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 2016

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 6.3% to RMB662.9 million for the year ended 31 December 2016 from RMB623.4 million for the year ended 31 December 2015.
- Gross profit increased by approximately 6.7% to RMB195.3 million for the year ended 31 December 2016 from RMB182.9 million for the year ended 31 December 2015.
- Net profit increased by approximately 4.9% to RMB52.5 million for the year ended 31 December 2016 from RMB50.1 million for the year ended 31 December 2015.
- The Board proposes the distribution of final dividend of HK0.6 cents (equivalent to RMB0.54 cents) per ordinary share for the year ended 31 December 2016.

FINAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Century Sage Scientific Holdings Limited (the "**Company**") is pleased to announce the audited consolidated final results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2016 (the "**Current Period**"), together with the comparative figures for the year ended 31 December 2015 (the "**Corresponding Period**").

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
	Note	**2016**	2015
		RMB'000	*RMB'000*
Revenue	*3*	**662,888**	623,432
Cost of sales	*5*	**(467,616)**	(440,488)
Gross profit		**195,272**	182,944
Selling expenses	*5*	**(35,477)**	(34,685)
Administrative expenses	*5*	**(93,103)**	(85,847)
Other gains — net	*4*	**4,820**	3,503
Operating profit		**71,512**	65,915
Finance income	*6*	**3,998**	159
Finance costs	*6*	**(16,797)**	(8,859)
Finance costs — net	*6*	**(12,799)**	(8,700)
Share of profit/(loss) of investments accounted for using the equity method	*8*	**2,715**	(38)
Profit before income tax		**61,428**	57,177
Income tax expense	*9*	**(8,881)**	(7,090)
Profit for the year		**52,547**	50,087
Profit attributable to:			
Owners of the Company		**51,396**	50,087
Non-controlling interests		**1,151**	–
		51,396	50,087
Earnings per share (expressed in RMB cents per share)			
— Basic and Diluted	*10*	**5.07**	5.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Profit for the year	**52,547**	50,087
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**(2,797)**	(2,253)
Total comprehensive income for the year	**49,750**	47,834
Attributable to:		
Owners of the Company	**48,599**	47,834
Non-controlling interests	**1,151**	–
	49,750	47,834

CONSOLIDATED BALANCE SHEET

		As at 31 December	
	Note	**2016**	2015
		RMB'000	*RMB'000*
Assets			
Non-current assets			
Property, plant and equipment	*11*	**56,013**	58,677
Intangible assets	*12*	**57,892**	38,142
Deferred income tax assets	*22*	**1,429**	2,084
Trade and other receivables	*14*	**135,684**	–
Available-for-sale financial assets		**–**	19,063
Financial assets at fair value through profit or loss	*13*	**43,800**	–
Investments accounted for using the equity method	*8*	**29,657**	26,942
Other non-current assets		**1,058**	1,322
		325,533	146,230
Current assets			
Inventories	*15*	**193,922**	122,775
Trade and other receivables	*14*	**571,674**	478,274
Pledged bank deposits		**26,240**	16,115
Cash and cash equivalents	*16*	**50,571**	62,082
		842,407	679,246
Total assets		**1,167,940**	825,476
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	*17*	**8,106**	7,933
Share premium	*17*	**265,396**	252,286
Other reserves	*19*	**(66,995)**	(58,031)
Retained earnings	*19*	**255,456**	209,185
		461,963	411,373
Non-controlling interests	*7*	**13,354**	–
Total equity		**475,317**	411,373

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	*20*	**147,704**	29,474
Deferred income tax liabilities	*22*	**2,542**	1,451
		150,246	30,925
Current liabilities			
Trade and other payables	*21*	**313,514**	200,562
Current income tax liabilities		**15,539**	5,646
Borrowings	*20*	**213,324**	176,970
		542,377	383,178
Total liabilities		**692,623**	414,103
Total equity and liabilities		**1,167,940**	825,476
Net current assets		**300,030**	296,068
Total assets less current liabilities		**625,563**	442,298

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December **2016** *RMB'000*	2015 *RMB'000*
Cash flows from operating activities			
Cash generated from operations		**(78,225)**	7,661
Interest paid		**(12,346)**	(5,582)
Income tax paid		**(1,614)**	(47,287)
Net cash used in operating activities		**(92,185)**	(45,208)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		**(14,267)**	–
Purchases of property, plant and equipment (PPE)		**(6,016)**	(11,263)
Payment of pledged bank deposits		**(26,240)**	(16,115)
Collection of pledged bank deposits		**16,115**	6,668
Purchase of financial assets at fair value through profit or loss	*13*	**(23,426)**	–
Purchase of avaliable-for-sale financial assets		**–**	(18,689)
Purchase of intangible assets		**(5,270)**	(19,814)
Proceeds from sale of PPE		**143**	–
Prepayment for purchase of a subsidiary	*14*	**–**	(16,756)
Payment for purchase of associates	*14*	**(5,373)**	(18,726)
Net cash used in investing activities		**(64,334)**	(94,695)
Cash flows from financing activities			
Proceeds from borrowings		**264,884**	248,842
Repayments of borrowings		**(110,300)**	(132,288)
Dividends paid to the then shareholders		**(5,125)**	(31,000)
Net cash generated from financing activities		**149,459**	85,554
Net increase in cash and cash equivalents		**(7,060)**	(54,349)
Cash and cash equivalents at beginning of year	*16*	**62,082**	119,708
Exchange losses on cash and cash equivalents		**(4,451)**	(3,277)
Cash and cash equivalents at end of the year	*16*	**50,571**	62,082

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 the 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 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied throughout the periods, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). 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 following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

- Accounting for acquisitions of interests in joint operations — Amendments to IFRS 11
- Clarification of acceptable methods of depreciation and amortisation — Amendments to IAS 16 and IAS 38
- Annual improvements to IFRSs 2012–2014 cycle, and
- Disclosure initiative — amendments to IAS 1.

