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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Century Sage Scientific Holdings Limited (the "**Company**") hereby present the consolidated final results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2018 (the "**Corresponding Period**"). The consolidated final results of the Group have been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**2019** *RMB'000*	2018 *RMB'000*
CONTINUING OPERATIONS			
Revenue	*4*	**191,030**	298,704
Cost of sales	*5*	**(142,443)**	(237,579)
Gross profit		**48,587**	61,125
Selling expenses	*5*	**(19,925)**	(25,465)
Administrative expenses	*5*	**(111,052)**	(96,737)
Other gains, net		**4,688**	53,997

	Note	2019 RMB'000	2018 RMB'000
Operating loss		**(77,702)**	(7,080)
Finance costs, net	*6*	**(16,993)**	(18,948)
Share of profit (loss) of associates		**3,156**	(4,618)
Loss before income tax		**(91,539)**	(30,646)
Income tax credit (expense)	*7*	**2,895**	(8,156)
Loss from continuing operations for the year		**(88,644)**	(38,802)
DISCONTINUED OPERATIONS			
Profit from discontinued operations		**–**	3,157
Loss for the year		**(88,644)**	(35,645)
Loss attributable to:			
Owners of the Company		**(84,325)**	(35,449)
Non-controlling interests		**(4,319)**	(196)
		(88,644)	(35,645)
Loss per share (expressed in RMB cents per share) — basic and diluted	*8*		
From continuing operations:		**(8.16)**	(3.78)
From discontinued operations:		**–**	0.31
		(8.16)	(3.47)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**2019** *RMB'000*	2018 *RMB'000*
Assets			
Non-current assets			
Property, plant and equipment		**37,352**	40,112
Intangible assets		**43,947**	50,170
Right-of-use assets	*9*	**4,295**	–
Deferred income tax assets		**1,027**	1,229
Trade and other receivables	*12*	**24,809**	27,197
Financial assets at fair value through profit or loss	*11*	**–**	45,263
Interests in associates		**64,998**	61,842
Other non-current assets	*10*	**–**	693
Total non-current assets		**176,428**	226,506
Current assets			
Inventories		**90,756**	148,359
Other current assets		**27,933**	46,694
Trade and other receivables	*12*	**157,816**	255,102
Financial assets at fair value through profit or loss	*11*	**48,296**	–
Pledged bank deposits		**107**	2,211
Cash and cash equivalents		**13,670**	59,452
Total current assets		**338,578**	511,818
Total assets		**515,006**	738,324
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	*13*	**8,290**	8,106
Share premium		**269,212**	265,396
Other reserves		**(66,164)**	(65,851)
Accumulated (losses) profits		**(40,419)**	43,906
		170,919	251,557
Non-controlling interests		**11,404**	15,723
Total equity		**182,323**	267,280

	Note	2019	2018
		RMB'000	*RMB'000*
Liabilities			
Non-current liabilities			
Bank and other borrowings	*14*	**21,257**	9,387
Lease liabilities	*9*	**1,068**	–
Deferred income tax liabilities		**457**	1,152
Total non-current liabilities		**22,782**	10,539
Current liabilities			
Contract liabilities		**57,452**	89,528
Trade and other payables	*15*	**115,051**	185,148
Current income tax liabilities		**12,668**	13,842
Bank and other borrowings	*14*	**122,052**	171,987
Lease liabilities	*9*	**2,678**	–
Total current liabilities		**309,901**	460,505
Total liabilities		**332,683**	471,044
Total equity and liabilities		**515,006**	738,324

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 18 December 2012 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The ultimate holding company of the Group is Cerulean Coast Limited, which owns 64.11% (2018: 65.42%) of the Company's issued shares. The ultimate controlling party of the Group is Mr. Lo Chi Sum.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

(a) Statement of compliance

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

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for contingent consideration receivable and financial assets at fair value through profit or loss ("**FVPL**"), which are measured at fair value.

(c) New and amended standards adopted by the Group

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

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

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

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

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

[1] Effective for annual periods beginning on or after 1 January 2020
[2] Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after 1 January 2021
[4] The effective date to be determined

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

2.2 Changes in accounting policies and disclosures

Adoption of HKFRS 16

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

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

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

As lessee

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

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

As lessee — leases previously classified as operating leases

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	31 December 2018	HKFRS 16 Reclassification	Impact on initial application of HKFRS 16	1 January 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Right-of-use assets	–	693	2,833	3,526
Other non-current assets	693	(693)	–	–
Liabilities				
Lease liabilities	–	–	(2,833)	(2,833)
	693	–	–	693

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 year:

- application solutions
- system maintenance services
- sales of self-developed products

Intersegment sales and transfers are transacted with reference to the cost of sales and are eliminated on consolidation.

