd	BVI, limited liability company	All-media broadcast application solutions industry, the PRC	1 ordinary shares of USD50 each	100%
Century Sage Scientific Solutions Limited	BVI, limited liability company	Investment holding company, HK	1 ordinary shares of USD1 each	100%
北京世紀睿科系統技術有限公司 (Beijing Century Sage Scientific System and Technology Company Limited) ("CSS Beijing")	The PRC, limited liability company	All-media broadcast application solutions industry, the PRC	20,000,000 ordinary shares of RMB1 each	100%

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Effective equity interests held
Century Sage Scientific Information Technology Co., Limited (formerly known as Times Sage Tech Ltd)	BVI, limited liability company	All-media broadcast system integration industry, the PRC	1 ordinary Shares of USD1 each	100%
時代華睿（北京）科技有限公司 (Times Sage (Beijing) Tech Company Limited) ("TST Beijing")	The PRC, limited liability company	All-media broadcast application solutions industry, the PRC	12,000,000 ordinary shares of RMB1 each	100%
Evertop Technology (Int'l) Limited	HK, limited liability company	All-media broadcast application solutions industry, HK	2 ordinary Shares of HKD1 each	100%
北京永達天恒體育文化傳媒有限公司 (Beijing Evertop Culture Media Co.,Ltd)	The PRC, limited liability company	Event broadcast industry, the PRC	23,500,000 ordinary Shares of RMB1 each	100%
Cogent Technologies Limited (formerly known as CGT Technologies Limited)	BVI, limited liability company	All-media broadcast application solutions industry, the PRC	1 ordinary shares of USD1 each	100%
Cogent Tech (Asia) Limited	HK, limited liability company	Investment holding company, HK	1 ordinary Shares of HKD1 each	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	31,000,000 ordinary Shares of RMB1 each	100%
北京永達雲創易傳媒有限公司 (Beijing Evertop Media Video Co., Limited) (formerly known as Beijing Cogent Technology Development Company Limited)	The PRC, limited liability company	Event broadcast industry, the PRC	10,000,000 ordinary shares of RMB1 each	100%
Century Sage Scientific (HK) Limited (formerly known as "Times Sage Tech Limited")	HK, limited liability company	All-media broadcast application solutions industry, HK	1 ordinary share of HKD1 each	100%
Fineone International Limited	BVI, limited liability company	Equipment trading , the PRC	1 ordinary Shares of USD1 each	100%
TV Logic Technology Limited	BVI, limited liability company	Equipment trading, the PRC	1 ordinary Shares of USD1 each	100%

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Effective equity interests held
NI Systems Limited	BVI, limited liability company	Equipment trading, the PRC	1 ordinary Shares of USD1 each	100%
天維通達（北京）數碼科技有限公司 (Tianwei Tongda (Beijing) Digital Technology Company Limited)	The PRC, limited liability company	All-media broadcast application solutions industry, the PRC	6,000,000 ordinary shares of RMB1 each	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	Research and development of all-media broadcasting and transmission products, the PRC	4,500,000 ordinary shares of RMB1 each	100%
世紀睿科（澳門）一人有限公司 (CSS Macau Limited)	Macau, limited liability company	TV broadcast application solutions industry, Macau	MOP $25,000	100%
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	Provision of turnkey solutions to internet protocol television and over-the-top video service operators, the PRC	10,010,000 ordinary shares of RMB1 each	55%
台灣世紀睿科有限公司 (Century Sage Scientific (Taiwan) Limited)	Taiwan, limited liability company	TV broadcast application solutions industry, Taiwan	TWD10,000,000	51%

The Group owns 55% of the equity interests in Beijing BroadVision, and it is able to gain power over more than one half of the voting rights. Consequently, the Group consolidates Beijing BroadVision.

Material non-controlling interests

The total non-controlling interest as at 31 December 2017 is RMB15,919,000 (2016: RMB13,354,000), of which RMB15,077,000 (2016: RMB12,498,000) is for Beijing BroadVision. The non-controlling interests in respect of Century Sage Scientific (Taiwan) Limited is not material.

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

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

Summarised balance sheet

	As at 31 December 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Current assets	**41,711**	27,910
Current liabilities	**(15,015)**	(9,188)
Current net assets	**26,696**	18,722
Non-current assets	**8,432**	749
Non-current liabilities	**–**	–
Non-current net assets	**8,432**	749
Net assets	**35,128**	19,471
Accumulated non-controlling interests	**15,077**	12,498

Summarised statement of profit or loss

	Year ended 31 December 2017 *RMB'000*	2016 *RMB'000*
Revenue	**30,045**	21,475
Profit before income tax	**6,500**	3,855
Income tax expense	**(770)**	(841)
Total comprehensive income	**5,730**	3,014
Profit allocated to non-controlling interests	**2,579**	1,356

Summarised cash flows

	Year ended 31 December 2017 *RMB'000*	2016 *RMB'000*
Cash flows from operating activities		
Cash generated from operations	**3,314**	5,663
Income tax paid	**(915)**	(841)
Net cash generated from operating activities	**2,399**	4,822
Net cash used in investing activities	**(165)**	(927)
Net cash generated from financing activities	**3,757**	–
Net increase in cash and cash equivalents	**5,991**	3,895
Cash, cash equivalents and bank overdrafts at beginning of year	**9,436**	5,541
Cash and cash equivalents at end of year	**15,427**	9,436

8 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amount recognised in the balance sheet is as follows:

	2017	2016
	RMB'000	*RMB'000*
Associate	**43,527**	29,657

The amounts recognised in the income statement are as follows:

	2017	2016
	RMB'000	*RMB'000*
Associate	**2,618**	2,715

Investment in an associate

Set out below are the associates of the Group as at 31 December 2017 which, in the opinion of the Directors, are material to the Group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Nature of investment in associates as at 31 December 2017 and 2016 is set out below:

Name of entity	**Place of business, country of incorporation**	**% of ownership interest**		**Nature of the relationship**	**Carrying amount**	
		2017	2016		**2017**	2016
					RMB'000	*RMB'000*
Beijing Gefei Technology Corporation ("Beijing Gefei")	Beijing	**49%**	49%	Note (i)	**32,974**	29,657
Simplylive Limited ("Simplylive")	Hong Kong	**16.95%**	–	Note (ii)	**6,694**	–
Beijing Gangtiexia Sports and Entertainment Co., ("Gangtiexia")	Beijing	**7.5%**	–	Note (iii)	**3,859**	–
					43,527	29,657

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

(ii) In June 2017, the Group acquired 20% equity interest of Simplylive at a total consideration of USD1,000,000 which were settled by the Company by cash. The relevant shares were issued in September 2016. Simplylive is a hardware and software solution provider in live broadcast industry, which sells server equipment and software for live production mainly of sports events to clients worldwide.