The adoption of these amendments did not have significant impact on the Current Period or any prior period.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- *HKFRS 15 Revenue from Contracts with Customers*

  The new standard establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes to an 'asset-liability' approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition: IFRIC/HK(IFRIC) 13 Customer Loyalty Programmes, IFRIC/HK(IFRIC) 15 Agreements for the Construction of Real Estate, IFRIC/HK(IFRIC) 18 Transfers of Assets from Customers and SIC-31 Revenue— Barter Transactions Involving Advertising Services. The standard is effective for annual periods beginning on or after 1 January 2018, and earlier application is permitted.

  Management is currently assessing the effects of applying the new standard on the Group's financial statements. At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements.

- *HKFRS 9 Financial instruments*

  The new standard addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. The Group has yet to undertake a detailed assessment of the classification and measurement of financial assets.

  There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

- *HKFRS 16 Lease*

  The new standard addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces HKAS 17 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to the entity adopting HKFRS 15 'Revenue from contracts with customers' at the same time. The Group has yet to undertake a detailed assessment on the impact of adoption of the new standard. The adoption of the new standard will result in the recognition of the right-of-use assets and corresponding lease liabilities arising from accounting for operating leases by the company as a lessee.

  There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

3. SEGMENT INFORMATION

The chief operating decision-maker ("CODM") mainly include the board of directors 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	
	2016	2015
	RMB'000	*RMB'000*
Segment revenue		
Application solutions	**528,877**	514,754
Sports and events business	**58,312**	57,397
System maintenance services	**18,936**	17,547
Sales of self-developed products	**56,763**	33,734
Total	**662,888**	623,432
Segment cost		
Application solutions	**(400,080)**	(387,870)
Sports and events business	**(29,114)**	(28,467)
System maintenance services	**(9,947)**	(8,592)
Sales of self-developed products	**(28,475)**	(15,559)
Total	**(467,616)**	(440,488)
Segment gross profit		
Application solutions	**128,797**	126,884
Sports and events business	**29,198**	28,930
System maintenance services	**8,989**	8,955
Sales of self-developed products	**28,288**	18,175
Total	**195,272**	182,944
Depreciation		
Application solutions	**11,948**	7,877
Sports and events business	**1,317**	917
System maintenance services	**428**	292
Sales of self-developed products	**1,282**	517
Total	**14,975**	9,603

For the year ended 31 December 2016, two customer accounted for greater than 10% of the Group's total revenues:

	Year ended 31 December			
	2016		2015	
	Amount *RMB'000*	**% of total revenue**	Amount *RMB'000*	% of total revenue
Customer A	**120,292**	**18%**	–	–
Customer B	**115,614**	**18%**	–	–
Customer C	**8,023**	**1%**	129,284	21%
	243,929	**37%**	129,284	21%

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	
	2016 *RMB'000*	2015 *RMB'000*
Revenue		
Mainland China	**490,536**	561,588
Macau	**–**	19,253
Hong Kong	**127,866**	32,101
Others	**44,486**	10,490
	662,888	623,432

	Year ended 31 December	
	2016 *RMB'000*	2015 *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	**232,288**	82,830
Hong Kong	**56,356**	15,311
	288,644	98,141

4. OTHER GAINS — NET

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Losses from disposal of property, plant and equipment	**(85)**	(985)
Fair value gains on financial assets at fair value through profit or loss *(Note 13)*	**1,311**	374
Government grants	**2,777**	3,070
Value added tax refund	**1,433**	2,146
Others	**(616)**	(1,102)
	4,820	3,503

5. EXPENSE BY NATURE

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Inventory costs *(Note 15)*	**422,658**	405,621
Servicing and agency costs	**15,315**	11,326
Employee benefit expenses	**86,121**	73,769
Transportation costs	**7,630**	8,048
Business tax and other transaction taxes	**1,065**	1,203
Depreciation expense *(Note 11)*	**9,711**	9,603
Amortisation expenses of intangible assets *(Note 12)*	**5,264**	2,408
Business development	**5,028**	5,716
Travelling and transportation expenses	**11,020**	12,076
Advertising costs	**3,544**	3,440
Auditor's remuneration	**2,450**	2,450
Legal fee and professional charges	**3,519**	6,852
Operating lease rentals	**6,215**	4,241
Office expenses	**6,103**	5,471
Provision for inventory obsolescence *(Note 15)*	**216**	652
Provision for bad debts *(Note 14)*	**845**	284
Others	**9,492**	7,860
	596,196	561,020