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

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

For the year ended 31 December 2019

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

For the year ended 31 December 2018

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

Information about major customers

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

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

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

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

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

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

4. REVENUE

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

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

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

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

5. EXPENSES BY NATURE

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

6. FINANCE INCOME AND COSTS

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

7. INCOME TAX (CREDIT) EXPENSE

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

Cayman Islands income tax

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

Hong Kong profits tax

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

PRC EIT

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

Cogent (Beijing) Technology Company Limited* (高駿（北京）科技有限公司), Beijing Century Sage Scientific System and Technology Company Limited* (北京世紀睿科系統技術有限公司), Times Sage (Beijing) Tech Company Limited* (時代華睿（北京）科技有限公司) and Beijing BroadVision Information Technology Company Limited* (北京經緯中天信息技術有限公司) obtained the High and New Technology Enterprise qualification and the applicable income tax rate for the year ended 31 December 2019 is 15% (2018: 15%).

PRC withholding tax

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

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

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

8. LOSS PER SHARE

(a) Basic

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

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

(b) Diluted

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

9. LEASES

Right-of-use assets

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

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

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

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

Restrictions or covenants

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

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

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

Lease liabilities

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

Commitments under leases

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

At 31 December 2018

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

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

10. OTHER NON-CURRENT ASSETS

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

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

11. FINANCIAL ASSETS AT FVPL

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

The financial assets at FVPL represented key-man life insurance policies. The Group is the beneficiary of the insurance policies. The insurance policies are pledged to the bank as securities for bank borrowings which are repayable in January 2020 as disclosed in Note 14(d). The management, after considering that the bank borrowings have been subsequently settled in 2020 and the Group would redeem the insurance policies within one year, has classified the financial assets at FVPL as current assets as at 31 December 2019.

12. TRADE AND OTHER RECEIVABLES

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

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

Notes:

(i) Invoices issued to our customers (both third parties and associates) are payable on issuance and no credit terms are stipulated in our project contracts generally. The majority of the Group's trade receivables will be settled from three months to two years based on the historical record. The Group has put in place control measures so that our accounting and finance department will keep regular tracking of outstanding receivables, and our head of sale department would supervise our sale personnel to closely monitor and follow up with our customers on settlement of the outstanding receivables. The aging analysis of the trade receivables based on invoice date is as follows:

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

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

13. SHARE CAPITAL

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

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

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

(i) During the year, the Group has acquired 100% of the share capital of Satron Technologies (Beijing) Co., Ltd.* (泰德星創(北京)科技有限公司) ("**Satron**") at an aggregate consideration of RMB5,880,000 which was satisfied as to (i) RMB1,880,000 in cash, and (ii) the allotment and issue of 20,942,408 ordinary shares of the Company. The relevant shares were issued on 20 June 2019. The shares issued rank pari passu in all respects among themselves and with other shares then in issue.

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14. BANK AND OTHER BORROWINGS

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

(a) Bank borrowings, unsecured and guaranteed

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

(b) Bank borrowings, secured and guaranteed

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

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

(c) Bank borrowings, unsecured and unguaranteed

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

(d) Bank borrowings, secured and unguaranteed

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

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

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

(e) Other borrowings, secured and unguaranteed

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

(f) Other borrowings, unsecured and unguaranteed

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

(g) Bank overdrafts, unsecured and unguaranteed

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

15. TRADE AND OTHER PAYABLES

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

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

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

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

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

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

16. DIVIDENDS

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

17. ACQUISITION OF A SUBSIDIARY

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

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

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

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

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

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

18. EVENT AFTER THE REPORTING PERIOD

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

At the date of this announcement, the Group was not able to estimate the financial impact of these events.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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FINANCIAL REVIEW

Revenue

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

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

Application solutions

Revenue generated by the Group's application solutions business segment represented approximately 82.6% and 77.9% of the total revenue of the Group for the Corresponding Period and the Reporting Period, respectively. Such revenue has decreased from approximately RMB246.7 million for the Corresponding Period to approximately RMB148.8 million for the Reporting Period. The decrease was mainly attributable to the fact that the all-media industry is still undergoing gradual technology changes, that new technologies including 4K, conversion to IP, virtualisation and cloud computing are still under development and many all-media customers are still carrying out feasibility study before rolling out their projects, thus leading to a decline of project roll-outs during the Reporting Period. However, the Group has continuously kept upgrading its traditional business, innovating and transforming its current business, as well as committing itself to developing new media and IP/IT business. The roadmap of launching 4K is undergoing. Therefore, the Directors are optimistic that the Group will be able to capture the golden opportunities of new projects when they are rolled out.