(iii) In February 2017, the Group acquired 7.5% equity interest of Gangtiexia at a total consideration of RMB3,750,000 which were settled by the Company by cash. The relevant register was completed in August 2017. Gangtiexia is a sports marketing company, which provides innovative overall sports marketing solutions.

(a) Summarised financial information for Beijing Gefei

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

(i) Summarised balance sheet

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current assets	**98,970**	94,083
Current liabilities	**(46,251)**	(51,385)
Total current net assets	**52,719**	42,698
Non-current assets	**1,412**	959
Net assets	**54,131**	43,657

(ii) Summarised statement of comprehensive income

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Revenue	**51,629**	68,110
Profit before income tax	**8,859**	9,638
Income tax expense	**(111)**	(392)
Total comprehensive income	**8,748**	9,246

(iii) Reconciliation of summarised financial information

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

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Opening net assets	**43,657**	34,411
Contribution by owners	**1,726**	–
Profit for the period	**8,748**	9,246
Closing net assets	**54,131**	43,657
Interest in associate (49%)	**26,524**	21,392
Fair value adjustments	**5,447**	7,262
Goodwill	**1,003**	1,003
Carrying value	**32,974**	29,657

(b) Summarised financial information for Simplylive

(i) Summarised balance sheet

	As at 31 December 2017 *RMB'000*
Current assets	17,448
Current liabilities	(3,283)
Total current net assets	14,165
Non-current assets	2,265
Non-current liabilities	–
Total non-current net assets	2,265
Net assets	16,430

(ii) Summarised statement of comprehensive income

	Year ended 31 December 2017 *RMB'000*
Revenue	18,734
Profit before income tax	(2,558)
Income tax expense	–
Total comprehensive loss	(2,558)

(iii) Reconciliation of summarised financial information

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

Summarised financial information

	As at 31 December 2017 *RMB'000*
Opening net assets on 28 February 2017	10,220
Contribution by owners	8,748
Profit for the period	(2,538)
Closing net assets on 31 December 2017	16,430
Interest in associate (16.95%)	2,785
Goodwill	3,909
Carrying value	6,694

(c) Summarised financial information for Gangtiexia

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

(i) Summarised balance sheet

	As at 31 December 2017 *RMB'000*
Current assets	**14,490**
Current liabilities	**(270)**
Total current net assets	**14,220**
Total non-current net assets	**–**
Net assets	**14,220**

(ii) Summarised statement of comprehensive income

	Year ended 31 December 2017 *RMB'000*
Revenue	**9,158**
Profit before income tax	**2,162**
Income tax expense	**(541)**
Total comprehensive income	**1,621**

(iii) Reconciliation of summarised financial information

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

Summarised financial information

	As at 31 December 2017 *RMB'000*
Opening net assets on 28 February 2017	**12,765**
Profit for the period	**1,455**
Closing net assets on 31 December 2017	**14,220**
Interest in associate (7.5%)	**1,067**
Goodwill	**2,792**
Carrying value	**3,859**

9 INCOME TAX EXPENSE

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current income tax — PRC enterprise income tax	**7,974**	8,760
Deferred income tax *(Note 22)*	**(5,399)**	121
Income tax expense	**2,575**	8,881

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

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Profit before income tax	**(143,560)**	61,428
Tax calculated at statutory tax rates applicable to profits in the respective companies	**(35,890)**	15,357
Tax effects of		
— Expenses not deductible for tax purpose	**5,988**	368
— Effect of preferential tax rate	**13,759**	(7,826)
— Unrecognised deferred tax assets relating to temporary difference	**18,083**	–
— Adjustments in respect of prior years	**635**	982
Income tax expense	**2,575**	8,881

Cayman Islands income tax

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

BVI income tax

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

Hong Kong profits tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate at 16.5% for the year ended 31 December 2017 on the estimated assessable profit for the year. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the two years.

PRC enterprise income tax ("EIT")

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

CSS Beijing and TST Beijing have obtained the High and New Technology Enterprise ("HNTE") qualification, in which the applicable income tax rate for the year ended 31 December 2017 is 15%.

Cogent (Beijing) obtained a "Software Production Enterprise" qualification in 2012. According to the law on corporate income tax Caishui201227 and Guofa20114, Cogent (Beijing) is entitled to enjoy the preferential taxation policy of "two year exemptions and three year 50% reduction on EIT". Hence, the applicable EIT tax rate for Cogent (Beijing) is 0% for the years ended 31 December 2012 and 2013, and 12.5% for the years ended 31 December 2014, 2015 and 2016. It has obtained the HNTE qualification in 2017, and applied income tax rate of 15% for the year ended 31 December 2017.

PRC withholding tax

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

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

10 EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the years ended 31 December 2016 and 2017 are calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares deemed to be in issue during each respective year:

	Year ended 31 December	
	2017	2016
Profit attributable to owners of the Company (in RMB'000)	**(148,700)**	51,396
Weighted average number of ordinary shares in issue (in thousand)	**1,020,301**	1,014,594
Basic earnings per share (RMB cents per share)	**(14.57)**	5.07

(b) Diluted

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

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Vehicles and machinery *RMB'000*	Furniture, fittings and other equipment *RMB'000*	Total *RMB'000*
At 1 January 2016				
Cost	55,775	21,613	17,237	94,625
Accumulated depreciation	(12,481)	(14,480)	(8,987)	(35,948)
Net book amount	43,294	7,133	8,250	58,677
Year ended 31 December 2016				
Opening net book amount	43,294	7,133	8,250	58,677
Currency translation differences	–	–	51	51
Additions	3,517	928	1,571	6,016
Acquisition of a subsidiary	–	–	1,208	1,208
Transfer	270	2,164	(2,434)	–
Disposals	–	–	(228)	(228)
Depreciation *(Note 5)*	(3,323)	(3,787)	(2,601)	(9,711)
Closing net book amount	43,758	6,438	5,817	56,013
At 31 December 2016				
Cost	56,721	25,870	16,304	98,895
Accumulated depreciation	(12,963)	(19,432)	(10,487)	(42,882)
Net book amount	43,758	6,438	5,817	56,013
At 1 January 2017				
Cost	56,721	25,870	16,304	98,895
Accumulated depreciation	(12,963)	(19,432)	(10,487)	(42,882)
Net book amount	43,758	6,438	5,817	56,013
Year ended 31 December 2017				
Opening net book amount	43,758	6,438	5,817	56,013
Currency translation differences	(16)	–	(27)	(43)
Additions	649	4,179	1,527	6,355
Transfer	–	2,164	(2,164)	–
Disposals	–	(381)	(105)	(486)
Depreciation *(Note 5)*	(3,499)	(4,450)	(1,681)	(9,630)
Closing net book amount	40,892	7,950	3,367	52,209
At 31 December 2017				
Cost	57,573	31,445	15,041	104,059
Accumulated depreciation	(16,681)	(23,495)	(11,674)	(51,850)
Net book amount	40,892	7,950	3,367	52,209