6. FINANCE INCOME AND COSTS

	Year ended 31 December 2016 *RMB'000*	2015 *RMB'000*
Finance expenses		
— Interest expenses on bank borrowings	**(12,346)**	(5,582)
— Net foreign exchange loss	**(4,451)**	(3,277)
	(16,797)	(8,859)
Finance income		
— Interest income on short-term bank deposits	**874**	159
— Interest income on long-term trade receivable *(Note 14)*	**3,124**	–
	3,998	159
Net finance costs	**(12,799)**	(8,700)

7. SUBSIDIARIES

The following is a list of the principal subsidiaries of the Group as at 31 December 2016:

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 ("CSS International")	British virgin islands ("BVI"), limited liability company	Investment holding company, Hong Kong	10,000 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
Indirectly owned:				
Cortesia Limited (“Cortesia”)	BVI, limited liability company	Investment holding company, Hong Kong	1 ordinary share of USD1 each	100%
Century Sage Scientific Group Ltd (“CSS Group Ltd”)	BVI, limited liability company	TV broadcast application solutions industry, the PRC	1 ordinary share of USD50 each	100%
Century Sage Scientific Solutions Limited	BVI, limited liability company	Investment holding company, Hong Kong	1 ordinary share 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	TV broadcast application solutions industry, the PRC	20,000,000 ordinary shares of RMB1 each	100%
Times Sage Tech Ltd	BVI, limited liability company	TV broadcast system integration industry, the PRC	1 ordinary share 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	TV broadcast application solutions industry, the PRC	12,000,000 ordinary shares of RMB1 each	100%
Evertop Technology (Int’l) Limited	Hong Kong (“HK”), limited liability company	TV broadcast application solutions industry, Hong Kong	2 ordinary shares of HKD1 each	100%
北京永達天恒體育文化傳媒有限公司 (Beijing Evertop Sports Culture Media Co., Ltd, formerly known as Beijing Evertop Culture Media Co., Ltd)	The PRC, limited liability company	Events boardcast 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	TV broadcast application solutions industry, the PRC	1 ordinary share of USD1 each	100%
Cogent Tech (Asia) Limited	HK, limited liability company	Investment holding Company, Hong Kong	1 ordinary share of HKD1 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
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%
北京高駿技術開發有限責任公司 (Beijing Cogent Technology Development Company Limited)	The PRC, limited liability company	Research and development of technical products, the PRC,	10,000,000 ordinary shares of RMB1 each	100%
Times Sage Tech Limited	HK, limited liability company	Inactive, Hong Kong	1 ordinary share of HKD1 each	100%
Fineone International Limited	BVI, limited liability company	Equipment trading , the PRC	1 ordinary share of USD1 each	100%
TV Logic Technology Limited	BVI, limited liability company	Equipment trading , the PRC	1 ordinary share of USD1 each	100%
NI Systems Limited	BVI, limited liability company	Equipment trading , the PRC	1 ordinary share 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	TV broadcast application solutions industry, the PRC	6,000,000 ordinary shares of RMB1 each	100%
上海精視信息技術有限責任公司 (Shanghai Accurate Video Info-Tech Co., Limited) ("AVIT")	The PRC, limited liability company	R&D of TV broadcasting and multi-media production , the PRC	4,500,000 ordinary shares of RMB1 each	100%
北京經緯中天信息技術有限公司 (Beijing BroadVision Information Technology Company Limited)	The PRC, limited liability company	Provision of turnkey solutions to internet protocol television and over-the-top video service operators, the PRC	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	10,000,000 TWD	51%

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

Material non-controlling interests

The total non-controlling interest as at 31 December 2016 is RMB13,354,000 (2015: nil), of which RMB12,498,000 (2015: nil) 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 that has non-controlling interests that are material to the group.

Summarised balance sheet

	As at 31 December 2016 *RMB'000*
Current	
Assets	27,910
Liabilities	(9,188)
Total current net assets	18,722
Non-current	
Assets	749
Liabilities	–
Total non-current net assets	749
Net assets	19,471

Summarised statement of profit or loss

	Year ended 31 December 2016 *RMB'000*
Revenue	21,475
Profit before income tax	3,855
Income tax expense	(841)
Total comprehensive income	3,014
Total comprehensive income allocated to Non- Controlling Interests	1,356

Summarised cash flows

	2016 *RMB'000*
Cash flows from operating activities	
Cash generated from operations	5,663
Income tax paid	(841)
Net cash generated from operating activities	4,822
Net cash used in investing activities	(927)
Net increase in cash and cash equivalents	3,895
Cash, cash equivalents and bank overdrafts at beginning of year	5,541
Cash and cash equivalents at end of year	9,436

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amount recognised in the balance sheet is as follows:

	2016	2015
	RMB'000	*RMB'000*
Associate	**29,657**	26,942

The amounts recognised in the income statement are as follows:

	2016	2015
	RMB'000	*RMB'000*
Associate	**2,715**	(38)

Investment in an associate

Set out below is the associate of the Group as at 31 December 2016 which, in the opinion of the Directors, is immaterial to the Group. The associate as listed below has 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 2016 and 2015

Name of entity	**Place of business, country of incorporation**	**% of ownership interest**	**Nature of the relationship**	**Measurement method**
Beijing Gefei Technology Corporation ("Beijing Gefei")	Beijing	49%	Note (i)	Equity

(i) In December 2015, the Group acquired 49% equity interest of Beijing Gefei at a total consideration of RMB26,980,000 which were settled by the Company by a combination of cash in the amount of RMB18,726,000, and allotments of 8,396,000 shares of the Company's shares at fair value of RMB8,254,000. The relevant shares were issued in May 2016. The principal activities of Beijing Gefei includes research and development of software and equipment and sales of software system for the media industry in the PRC.