System maintenance services

Revenue from the system maintenance services business segment represented approximately 4.4% and 9.0% of the total revenue of the Group for the Corresponding Period and the Reporting Period, respectively, and increased from approximately RMB13.1 million for the Corresponding Period to approximately RMB17.2 million for the Reporting Period, representing an increase of approximately 31.3%. Such increase was mainly attributable to the increase in demand for onsite support services during the Reporting Period.

Sales of self-developed products

Revenue from the sales of self-developed products business segment represented approximately 13.0% and 13.1% of the total revenue of the Group for the Corresponding Period and the Reporting Period, respectively and decreased from approximately RMB38.9 million for the Corresponding Period to approximately RMB25.0 million for the Reporting Period, representing a decrease of approximately 35.7%. Such decrease was mainly attributable to a short term decline in demand, where the all-media industry is still undergoing gradual technology changes, that new technologies including 4K, conversion to IP, virtualisation and cloud computing are still under development.

Cost of sales

The Group's cost of sales decreased by approximately 40.0% from approximately RMB237.6 million for the Corresponding Period to approximately RMB142.4 million for the Reporting Period. The decrease was mainly attributable to the decrease in the overall business volume of the Group during the Reporting Period. The following table sets forth the cost of sales for each business segment of the Group for the year ended 31 December 2018 and 2019 respectively:

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

Gross profit and gross profit margin

The Group's gross profit was approximately RMB61.1 million and approximately RMB48.6 million for the year ended 31 December 2018 and 2019, respectively, representing a decrease of approximately 20.5%. The Group's gross profit margin was approximately 20.5% and approximately 25.4% for the year ended 31 December 2018 and 2019, respectively. The following table sets out the gross profit and gross profit margin of each of the Group's business segments for the year ended 31 December 2018 and 2019 respectively:

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

Application solutions

In line with the decrease in the revenue of the application solutions business segment, the gross profit of the application solutions business segment also decreased by approximately 33.8% from approximately RMB28.1 million for the Corresponding Period to approximately RMB18.6 million for the Reporting Period. The gross profit margin increased from approximately 11.4% for the Corresponding Period to approximately 12.5% for the Reporting Period. The increase in the gross profit margin of the application solutions business segment was mainly attributable to the fact that those projects adopting the new technologies including 4K, conversion to IP, virtualisation and cloud computing were yet to launch. Many all-media customers are still in the stage of feasibility study before rolling out their new projects. During the Reporting Period, many of the projects recognised are with relatively more mature technology. Therefore, the Group has better control of the cost in these projects where the gross profit margin was higher. The Directors are pleased that the Group has been involved in many of the on-going pioneering projects with new technologies, such as the master control of all-IP system project of the China Media Group, the 4K UHD broadcasting vehicle project, etc. These enable the Group to gain leading edge knowhow and charge a premium when the new technology projects are launched.

System maintenance services

The Group's gross profit from system maintenance services business segment increased by approximately 26.7% from approximately RMB7.8 million for the Corresponding Period to approximately RMB9.8 million for the Reporting Period. The gross profit margin of this segment decreased slightly from approximately 59.0% for the Corresponding Period to approximately 57.0% for the Reporting Period, which the Group believes is within a reasonable range of its normal operation.

Sales of self-developed products

The Group's gross profit from sales of self-developed products business segment decreased by approximately 20.3% from approximately RMB25.3 million for the Corresponding Period to approximately RMB20.2 million for the Reporting Period. The gross profit margin of this segment increased from approximately 65.1% for the Corresponding Period to approximately 80.6% for the Reporting Period. The increase in gross profit margin is due to the effective control of cost of sales of sales of self-developed products business segments. The Group believes that the increase is within a reasonable range of its normal operation.