12 INTANGIBLE ASSETS

	Goodwill	Computer software	Customer relationships	Technical knowhow	Development costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2016						
Opening net book amount	12,100	16,935	3,461	832	4,814	38,142
Additions	–	456	–	2,393	2,421	5,270
Acquisition of a subsidiary	8,912	–	7,727	3,105	–	19,744
Amortisation charge *(Note 5)*	–	(1,997)	(1,516)	(788)	(963)	(5,264)
Closing net book amount	21,012	15,394	9,672	5,542	6,272	57,892
At 31 December 2016						
Cost	21,012	18,461	12,336	6,688	7,235	65,732
Accumulated amortisation	–	(3,067)	(2,664)	(1,146)	(963)	(7,840)
Net book value	21,012	15,394	9,672	5,542	6,272	57,892
Year ended 31 December 2017						
Opening net book amount	21,012	15,394	9,672	5,542	6,272	57,892
Additions	–	282	–	–	4,226	4,508
Amortisation charge *(Note 5)*	–	(2,158)	(2,111)	(1,379)	(1,671)	(7,319)
Closing net book amount	21,012	13,518	7,561	4,163	8,827	55,081
At 31 December 2017						
Cost	21,012	18,743	12,336	6,688	11,460	70,239
Accumulated amortisation	–	(5,225)	(4,775)	(2,525)	(2,633)	(15,158)
Net book value	21,012	13,518	7,561	4,163	8,827	55,081

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December 2017 *RMB'000*
At beginning of the year	43,800
Additions	–
Fair value change	317
At end of the year	44,117

The financial assets at fair value through profit or loss in 2017 represented key-man life insurance policies. The Group is the beneficiary of the insurance policies. The insurance policies were pledged to the bank as securities for certain facilities granted to the Group.

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

	As at 31 December 2017
Mortality rate	0.21%
Discount rate	3.55%

14 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2017 *RMB'000*	2016 *RMB'000*
Trade receivables	**518,895**	586,360
Less: provision for impairment of trade receivable	**(171,416)**	(1,978)
Trade receivables — net	**347,479**	584,382
Other receivables		
Amount due from customers for contract work	**2,775**	2,936
Deposit for guarantee certificate over tendering and performance	**32,402**	44,355
Deposit for acquisition of a subsidiary	**16,646**	17,890
Deposit for acquisition of an associate	**–**	5,373
Prepayments	**42,246**	27,522
Cash advance to employees	**9,612**	6,460
Others	**10,183**	18,440
	461,343	707,358
Less: Non-current portion		
Trade receivables	**64,360**	130,311
Less: provision for impairment of trade receivables	**(61,016)**	–
Deposit for acquisition of an associate	**–**	5,373
	3,344	135,684
Current portion	**457,999**	571,674

Invoices issued to our customers are payable on issuance and no credit terms are stipulated in our project contracts generally. The majority of the Group's trade receivables will be settled within 3 months based on the historical record. The Group has put in place control measures so that our accounting and finance department will keep regular tracking of outstanding receivables, and our head of sale department would supervise our sale personnel to closely monitor and follow up with our customers on settlement of the outstanding receivables. At 31 December 2017, the ageing analysis of the trade receivables based on invoice date is as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Up to 3 months	**84,295**	118,812
3 to 6 months	**17,940**	168,544
6 months to 1 year	**85,133**	154,855
1 to 2 years	**258,133**	69,655
2 to 3 years	**39,888**	49,552
Over 3 years	**33,506**	24,942
	518,895	586,360

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
At beginning of the year	**1,978**	1,133
Provision for impairment	**169,438**	845
At end of the year	**171,416**	1,978

15 INVENTORIES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Equipments and parts	**112,935**	154,326
Contract work in progress	**48,174**	42,449
	161,109	196,775
Provision for inventory	**(3,152)**	(2,853)
	157,957	193,922

16 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Cash on hand	**142**	174
Cash at banks	**57,844**	50,397
Cash and cash equivalents	**57,986**	50,571

17 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of ordinary shares	**Nominal value of ordinary shares**	**Equivalent nominal value of ordinary shares**	**Share premium**	**Total**
		HK$'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	1,000,000,000	10,000	7,933	252,286	260,219
Issue of ordinary shares for the equity consideration for investment in an associate *(i)*	8,396,000	84	71	8,183	8,254
Issue of ordinary shares for the equity consideration for acquisition of a subsidiary *(ii)*	11,904,761	119	102	4,927	5,029
Balance at 31 December 2016 And 31 December 2017	1,020,300,761	10,203	8,106	265,396	273,502

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

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

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

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

18 SHARE BASED PAYMENTS

(i) Share Award Plan

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

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

	Number of awarded shares
At 1 January 2017	12,884,868
Granted	680,000
Vested	(6,420,116)
Forfeited	(1,217,065)
At 31 December 2017	5,927,687
At 1 January 2016	7,864,868
Granted	6,025,000
Vested	(280,000)
Forfeited	(725,000)
At 31 December 2016	12,884,868

(ii) Share Option Scheme

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

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

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

Type A: 12,912,000 share options under the 2016 Scheme were divided into 2 tranches at the grant date. The first tranche of 50% of the option can be exercised beginning on the 2rd anniversary of the grant date and the remaining tranche will become exercisable on the 3th anniversary of the grant. 8,540,000 share options under Type A was taken as replacement of the outstanding share options under the 2015 Scheme. The related incremental fair value at the date of modification (compared with the 2015 Scheme) would be spread over the vesting period of the new 2016 Scheme.

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

On 21 August 2017, the board of directors of the Company approved a share option of 7,200,000 shares at the exercise price of HK$0.435 (the "2017 Scheme"). The options were divided into 2 tranches at the grant date. The first tranche of 50% of the option can be exercised beginning on the 3rd anniversary of the date of the employment agreement between the respective grantee and the Group. The remaining tranche will become exercisable on the 4th anniversary of the date of the employment agreement between the respective grantee and the Group.