Summarised financial information for associates

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

Summarised balance sheet

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current		
Assets	**94,083**	92,502
Liabilities	**(51,385)**	(58,706)
Total current net assets	**42,698**	33,796
Non-current		
Assets	**959**	615
Net assets	**43,657**	34,411

Summarised statement of comprehensive income

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Revenue	**68,110**	52,592
Profit before income tax	**9,638**	6,059
Income tax expense	**(392)**	(995)
Total comprehensive income	**9,246**	5,064

Reconciliation of summarised financial information

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

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Opening net assets	**34,411**	34,488
Profit for the period	**9,246**	(77)
Closing net assets	**43,657**	34,411
Interest in associates (49%)	**21,392**	16,861
Fair value adjustments	**7,262**	9,078
Goodwill	**1,003**	1,003
Carrying value	**29,657**	26,942

9. INCOME TAX EXPENSE

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current income tax — PRC enterprise income tax	**8,760**	6,267
Deferred income tax *(Note 22)*	**121**	823
Income tax expense	**8,881**	7,090

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	
	2016	2015
	RMB'000	*RMB'000*
Profit before income tax	**61,428**	57,177
Tax calculated at statutory tax rates applicable to profits in the respective companies	**15,357**	14,294
Tax effects of		
— Expenses not deductible for tax purpose	**368**	2,454
— Adjustments in respect of prior years	**982**	(239)
— Effect of preferential tax rate	**(7,826)**	(9,419)
Income tax expense	**8,881**	7,090

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 2016 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 2016 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.

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 2015 and 2016 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	
	2016	2015
Profit attributable to owners of the Company (in RMB'000)	**51,396**	50,087
Weighted average number of ordinary shares in issue (in thousand) (i)	**1,014,594**	1,000,621
Basic earnings per share (RMB cents per share)	**5.07**	5.01

(i) The calculation of basic earnings per share for the year ended 31 December 2015 was adjusted by the allocation of share consideration of 8,396,000 shares when acquiring 49% equity interest of Beijing Gefei in December 2015 (Note 8).

The calculation of basic earnings per share for the year ended 31 December 2016 was adjusted by the allocation of share consideration of 11,904,761 shares related to the acquisition of 55% equity interest in Beijing BroadVision in July 2016.

(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 January 1, 2015				
Cost	57,008	14,781	13,684	85,473
Accumulated depreciation	(10,661)	(9,659)	(7,151)	(27,471)
Net book amount	46,347	5,122	6,533	58,002
Year ended December 31, 2015				
Opening net book amount	46,347	5,122	6,533	58,002
Currency translation differences	–	–	33	33
Additions	662	6,864	3,704	11,230
Disposals	(397)	(225)	(363)	(985)
Depreciation	(3,318)	(4,628)	(1,657)	(9,603)
Closing net book amount	43,294	7,133	8,250	58,677
At December 31, 2015				
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
At January 1, 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 December 31, 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	(3,323)	(3,787)	(2,601)	(9,711)
Closing net book amount	43,758	6,438	5,817	56,013
At December 31, 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

12. INTANGIBLE ASSETS

	Goodwill *RMB'000*	Computer software *RMB'000*	Customer relationships *RMB'000*	Technical knowhow *RMB'000*	Development costs *RMB'000*	Total *RMB'000*
Year ended 31 December 2015						
Opening net book amount	12,100	2,933	4,532	1,171	–	20,736
Additions	–	15,000	–	–	4,814	19,814
Amortisation charge *(Note 5)*	–	(998)	(1,071)	(339)	–	(2,408)
Closing net book amount	12,100	16,935	3,461	832	4,814	38,142
At 31 December 2015						
Cost	12,100	18,005	4,609	1,191	4,814	40,719
Accumulated amortisation	–	(1,070)	(1,148)	(359)	–	(2,577)
Net book value	12,100	16,935	3,461	832	4,814	38,142
Year ended 31 December 2016						
Opening net book amount	12,100	16,935	3,461	832	4,814	38,142
Additons	–	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

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December 2016 ***RMB'000***
At beginning of the year	–
Additions	42,489
Fair value change	1,311
At end of the year	43,800

The financial assets at fair value through profit or loss in 2016 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 2016
Mortality rate	0.21%
Discount rate	3.55%