Discontinued operation

In November 2018, the Group entered into an agreement with an independent third party for the sale of 55% equity interest in Beijing Evertop Sports Culture Meida Co., Ltd.* (北京永達天恆體育文化傳媒有限公司) ("**Beijing Evertop**"). Beijing Evertop was established in May 2011 and its principal activity is sports and events business. The transaction was completed in November 2018. Accordingly, the sports and events business segment was classified as a discontinued operation as at 31 December 2018. The Group's retained 45% equity interest in Beijing Evertop which was recorded as investment in an associated company and accounted for based on equity method after the transaction.

Other gains, net

Other gains was approximately RMB54.0 million and RMB4.7 million for the Corresponding Period and the Reporting Period, respectively. Such decrease was mainly due to one-off other gains of an aggregate of RMB52.8 million from disposal of interests in a subsidiary and an associated company in the Corresponding Period.

Selling and administrative expenses

Selling expenses decreased by approximately 21.8% from approximately RMB25.5 million for the Corresponding Period to approximately RMB19.9 million for the Reporting Period. Such decrease was in line with the decrease in the revenue and was mainly attributable to the implementation of stringent budgetary planning and cost control measures so as to trim down travelling expenses and business development cost.

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

Finance costs

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

Income tax expenses

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

Loss for the Reporting Period

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

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

FOREIGN EXCHANGE EXPOSURE

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

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

INTEREST RATE RISK

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

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

CHARGE OVER ASSETS OF THE GROUP

As at 31 December 2019, (i) bank borrowings of RMB50,000,000 (2018: RMB25,000,000) was secured by the buildings with carrying amount of RMB32,921,000 (2018: the buildings with carrying amount of RMB22,695,000 and trade receivables of RMB25,750,000); (ii) bank borrowings of RMB23,164,000 (2018: RMB25,222,000) was secured by the key-man life insurance policies included in financial assets at FVPL with carrying amount of RMB48,296,000 (2018: RMB45,263,000); and (iii) other borrowings of RMB5,239,000 (2018: RMB11,879,000) was secured by inventories with carrying amount of RMB22,295,000 (2018: RMB41,583,000).

GEARING POSITION

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

CONTINGENCIES

In March 2014, one of the subsidiaries of the Group was involved in a contractual dispute with a supplier of television broadcasting systems (the "**Claimant**"). The Claimant supplied certain television broadcasting systems to such subsidiary, who provided the application solution services for the systems to a client in Hunan (the "**Client**"), the end-user of the systems. The contractual claim amounting to RMB6.77 million was brought by the Claimant against such subsidiary and the Client to the outstanding amount payable for the sale of the systems.

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

According to the written judgement of the higher people's court in June 2018, it was decided that such subsidiary and the Client were jointly liable for the compensation and other expenses amounted to approximately RMB7.60 million. In September 2018, the Claimant and such subsidiary entered into a settlement agreement to reduce the compensation to RMB5.57 million in instalments, out of which RMB4.57 million was paid as at 31 December 2019. During the Reporting Period, a late payment penalty of RMB2.43 million was charged by the Claimant. The remaining balance has been subsequently settled in January 2020.

As at 31 December 2019, except for the legal dispute as disclosed above, the Directors were not aware of any other significant events that would have resulted in material contingent liabilities.

FINAL DIVIDEND

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

DISTRIBUTABLE RESERVES

As at 31 December 2019, based on the financial information, the Company's reserves available for distribution to equity holders, comprising the share premium, exchange fluctuation reserve and accumulated loss, amounted to approximately RMB170.9 million (as at 31 December 2018: approximately RMB251.6 million).

MAJOR CUSTOMERS AND SUPPLIERS

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

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

None of the Directors or any of their 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 Reporting Period.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had a total of 223 employees (as at 31 December 2018: 261 employees).

The emoluments payable to employees of the Group are determined based on their responsibilities, qualifications, experiences and the role taken as well as the industry practices.

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 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 Reporting Period will be set out in the 2019 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 the Share Option Scheme on 13 June 2014. Details of the Share Option Scheme and movement in the share options during the Reporting Period will be set out in the 2019 annual report of the Company.

FUTURE OUTLOOK

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

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

EVENTS AFTER THE REPORTING PERIOD

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

At the date of this announcement, the Group was not able to estimate the financial impact of these events.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

CORPORATE GOVERNANCE

Throughout the Reporting 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 Reporting 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 Reporting Period.

SCOPE OF WORK OF JOINT AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary results announcement have been agreed by the Group's joint auditors (the "**Joint Auditors**"), Mazars CPA Limited and LKY China, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2019. The work performed by the Joint Auditors 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 the Joint Auditors on this preliminary results 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 2019 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, 27 March 2020

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