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

	Number of share options 2015 & 2016 Scheme	**Number of share options 2017 Scheme**
At 1 January 2017	17,242,000	–
Modified	–	–
Forfeited	(1,182,000)	–
Granted	–	7,200,000
At 31 December 2017	16,060,000	7,200,000

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

	2016 Scheme		**2017**
	Type A	**Type B**	**Scheme**
Risk free rate	0.87%	0.95%	**1.30%**
Dividend yield	0.80%	0.80%	**1.38%**
Expected volatility	51.19%	50.13%	**48.38%**

The fair value of 2015 & 2016 Scheme and 2017 Scheme share option granted during the year ended 31 December 2017 was RMB0.29 per share and RMB0.16 per share respectively.

(iii) Share-based compensation recognised as expenses

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Share Award Plan		
— Employees (excluding directors)	**1,047**	804
Share Option Scheme		
— Employees (excluding directors)	**1,304**	679
— Directors	**192**	604
	1,496	1,283
	2,543	2,087

19 RESERVES AND RETAINED EARNINGS

	Other reserves					
	Merger reserve *RMB'000*	**Translation reserve** *RMB'000*	**Share option reserve** *RMB'000*	**Capital reserve** *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*
Balance at 1 January 2016	(70,612)	(4,023)	14,734	1,870	209,185	151,154
Profit for the year	–	–	–	–	51,396	51,396
Dividends relating to 2015	–	–	–	–	(5,125)	(5,125)
Employee share award and option scheme	–	–	2,087	–	–	2,087
Issue of ordinary share for the equity consideration for investment in an associate	–	–	(8,254)	–	–	(8,254)
Currency translation difference	–	(2,797)	–	–	–	(2,797)
Balance at 31 December 2016 and 1 January 2017	(70,612)	(6,820)	8,567	1,870	255,456	188,461
Profit/(loss) for the year	–	–	–	–	(148,700)	(148,700)
Dividends relating to 2016	–	–	–	–	(5,313)	(5,313)
Employee share award and option scheme	–	–	2,543	–	–	2,543
Share of increase of other reserves of an associate	–	–	845	–	–	845
Currency translation difference	–	838	–	–	–	838
Balance at 31 December 2017	(70,612)	(5,982)	11,955	1,870	101,443	38,674

20 BORROWINGS

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Non-current		
Bank borrowings — unsecured	**–**	9,268
Bank borrowings — secured	**6,586**	138,436
	6,586	147,704
Current		
Bank borrowings — unsecured	**119,770**	24,870
Bank borrowings — secured		
— short term bank borrowings	**72,703**	188,454
— current portion of long term bank borrowings	**66,521**	–
	258,994	213,324
Total borrowings	**265,580**	361,028

As at 31 December 2017, the scheduled repayment dates of the Group's bank borrowing, as set out in loan arrangements without considering the effect of any repayment on demand clause, are as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Within 1 year	**258,994**	213,324
Between 1 and 2 years	**4,791**	54,054
Between 2 and 5 years	**1,795**	93,650
	265,580	361,028

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Wholly repayable within 5 years	**265,580**	361,028

21 TRADE AND OTHER PAYABLES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade payables	**130,486**	142,866
Advances from customers	**55,181**	87,448
Other taxes payable	**54,953**	66,377
Employee benefits payable	**5,271**	2,949
Amounts due to shareholders/directors	**7,824**	–
Accrual for professional service fee	**2,643**	2,010
Others	**12,354**	11,864
	268,712	313,514

At 31 December 2017 the ageing analysis of the trade payables based on invoice date is as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Up to 3 months	**101,783**	117,563
3 to 6 months	**7,597**	3,874
6 months to 1 year	**3,094**	10,065
1 to 2 years	**16,276**	9,321
2 to 3 years	**1,383**	134
Over 3 years	**353**	1,909
	130,486	142,866

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
RMB	**92,972**	104,482
USD	**27,237**	30,837
GBP	**3,638**	1,493
HKD	**3,055**	2,440
EUR	**3,548**	3,236
JPY	**36**	378
	130,486	142,866

22 DEFERRED INCOME TAX

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Deferred tax assets:		
— Deferred tax asset to be recovered after more than 12 months	**5,403**	784
— Deferred tax asset to be recovered within 12 months	**730**	645
	6,133	1,429
Deferred tax liabilities:		
— Deferred tax liabilities to be recovered after more than 12 months	**1,152**	1,847
— Deferred tax liabilities to be recovered within 12 months	**695**	695
	1,847	2,542
Deferred tax assets/(liabilities) — net	**4,286**	(1,113)

23 DIVIDENDS

Pursuant to the resolutions by the annual general meeting of the Company held on 13 June 2017, a final dividend of HK0.6 cents (equivalent to RMB0.53 cents) per ordinary share amounting to RMB5,313,000 for the year ended 31 December 2016 was approved and paid to the shareholders of the Company.

The Directors do not recommend payment of any final dividend for the year ended 31 December 2017, which is to be approved by the shareholders of the Company at the forthcoming annual general meeting of the Company.

	2017	2016
	RMB'000	*RMB'000*
Proposed final dividend of nil (2016: HK0.6 cents) per ordinary share	**–**	5,313

24 COMMITMENTS

(a) Capital commitments

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Acquisition of an associate	**–**	1,264

(b) Operating lease commitments

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

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
No later than 1 year	**2,421**	2,809
Later than 1 year and no later than 2 years	**2,305**	2,453
Later than 2 years and no later than 3 years	**1,937**	1,991
Later than 3 years	**345**	674
	7,008	7,927

BUSINESS REVIEW

2017 is an important year that connects the preceding year and the following year after the implementation of China's 13th Five-Year Plan, and it is also a new stage of integration for China's media convergence.

During the Current Period, in order to keep pace with the time and embrace the development trend of converged media, the Group has strived to promote traditional business upgrade and innovative business transformation, to continue to optimise the business structure of the Group, explore, implement and launch the business model where the Group's growth is driven by its three main business segments simultaneously with synergic coordination among each other, and implement the converging development model with positive interaction and mutual coordination among the Group's subsidiaries and the complementation of product advantages of different business segments.