14. TRADE AND OTHER RECEIVABLES

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**586,360**	371,749
Less: provision for impairment of trade receivable	**(1,978)**	(1,133)
Trade receivables — net	**584,382**	370,616
Other receivables		
Amount due from customers for contract work	**2,936**	1,866
Deposit for guarantee certificate over tendering and performance	**44,355**	30,533
Deposit for acquisition of a subsidiary	**17,980**	16,756
Deposit for acquisition of an associate	**5,373**	–
Prepayments	**27,522**	35,251
Cash advance to employees	**6,460**	6,914
Others	**18,440**	16,338
	707,358	478,274
Less: Non-Current portion		
Trade receivables	**130,311**	–
Deposit relating to business combination	**5,373**	–
	135,684	–
Current portion	**571,674**	478,274

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 2016, the ageing analysis of the trade receivables based on invoice date is as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Up to 3 months	**118,812**	144,065
3 to 6 months	**168,544**	69,260
6 months to 1 year	**154,855**	57,353
1 to 2 years	**69,655**	74,198
2 to 3 years	**49,552**	25,919
Over 3 years	**24,942**	954
	586,360	371,749

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

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
At beginning of the year	**(1,133)**	(849)
Provision for impairment	**(845)**	(284)
At end of the year	**(1,978)**	(1,133)

15. INVENTORIES

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Equipments and parts	**154,326**	99,093
Contract work in progress	**42,449**	26,319
	196,775	125,412
Provision for inventory	**(2,853)**	(2,637)
	193,922	122,775

16. CASH AND CASH EQUIVALENTS

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Cash on hand	**174**	186
Cash at banks	**50,397**	61,896
Cash and cash equivalents	**50,571**	62,082

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*
Balance at 1 January and 31 December 2015	1,000,000,000	10,000	7,933	252,286	260,219
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 *(Note 8) (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	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 2016	7,864,868
Granted	6,025,000
Vested	(280,000)
Lapsed	(725,000)
At 31 December 2016	12,884,868
At 1 January 2015	–
Granted	8,864,868
Vested	(1,000,000)
At 31 December 2015	7,864,868

(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 2nd anniversary of the grant date and the remaining tranche will become exercisable on the 3rd anniversary of the grant date. 8,540,000 share options under Type A was taken as replacement of the outstanding share options under the 2015 Scheme. The related incremental fair value at the date of modification (compared with the 2015 Scheme) would be spread over the vesting period of the 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.

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

	Number of share options 2015 Scheme	Number of share options 2016 Scheme
At 1 January 2016	14,216,000	–
Modified	(8,540,000)	8,540,000
Lapsed	(1,604,000)	(372,000)
Granted	–	5,002,000
At 31 December 2016	4,072,000	13,170,000

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

	2015 Scheme	**2016 Scheme**	
		Type A	**Type B**
Risk free rate	0.997%	**0.87%**	**0.95%**
Dividend yield	3%	**0.80%**	**0.80%**
Expected volatility	34%	**51.19%**	**50.13%**

The fair value of Type A and Type B share option granted during year ended 31 December 2016 was RMB0.28 per share and RMB0.29 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:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Share Award Plan		
— Employees (excluding directors)	**804**	–
Share Option Scheme		
— Employees (excluding directors)	**679**	384
— Directors	**604**	316
	1,283	700
	2,087	700

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 2015	(70,612)	(1,770)	5,780	1,870	190,098	125,366
Profit for the year	–	–	–	–	50,087	50,087
Dividends relating to 2015	–	–	–	–	(31,000)	(31,000)
Employee share award and option scheme	–	–	700	–	–	700
Share option for the equity consideration for investment in an associate *(Note 8)*	–	–	8,254	–	–	8,254
Currency translation difference	–	(2,253)	–	–	–	(2,253)
Balance at 31 December 2015 and 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 *(Note 8)*	–	–	(8,254)	–	–	(8,254)
Currency translation difference	–	(2,797)	–	–	–	(2,797)
Balance at 31 December 2016	(70,612)	(6,820)	8,567	1,870	255,456	188,461

20. BORROWINGS

	Year ended 31 December	
	2016 *RMB'000*	2015 *RMB'000*
Non-current		
Bank borrowings		
— unsecured	**9,268**	29,474
— secured	**138,436**	–
	147,704	29,474
Current		
Bank borrowings		
— unsecured	**24,870**	28,333
— secured	**188,454**	148,637
	213,324	176,970
Total borrowings	**361,028**	206,444

As at 31 December 2016, 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:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Within 1 year	**213,324**	176,970
Between 1 and 2 years	**54,054**	26,796
Between 2 and 5 years	**93,650**	2,678
	361,028	206,444

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Wholly repayable within 5 years	**361,028**	206,444

21. TRADE AND OTHER PAYABLES

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade payables	**142,866**	95,501
Advances from customers	**87,448**	40,888
Other taxes payable	**66,377**	51,797
Employee benefits payable	**2,949**	3,719
Accrual for professional service fee	**2,010**	2,558
Others	**11,864**	6,099
	313,514	200,562

At 31 December 2016 the ageing analysis of the trade payables based on invoice date is as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Up to 3 months	**117,563**	77,193
3 to 6 months	**3,874**	2,850
6 months to 1 year	**10,065**	4,748
1 to 2 years	**9,321**	7,077
2 to 3 years	**134**	962
Over 3 years	**1,909**	2,671
	142,866	95,501

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

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
RMB	**104,482**	65,219
USD	**30,837**	18,227
GBP	**1,493**	5,705
HKD	**2,440**	530
EUR	**3,236**	4,620
JPY	**378**	1,200
	142,866	95,501

22. DEFERRED INCOME TAX

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

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Deferred tax assets:		
— Deferred tax asset to be recovered after more than 12 months	**784**	1,616
— Deferred tax asset to be recovered within 12 months	**645**	468
	1,429	2,084
Deferred tax liabilities:		
— Deferred tax liabilities to be recovered after more than 12 months	**1,847**	1,081
— Deferred tax liabilities to be recovered within 12 months	**695**	370
	2,542	1,451
Deferred tax (liabilities)/assets — net	**(1,113)**	633

23. DIVIDENDS

Pursuant to the resolutions by the annual general meeting of the Company held on 6 June 2016, a final dividend of HK0.6 cents (equivalent to RMB0.51 cents) per ordinary share amounting to RMB5,125,000 for the year ended 31 December 2015 was approved and paid to the shareholders of the Company.

The Directors recommend the payment of a final dividend of HK0.6 cents (equivalent to RMB0.54 cents) per share for the year ended 31 December 2016, totaling RMB5,442,000. Such dividend is to be approved by the shareholders of the Company at the forthcoming annual general meeting of the Company. The dividends was not recognised as a liability as at 31 December 2016.

	2016	2015
	RMB'000	*RMB'000*
Proposed final dividend of HK0.6 cents (2015: HK0.6 cents) per ordinary share	**5,442**	5,125

24. COMMITMENTS

(a) Capital commitments

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

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Accqusition 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 (Note 5).

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

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
No later than 1 year	**2,809**	933
Later than 1 year and no later than 2 years	**2,453**	583
Later than 2 years and no later than 3 years	**1,991**	15
Later than 3 years	**674**	–
	7,927	1,531

BUSINESS REVIEW

The integration and transformation of media is a mission of the era. In 2016, the trend and features of media integration became increasingly apparent, while the integration of traditional media and new media expanded in width, accelerated in speed, and increased in strength continuously. The integrated development has become the future trend of global media industry.

Since media integration became a national strategy in 2014, a swathe of national policies has been released gradually, creating new opportunities for China's media integration and playing an important role in launching media integration. The promotion of the integration and development of traditional and new media was proposed in several national policies at various conferences and meetings, providing policy support and guarantee for media development. For instance,

- The Outline of the 13th Five-Year Plan for National Economic and Social Development of the People's Republic of China (《中華人民共和國國民經濟和社會發展第十三個五年規劃綱要》) released in March 2016 proposes to build modern media system and facilitate in-depth integration of traditional media and new media in terms of content, channel, platform, operation and management by taking advanced technology as support and content construction as foundation.

- On 2 July 2016, the State Administration of Press, Publication, Radio, Film and Television issued the Opinions on Further Acceleration of Integrated Development of Radio and Television Media and New Media (《關於進一步加快廣播電視媒體及新型媒體融合發展的意見》), which proposed to facilitate transformation and upgrading of radio and television media and make ground breaking progress in the integration of radio and television media and new media in local areas in two years.

- In July 2016, the Outline for National Informationization Development Strategy (《國家信息化發展戰略綱要》) issued by the General Office of the State Council proposed to facilitate integrated development of traditional media and new media and integrate various media resources and production elements effectively.

- In the Government Work Report presented by Premier Li Keqiang at the 5th Session of the 12th National People's Congress in March 2017, it proposed the objective of "Accelerating Cultivation of Culture Industry and Spreading Chinese Culture to Foreign Countries (《加快培育文化產業，推動中國文化走出去》)", including promoting socialist cultural and ethical progress and developing news and publication, radio, film, television and archive businesses, while accelerating cultivation of culture industry, strengthening regulation on the culture market, and promoting Chinese culture to foreign countries. In addition, Premier Li Keqiang stressed that efforts must be made to prepare for the Olympic Winter Games and the Paralympic Winter Games, so as to develop the mass sports, competitive sports, and sports industry.

As an ancient saying goes, "what should be taken is the situation and what cannot be lost is the opportunity", with the technological change of information communication on the rise today, the Group, as a national leading one-stop all-media provider, strives to keep in steps with the times, conform to the trend of media integration and development, and actively establish the philosophy of integration and development. In addition, the Group conducts business innovation and completed several projects of integrated media and new online media, such as the integrated media platform project of Henan Daxiang Merged Media Group (河南大象融媒體集團有限公司) and Mango TV, new online media projects of Le Sports, Ali Sports and PPTV Sports. Meanwhile, the penetration rate of vertical market of the Group's radio and television media is increasing and the newly added customer group includes local radio and television stations on district and county levels, such as Anshun in Guizhou Province, Dezhou in Shandong Province, Haimen in Jiangsu Province, Yanbian in Jilin Province, Qiandong in Guizhou Province, Wuzhou in Guangxi Province, Kashgar in Xinjiang Uygur Autonomous Region, Xinxiang in Henan Province, and Huangdao District in Qingdao. Along with increasingly diversified categories of the Group's clients, including both traditional radio and television clients and new media players, the business coverage of the Group is expected to expand to other industries. In 2016, the Group also established strategic partnership with several enterprises and entities, including a well-known leading multinational networking technology corporation and media clients with rapid development. The Directors believe that such partnerships will present the Group with more business opportunities in the near future.