Standing at the forefront of an era of converging media, the Group, as a national leading one-stop all-media solutions provider, understands deeply the maxim that "reform to advance, innovate to differentiate, and reform and innovate to succeed (唯改革者進，唯創新者強，唯改革創新者勝)". During the Current Period, facing the increasingly tough competition environment in the all-media industry as well as the emerging opportunities and challenges, the Group actively advanced certain strategic transformations, including:

- Following the development trend of converging media, seizing the opportunity of converging media and improving market competitiveness. During the Current Period, the Group has been continuously upgrading traditional business, innovating and transforming its current business, as well as committing itself to developing new media and IP/IT businesses. The Group has enhanced its competitive strength by transforming from a simple hardware system integrator to a one-stop all-media solutions provider with both software and hardware integration capabilities.

- Improving business coverage, optimising the organisational structure, and focusing on the Group's talent training. As at the date of this announcement, the Group has established 12 regional offices in the main provinces and autonomous regions in the PRC, Hong Kong and Taiwan and has appointed their general managers. This measure has effectively enhanced the Group's ability to capture business opportunities and improved the Group's business penetration in the local areas, as well as enabled the Group to extend its reach to new customers such as emerging converging media organisations, newspapers, online media, and newly-developing professional video companies.

- Exploring the potential of synergistic coordination among the Company's subsidiaries. During the Current Period, the Group took the lead in setting up a cross-company group for converging media development (跨公司融合媒體業務發展小組), which has further consolidated the competitive products and application systems among the Company's subsidiaries, and thus strengthened the Group's overall capability in the converging media business. During the Current Period, the Group has completed several major converging media projects, including the China Daily "Central Kitchen" Project, Beijing New Media Group Converging Media Project, Xinhua News Agency Converging Media Project, China Radio International's "Global News + APP" Converging Media Platform Project, etc.

The Group's sports and events business segment locates in China's sports and cultural industries which are at their important period of golden development. During the Current Period, the Group's sports and events business segment had continuously recorded excellent performance in various areas. Beijing Evertop Sports Culture Media Co., Ltd.* (北京永達天恒體育文化傳媒有限公司) ("**Evertop (Beijing)**"), a wholly-owned subsidiary of the Company which specialises in top-tier sports and events production, rebroadcasting and management services, had provided professional technical services to various sports and events, including Union Cycliste Internationale global and Asian top-tier bicycle races, the Chinese Triathlon League, the Women's Chinese Basketball Association races, the Tianjin Marathon of the National Games, the National Rowing Autumn Champion Race, etc.

Meanwhile, in order to meet the growing market demand for production and live broadcasting of different types and levels of sports events, further extend the "Evertop" brand's market coverage and enhance the awareness in the national sports and events broadcasting and production services market, the Group established Beijing Evertop Media Video Co., Ltd.* (北京永達雲創易傳媒有限公司) ("**ETC (Beijing)**") in August 2017, which is engaged in providing broadcasting, production media services for small-and-medium sized sports and events. ETC (Beijing) had provided professional services to Chinese University Basketball Association (CUBA) races (中國大學生籃球聯賽), the Chinese Bohai Rim Sailing Rallying (中國環渤海帆船拉力賽), the National Snowboarding Ski Jump and Downhill Races (全國單板滑雪大跳台和坡面障礙技巧錦標賽) and the National Beach Handball Races (全國沙灘手球錦標賽) during the Current Period.

Responding to the significant national strategy plan for comprehensively improving the quality and level of the Chinese manufacturing industry based on the trend of international industrial transformation, benefiting from the government's incentive policies for enterprise innovation and self-developed products, the Group's sales of self-developed products business segment has sustained strong growth momentum during the Current Period. Under the rapid development of technology, the Group actively responded to, focused in and grasped the latest development trend of the industry and invested in new product research and development based on the latest trends and market demand in order to diversify the Group's self-developed product line and thus expanding the Group's source of revenue and profit.

During the Current Period, Cogent 4G transmission devices and NanoSat, being the star products of the Group and both of which are able to provide quality and smooth live broadcasting and return transmission services for major events, had been applied in certain live events, including but not limited to the annual sessions of the National People's Congress and the Chinese People's Political Consultative Conference, the 2017 Summer Davos, the celebration of the 20th anniversary of Hong Kong's return to China, the inauguration ceremony of the Fuxing bullet train and live broadcasting of the line patrol at Tianshan Mountain, etc.

In the meantime, as a key strategic plan of the Group under the backdrop of promotion of converging media by the government, the Group's research and development business has formed a comprehensive technology integration platform including both hardware and software research and development capabilities by acquiring AVIT, Beijing Gefei and Beijing BroadVision. The Group has also been providing services for non-media and non-broadcasting and television industries (e.g. public security, armed forces and telecom industries) to further strengthen the Group's advantages among the national all-media industry.

The Group has been involved in providing services for several international and national events since its establishment, which includes the 2008 Beijing Olympic Games, National Day celebration of the 60th anniversary of the PRC founding in 2009, the 2010 Guangzhou Asian Games, the Sept 3rd Military Parade in 2015, the G20 Hangzhou Summit in 2016, the Belt and Road Forum in 2017 and the military parade for the 90th anniversary of the National Army Day and etc. As the macroeconomic is still under the momentum of recovery and the industry where the Group stands is undergoing transformation and reform, the Group's revenue from business operation is currently conducting short-term adjustments. As stated in this announcement and the announcement of the Company dated 9 February 2018, the Group has made write-off of receivables of approximately RMB170 million during the Current Period in relation to certain contracts for, among others, Le Sports projects. However, the Board believes that, with the extensive business management, technical capabilities and corporate governance experience accumulated by the senior management team of the Group in the business operation over the decades as well as benefiting from the strong corporate reputations established during the business operation of the Group, the Group will be able to capture new opportunities, embrace new technologies and conduct innovation and reform, thereby achieving another development peak in the new era.

FINANCIAL REVIEW

Revenue

Our Group's revenue decreased by approximately 18.1% from approximately RMB662.9 million for the year ended 31 December 2016 to approximately RMB543.2 million for the year ended 31 December 2017. Compared with the Corresponding Period, the revenue from the sports and events business segment and the sales of self-developed products segment has increased significantly with a growth rate of 37.9% and 17.8% respectively. Such growth was offset by the greater decrease in the revenue of the application solutions business segment with a net decrease in overall revenue by 18.1%. The revenue mix fully demonstrated the Group's strategic deployment, which on one hand to maintain the application solutions business to a certain scale, while on the other hand, to accelerate the drive and promotion of the high speed growth of the other business segments of the Group, which will enable the Company to build a solid foundation to achieve a new level of success. The table below sets out the Group's segment revenue for the year ended 31 December 2016 and 2017 respectively:

	For the year ended 31 December			
	2017		2016	
	RMB'000	***% of total revenue***	*RMB'000*	*% of total revenue*
Segment revenue				
Application solutions	**376,378**	**69.3%**	528,877	79.7%
Sports and events business	**80,385**	**14.8%**	58,312	8.8%
System maintenance services	**19,527**	**3.6%**	18,936	2.9%
Sales of self-developed products	**66,875**	**12.3%**	56,763	8.6%
Total	**543,165**	**100.0%**	662,888	100.0%

Application solutions

Revenue generated by the Group's application solutions business segment represented approximately 79.7% and 69.3% of the total revenue of the Group for the Corresponding Period and the Current Period, respectively. It decreased from RMB528.9 million for the Corresponding Period to RMB376.4 million for the Current Period. The decrease was mainly attributable to the fact that the broadcast industry is still undergoing gradual technology changes, that new technologies including 4K, conversion to IP, virtualisation and cloud computing are still under development and many all-media customers are still carrying out feasibility study before rolling out their projects, thus leading to a decline of project roll-outs during the Current Period. However, the Group has continuously kept upgrading its traditional business, innovating and transforming its current business, as well as committing itself to developing new media and IP/IT business. In addition, the Group established 12 regional offices and took the lead in setting up a cross-company group for converging media development during the Current Period to seize the opportunity of converging media and to improve the market competitiveness. Therefore, the Directors are optimistic that the Group will be able to capture the golden opportunities of new projects when they are rolled out.

Sports and events business

Revenue from the sports and events business segment represented approximately 8.8% and 14.8% of the total revenue of the Group for the Corresponding Period and the Current Period, respectively, and increased from RMB58.3 million for the Corresponding Period to RMB80.4 million for the Current Period, representing an increase of 37.9%. Such increase was mainly attributable to the increase in market demand for important political news and affairs broadcast and sports event broadcast together with the Group's effort in expanding the sports and events business segment during the Current Period.

System maintenance services

Revenue from the system maintenance services business segment represented approximately 2.9% and 3.6% of the total revenue of the Group for the Corresponding Period and the Current Period, respectively, and increased from RMB18.9 million for the Corresponding Period to RMB19.5 million for the Current Period, representing an increase of 3.2%. Such increase was mainly attributable to the increasing demand for the Group's onsite support services during the Current Period.

Sales of self-developed products

Revenue from the sales of self-developed products business segment represented approximately 8.6% and 12.3% of the total revenue of the Group for the Corresponding Period and the Current Period, respectively and increased from RMB56.8 million for the Corresponding Period to RMB66.9 million for the Current Period, representing an increase of 17.8%. Such increase was mainly attributable to an increase in the number of units of the Group's self-developed products sold during the Current Period and the increased portfolio of products offering to the market. The widened portfolio also allowed the Group to address a wider customer base in China.

Cost of Sales

The Group's cost of sales decreased by approximately 19.0% from RMB467.6 million for the Corresponding Period to RMB378.7 million for the Current Period. The decrease was mainly attributable to the decrease in the overall business volume of the Group during the Current Period. The following table sets forth the cost of sales for each business segment of the Group for the year ended 31 December 2016 and 2017 respectively:

	For the year ended 31 December			
	2017		2016	
	RMB'000	***% of total cost***	*RMB'000*	*% of total cost*
Segment cost of sales				
Application solutions	**303,862**	**80.3%**	400,080	85.6%
Sports and events business	**42,943**	**11.3%**	29,114	6.2%
System maintenance services	**8,116**	**2.1%**	9,947	2.1%
Sales of self-developed products	**23,735**	**6.3%**	28,475	6.1%
Total	**378,656**	**100.0%**	467,616	100.0%

The Group's cost of sales for the application solutions business segment decreased by 24.0% for the Current Period as compared to the Corresponding Period, which was primarily due to the decrease in overall revenue of the Group. The Group's cost of sales for the sports and events business segment increased by 47.5% for the Current Period, which was mainly attributable to the increase of revenue of the sports and events business segment of the Group.

Gross profit and gross profit margin

The Group's gross profit was RMB195.3 million and RMB164.5 million for the year ended 31 December 2016 and 2017, respectively. The Group's gross profit margin was 29.5% and 30.3% for the year ended 31 December 2016 and 2017, respectively. The following table sets out the gross profit and gross profit margin of each of the Group's segments for the year ended 31 December 2016 and 2017 respectively:

	For the year ended 31 December			
	2017		2016	
	RMB'000	***Gross profit margin %***	*RMB'000*	*Gross profit margin %*
Segment gross profit and gross profit margin				
Application solutions	**72,516**	**19.3%**	128,797	24.4%
Sports and events business	**37,442**	**46.6%**	29,198	50.1%
System maintenance services	**11,411**	**58.4%**	8,989	47.5%
Sales of self-developed products	**43,140**	**64.5%**	28,288	49.8%
Total	**164,509**	**30.3%**	195,272	29.5%

The Group's gross profit decreased by 15.8% for the Current Period when compared to the Corresponding Period. However, the gross profit margin increased slightly from 29.5% for the Corresponding Period to 30.3% for the Current Period. We believe that the slight increase during the Current Period is in line with the changes of the mix of business segments that the Company strives for higher margin businesses.

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 43.7% from RMB128.8 million for the Corresponding Period to RMB72.5 million for the Current Period. The gross profit margin decreased from 24.4% for the Corresponding Period to 19.3% for the Current Period. The decrease in the gross profit margin of the application solutions business segment was mainly attributable to the fact that those projects adopting the new technologies including 4K, conversion to IP, virtualisation and cloud computing were yet to launch. Many all-media customers are still in the stage of feasibility study before rolling out their new projects. During the Current Period, many of the projects recognised are with relatively more mature technology. Therefore, the customers are more price sensitive and the Group has been offering more competitive pricing where the gross margin was lower. However, the Directors are pleased that the Group has been involved in many of the on-going pioneering projects with new technologies, such as the master control of CCTV all-IP system project, the 4K ultra high-definition broadcasting vehicle project, etc. These enable the Group to gain leading edge knowhow and charge a premium when the new technology projects are launched.

Sports and events business

The Group's gross profit from the sports and events business segment increased by approximately 28.2% from RMB29.2 million for the Corresponding Period to RMB37.4 million for the Current Period. Gross profit margin of this segment decreased slightly from 50.1% for the Corresponding Period to 46.6% for the Current Period. The increase in the gross profit from the sports and events business segment was mainly attributable to that the Group has maintained a healthy portfolio of sport events and the Group has obtained more and more business opportunities among the national sports and events broadcast industry.