The year of 2016 was the year of growth for China's sports industry, which continued to generate more momentum. The Chinese government has launched a series of policies successively to promote prosperous development of the sports industry. For instance, the General Administration of Sport issued the 13th Five-Year Plan for Sports Development (《體育發展「十三五」規劃》) on 5 May 2016, which specifically mentioned that the Chinese government is about to transfer the undertaking of sports services that are suitable to be undertaken by the market and social organisations to eligible social organisations, enterprises, institutions and entities. It will lead, foster and support the development of sports and social organisations such as sports associations, private non-enterprise sports entities and sports foundations. The State Council issued the National Fitness Programme (2016–2022) (《全民健身計劃 (2016–2022年)》) on 23 June 2016 and the national enthusiasm for fitness was ignited.

Thanks to the national promotion of and support for the sports industry and the warm atmosphere of national participation in fitness and sports activities, the Group has attained outstanding performance in sports and events business in 2016. 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)**"), an indirect wholly-owned subsidiary of the Company which specialises in the production, broadcasting and operation of sports and events, had a continuous development in sports and events production and broadcasting of several international cycling races with its professional and high quality event production and broadcasting technology. For example, the Group provided broadcasting technologies and production services for six cycling races in 2016, including the UCI Women Tour of Chongming Island International Cycling Race held in Shanghai, Tour of Qinghai Lake International Road Cycling Race, and Tour of Hainan International Road Cycling Race. Moreover, the Group has also actively taken part in broadcasting, production, and operation of various sports events. For instance, Evertop (Beijing) provided live broadcasting service for the Triathlon events organized by Wanda Group in Hefei and Xiamen this year for its first time. In August 2016, Evertop (Beijing) started to provide production and broadcasting service of La Liga for a local TV channel with a full coverage around China, the audience ratings of which was ranked first place nationwide at some point. Nevertheless, Evertop (Beijing) has been challenging and surpassing itself. In 2016, it deeply explored commercial rights to diversify the business revenue of the Group from sports and events. The Directors believe that, as the size of the Chinese sports industry grows bigger and bigger, the sports industry will inevitably be commercialised, which perfectly commensurate with the Group existing business development strategies. The Directors are convinced that sports and events business of the Company will ride on an expressway.

In the sales of self-developed products segment, the Group's revenue recorded a substantial growth of nearly 70% during the Current Period as compared with the Corresponding Period. In the context of the "Made in China 2025", the Chinese government supports high value-added and high-tech manufacturing industries, encourages domestic enterprises to innovate and clarifies the national strategic planning of high-end manufacturing. Focusing on domestic high-end manufacturing, Cogent (Beijing) Technology Company Limited* (高駿(北京)科技有限公司) ("**Cogent (Beijing)**"), an indirect wholly-owned subsidiary of the Company, actively conducted research and development on high-end products during the Current Period. Its self-researched and developed product lines are being increasingly enriched, which mainly include 4G portable transmission devices, satellite stations and microwave devices. Its customers group is also becoming more diversified, with increasing customers from non-media and non-broadcasting and television industries (such as public security, armed forces and fire-fighting services, etc.). It fully demonstrated the preliminary success of the Group's expansion to multiple industries by launching products using its self-researched and developed core technologies. At the same time, the full implementation of the "One Belt and One Road Initiative" has created a rare historical opportunity for Chinese enterprises to "go out". The Group is also actively responding to the policy direction of the "One Belt and One Road Initiative" and clinging to this opportunity. Since its entry to the overseas market, the Group has successfully completed a number of projects overseas, including Zimbabwe, Morocco, Bhutan, Oman, Nigeria and Kuwait. The Group will continue to expand its overseas market business.

In December 2015, the Group acquired 49% equity interest of Beijing Gefei Technology Corporation* (北京格非科技股份有限公司) ("**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. On 27 July 2016, the quotation of shares of Beijing Gefei on the National Equities Exchange and Quotations System (the "**NEEQ**") (全國中小企業股份轉讓系統), or commonly know as "New Third Board" (新三板), was approved with stock code 838964. On 13 May 2016, the Company issued an announcement to acquire 55% equity interest of Beijing BroadVision Information Technology Company Limited* (北京經緯中天信息技術有限公司) ("**Beijing BroadVision**"), a national leading software provider of integrated media platforms. This acquisition is another important milestone to expand the Group's self-research and development products business. It is not only a key step to further improve and diversify the Group's self research and development product landscape, but is also a key strategic plan of the Group in the backdrop of promotion of integrated media by the government. As the new landscape of integrated media is forming, the Directors believe that Beijing BroadVision's products and systems will be widely used and will create more business opportunities and considerable revenue for the Group.

Through the independent research and development on products and various key acquisitions, the Group's research and development business has given shape to a comprehensive technology integration platform featured by a complete video program workflow containing acquisition, production and editing, playout and distribution, and interactive applications on mobile phone or other devices, including hardware and software research and development capabilities. The Directors believe that, as the new landscape of integrated media is forming, the all-round technology integration platform plus dual track expansion strategy of several vertical markets and overseas market will create a bright prospect for the sales of self-developed products segment of the Group.