System maintenance services

The Group's gross profit from system maintenance services increased by approximately 26.9% from RMB9.0 million for the Corresponding Period to RMB11.4 million for the Current Period. The gross profit margin of this segment also increased from 47.5% for the Corresponding Period to 58.4% for the Current Period. The Group believes that the increase in the gross profit of this segment is benefited from the increasing demand of the after-sales projects.

Sales of self-developed products

The Group's gross profit from sales of self-developed products business segment significantly increased by 52.5% from RMB28.3 million for the Corresponding Period to RMB43.1 million for the Current Period. The gross profit margin of this segment also increased greatly from 49.8% for the Current Period to 64.5% for the Corresponding Period. The increase in gross profit was mainly attributable to the increase in the software sales with higher margin, such as the sale of interactive TV platforms and the 4G management systems during the Current Period.

Other gains — net

Other gains was approximately RMB4.8 million and RMB9.6 million for the year ended 31 December 2016 and 2017 respectively. Such increase was mainly due to (i) the value added tax refund and government subsidy was increased from RMB4.2 million for the year ended 31 December 2016 to RMB7.8 million for the year ended 31 December 2017; and (ii) the net foreign exchange gain and contribution to an associate was increase by RMB1.9 million, while the fair value gains on financial assets at fair value through profit or loss decreased from RMB1.3 million for the Corresponding Period to RMB0.3 million for the Current Period.

Selling and administrative expense

Selling expense decreased by approximately 12.1% from RMB35.5 million for the Corresponding Period to RMB31.2 million for the Current Period. Such decrease was in line with the decrease in the revenue and was mainly attributable to the implementation of stringent budgetary planning and cost control measures so as to trim down travelling expenses and business development cost.

Administrative expenses increased by approximately 192.9% from RMB93.1 million for the Corresponding Period to RMB272.7 million for the Current Period. Such increase was mainly attributable to (i) the write-off of receivables of approximately RMB170 million in relation to certain contracts for, among others, supply of equipment and provision of installation systems and other services for Le Sports (樂視體育); (ii) the increase in employee benefit expenses; (iii) the increase in the amortisation of the intangible assets expense; and (iv) the increase of administrative expenses of RMB8.8 million of Beijing BroadVision.

Finance costs

Net finance costs increased by approximately 28.1% from RMB12.8 million for the Corresponding Period to RMB16.4 million for the Current Period. The increase was mainly attributable to the decrease in interest income by RMB3.8 million.

Income tax expenses

Income tax expenses amounted to RMB8.9 million and RMB2.6 million for the year ended 31 December 2016 and 2017, respectively, representing a decrease of 71.0%. The effective tax rate decreased from approximately 14.5% for the Corresponding Period to approximately negative 1.8% for the Current Period, primarily due to the increase in the non-deductable expenses of the write-off of receivables for the year ended 31 December 2017.

Profit for the Current Period

As a result of the foregoing factors, profit attributable to owners of the Company decreased by approximately 378.1% from RMB52.5 million for the Corresponding Period to a loss of RMB146.1 million for the Current Period. Such decrease was primarily due to the expenses of RMB170 million for the write-off of receivables for the year ended 31 December 2017.

Liquidity, financial resource and capital structure

Net cash generated from the Group's operating activities amounted to RMB95.9 million for the Current Period while net cash used in operating activities amounted to RMB92.2 million for the Corresponding Period. The significant increase in the net cash inflow of the Group's operating activities for the Current Period mainly arose from (i) the acceleration in collection of trade receivables; and (ii) the decrease in inventories resulted from the improvement of the project management and inventory planning work for the Current Period.

Net cash generated from the Group's investing activities amounted to RMB9.5 million for the Current Period while the net cash used in the Group's investing activities amounted to RMB64.3 million for the Corresponding Period. The net cash inflow for the Current Period mainly arose from the collection of pledged bank deposits.

Net cash used in the Group's financing activities amounted to RMB100.8 million for the Current Period while the net cash generated from the Group's financing activities amounted to RMB149.5 million for the Corresponding Period. The net cash used in financing activities for the Current Period was mainly attributable to the increase in the repayment of bank loans.

As at 31 December 2017, the Group had current assets of approximately RMB675.0 million (as at 31 December 2016: approximately RMB842.4 million) and current liabilities of approximately RMB544.0 million (as at 31 December 2016: approximately RMB542.4 million). The current ratio (which is calculated by dividing current assets by current liabilities) decreased to approximately 1.24 as at 31 December 2017 from approximately 1.55 as at 31 December 2016.

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

Foreign exchange exposure

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

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

Interest rate risk

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

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

Charge over assets of the Group

As at 31 December 2016 and 31 December 2017 respectively, bank borrowings of RMB76,700,000 and RMB70,000,000 were secured by the buildings of the Group, net book value of which amounting to RMB40,366,800 and RMB36,194,000, and trade receivables of which amounting to RMB25,834,502 and RMB25,310,000, respectively.

Gearing position

The gearing ratio, which represented total borrowings divided by total equity multiplied by 100%, was 78.2% and 85.1% as at 31 December 2016 and 2017, respectively. The total borrowings of the Group decreased from RMB361.0 million as at 31 December 2016 to RMB265.6 million as at 31 December 2017. Such decrease was mainly attributable to the repayment of borrowings of RMB95.4 million.

Significant investments, acquisitions and disposals

During the Current 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 the subsidiary, who provided the application solution services for the systems to a client in Hunan (the "**Client**"), the end-user of the systems. The contractual claim amounting RMB6.77 million was brought by the Claimant against this subsidiary and the Client in relation to the outstanding amount payable for the sale of the systems. On 16 December 2014, the Claimant withdrew the lawsuit against this subsidiary. In October 2017, the court entered a judgement that the subsidiary was not liable for compensation. The Claimant then appealed to the upper court and brought claims of about RMB4.42 million against the subsidiary and the Client. In light of the quality problems in the systems supplied by the Claimant, and the fact that the Client was the end user of the systems and bore the ultimate obligation to settle payments, and that the Group has been sued as a third party in the legal proceedings, 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 for the Current Period.

As at 31 December 2017, except for the legal dispute as disclosed above, the Directors were not aware of any other significant events that would have resulted in material contingent liabilities.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2017 (2016: HK0.6 cents per ordinary share).

CLOSURE OF REGISTER OF MEMBERS

The 2018 annual general meeting of the Company (the "**AGM**") is scheduled to be held on 6 June 2018. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 1 June 2018 to 6 June 2018 (both days inclusive), during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar in Hong Kong, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 31 May 2018 (Hong Kong time).

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's reserves available for distribution to equity holders, comprising the share premium, exchange fluctuation reserve and accumulated loss, amounted to approximately RMB304.1 million (as at 31 December 2016: approximately RMB453.9 million).

MAJOR CUSTOMERS AND SUPPLIERS

For the Current Period, revenue from the Group's five largest customers accounted for approximately 25.8% (2016: 42.3%) of the Group's total revenue and the revenue from the largest customer included therein accounted for approximately 11.7% (2016: 18.1%) of the Group's total revenue.

For the Current Period, supplies from the Group's five largest suppliers accounted for approximately 26.4% (2016: 18.4%) of the Group's total operating cost and supplies from the largest supplier included therein accounted for approximately 8.5% (2016: 5.2%) of the Group's total operating cost.

None of the Directors or any of their associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers for the Current Period.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had a total of 357 employees (as at 31 December 2016: 329 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.

SHARE AWARD PLAN AND SHARE OPTION SCHEME

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. 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 (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Details of the Share Award Plan and movement in the awarded shares during the Current Period will be set out in the 2017 annual report of the Company.

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. Details of the Share Option Scheme and movement in the share options during the Current Period will be set out in the 2017 annual report of the Company.

FUTURE OUTLOOK

The year of 2018 is the beginning year of the second decade of the Group's development. Although pressures coming from the macro-environment, industry and the market still exist, we believe that a new year with challenges and uncertainties is also filled with new developments and opportunities.

According to the "Chinese Media Convergence Development Report (2017-2018) (《中國媒體融合發展報告(2017-2018)》)", the converging process of the Chinese media industry is breaking through a bottleneck period. On one hand, the transformation process of the traditional media is continuously speeding up either actively or passively. On the other hand, the mainstream media has successfully extended its influences from traditional areas to new media areas by setting up convergence cluster. These latest changes and features not only indicate that the struggle of the media industry transformation has not been over, but also foretell the bright future of media convergence development. In recent years, governments have put forward policies and financed supports as well as special funds, which in turn provide strong supports for the in-depth development of media convergence development.

With the in-depth development of media convergence, the Group further promotes synergic coordination and mutual interaction among the Group's subsidiaries, as well as consolidates the products and application advantages among them, and increases investments in the research and development of converging media applications, which in turn will strengthen the overall competitive advantages of the Group in converging media industry. In the meantime, the establishment of the Group's 12 regional offices has achieved initial success with steady growing business volumes and perfecting the organisation structure day after day. The Group believes that in the year of 2018, it will continue adjusting, keep optimising the team construction and perfecting organisation structure, maintain the continuance of corporate culture, and be committed to provide skilled professional services and higher-quality products to customers.

The Chinese sports industry has been in an important golden period of development driven by China's drive to promote and support industry and the increasing popularity of fitness and sports activities nationwide. Evertop (Beijing), a wholly-owned subsidiary of the Group with good reputation in the industry and rich experience in professional service provisions, had provided outstanding broadcasting, events management and operation services for top-tier sport events including Union Cycliste Internationale races, marathon races, triathlon races and dragon boat races, etc. At the same time, the Group was also involved in providing live broadcasting services for winter sports races such as ice hockey races and snowboarding. With the hosting of Beijing-Zhangjiakou 2022 Winter Games Olympics drawing near, the Group believes that the sports and events business segment will continue to make giant strides and achieve more surprisingly good results.

Science and technology are the primary production forces, and are also the driving force of the media transformation development. Mastering and practicing the rising technology is of crucial importance to the continuous healthy development of both the traditional media and the new media. The Group has always been keeping the development of its sales of self-developed products business segment adhered to the national policies, industry development guidance and trend of market demand, which have already achieved obvious results. Based on the Caixin China Manufacturing Index and Caixin/US Markit China Manufacturing Index announced in January 2018, it is expected that the China's manufacturing industry will continue to expand. Benefiting from the Group's maturing comprehensive research and development business platform, the Group will, by keeping pace with the time and the technology development, improve the quality of self-developed products, enrich the self-developed product lines, and thus forge the unique leading position of the Group among the all-media industry.

Looking ahead, the year of 2018 is filled with both challenges and opportunities as the Group has always planned ahead and kept strengthening the current business development. The Group's management will be leading all staff to forge ahead, keep on learning and proactively explore and practice the convergence development of the traditional media and new media, to embrace and study new technologies including all-IP, cloud technology, augmented reality interaction technology, Internet + Sports, on-line and off-line operation, virtual operation services, etc. The Group will work together and cooperate with each other for further development and new breakthroughs of the Group in another epoch.

EVENTS AFTER THE CURRENT PERIOD

The Group does not have any material subsequent events after the Current Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Current Period.

CORPORATE GOVERNANCE

Throughout the Current Period, the Company continued to apply the principles set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "**CG Code**") as its own code of corporate governance.

The Directors consider that the Company has complied with all the applicable code provisions under the CG Code, save as the following:

— Under the code provision A.2.1 of the CG code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Currently, the roles of the chairman and the chief executive officer of the Group (the "**CEO**") was not separated and was performed by the same individual, Mr. Lo Chi Sum, who acted as both the chairman and CEO throughout the Current Period. The Directors will meet regularly to consider major matters affecting the operations of the Group. As such, the Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of the Group and believes that this structure will enable the Group to make and implement decisions promptly and efficiently.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

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

AUDIT COMMITTEE

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

The Audit Committee has in conjunction with the management reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal controls and financial reporting matters of the Group. The Audit Committee has no disagreement with the accounting treatment adopted by the Company. The consolidated final results of the Group for the Current Period have been reviewed by the Audit Committee.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2017 as set out in this preliminary announcement have been agreed with the Group's auditors, PricewaterhouseCoopers ("**PwC**"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2017. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on this preliminary announcement.

PUBLICATION

The final results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.css-group.net) respectively. The 2017 annual report of the Company 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, 28 March 2018

As at the date of this announcement, the executive Directors are Mr. Lo Chi Sum, Mr. Leung Wing Fai and Mr. Wong Kwok Fai, and the independent non-executive Directors are Dr. Ng Chi Yeung, Simon, Mr. Hung Muk Ming and Mr. Mak Kwok Wing.

* *For identification purposes only*