The Group is pleased to see the advantage, which was resulted from business interaction and technology integration and connectivity within the Group, was fully demonstrated during the G20 Leaders Summit (the "**G20 Summit**") held in Hangzhou, the PRC, in September 2016, where the mutual promotion and synergy of three main business segments of the Group was fully shown. During the G20 Summit, Beijing Century Sage Scientific System and Technology Company Limited* (北京世紀睿科系統技術有限公司) ("**CSS (Beijing)**") and Evertop (Beijing), which are indirect wholly-owned subsidiaries of the Company, provided application solutions and live broadcast services for the G20 Summit, while Cogent (Beijing) provided self-developed 4G transmission devices, which were the only 4G transmission devices used at the G20 Summit, to ensure smooth broadcast service during the event. It was a great honour of the Group to play an important role in such a significant international event that fully demonstrated the Group's competitive advantage of being "a leading China-based one-stop all-media provider".

FINANCIAL REVIEW

Principal Activity

The principal activity of the Company is investment holding. Details of the principal activities of its principal subsidiaries are set out in note 7 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Current Period.

Revenue

Our Group's revenue increased by approximately 6.3% from approximately RMB623.4 million for the year ended 31 December 2015 to approximately RMB662.9 million for the year ended 31 December 2016. The increase was attributable to an increase in revenues from the application solutions, and sales of self-developed products business segments.

	For the year ended 31 December			
	2016		2015	
	RMB'000	***% of total revenue***	*RMB'000*	*% of total revenue*
Segment revenue				
Application solutions	**528,877**	**79.7%**	514,754	82.6%
Sports and events business	**58,312**	**8.8%**	57,397	9.2%
System maintenance services	**18,936**	**2.9%**	17,547	2.8%
Sales of self-developed products	**56,763**	**8.6%**	33,734	5.4%
Total	**662,888**	**100.0%**	623,432	100.0%

Application solutions

Revenue from application solutions increased by 2.7% from approximately RMB514.8 million for the Corresponding Period to approximately RMB528.9 million for the Current Period. The increase was mainly attributable to the increase in completion of projects as rendered to the Group's customers during year 2016, especially the merged media customers' projects. Revenue generated by the Group's application solutions segment is the most substantial contributor to its revenue, representing approximately 82.6% and 79.7% of the total revenue of the Group for the year ended 31 December 2015 and 2016 respectively. The decrease of the proportion of the revenue from application solutions over the total revenue was mainly due to the faster growth rate of the sales of self-developed products segment which contributed a higher proportion to the overall revenue in 2016.

Sports and events business

Revenue from sports and events business increased from approximately RMB57.4 million for the Corresponding Period to approximately RMB58.3 million for the Current Period, representing an increase of 1.6%. Such increase was mainly attributable to the sustained demand for sports and events business and the Group's effort in expanding the broadcast services in bicycle game during year 2016. Revenue generated from sports and events business represented approximately 9.2% and 8.8% of the total revenue of the Group for the year ended 31 December 2015 and 2016 respectively.

System maintenance services

Revenue from system maintenance services represented approximately 2.8% and 2.9% of the total revenue of the Group for the year ended 31 December 2015 and 2016, respectively and increased approximately from RMB17.5 million for the Corresponding Period to RMB18.9 million for the Current Period, representing an increase of 7.9%. Such increase was mainly attributable to the increase of the revenue of the application solutions segment which stimulated the demand of the system maintenance services.

Sales of self-developed products

Revenue from sales of self-developed products represented approximately 5.4% and 8.6% of the total revenue of the Group for the year ended 31 December 2015 and 2016, respectively, and increased significantly from RMB33.7 million for the year ended 31 December 2015 to RMB56.8 million for the year ended 31 December 2016, representing an increase of 68.3%. Such significant increase was mainly attributable to the effect of the Group's effort to launch innovative products which increased the market penetration and the market popularity, so as to increase the number of units of the Group's self developed equipment sold as we expanded our customer base.

Cost of sales

The Group's cost of sales increased by approximately 6.2% from RMB440.5 million for the year ended 31 December 2015 to RMB467.6 million for the Current Period. The increase was mainly attributable to the increase in the overall business volume during 2016. The following table sets forth the cost of sales for each business segment for the year ended 31 December 2015 and 2016:

	For the year ended 31 December			
	2016		2015	
	RMB'000	***% of total revenue***	*RMB'000*	*% of total revenue*
Segment cost of sales				
Application solutions	**400,080**	**85.6%**	387,870	88.1%
Sports and events business	**29,114**	**6.2%**	28,467	6.5%
System maintenance services	**9,947**	**2.1%**	8,592	2.0%
Sales of self-developed products	**28,475**	**6.1%**	15,559	3.4%
Total	**467,616**	**100.0%**	440,488	100.0%

The Group's cost of sales for the application solutions segment increased by 3.1% for the Current Period, compared to the Corresponding Period, which was primarily due to the increase in revenue of the Group.

Gross profit and gross profit margin

The Group's gross profit was RMB182.9 million and RMB195.3 million for the year ended 31 December 2015 and 2016, respectively. The Group's gross profit margin was 29.3% and 29.5% for the year ended 31 December 2015 and 2016, 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 2015 and 2016:

	For the year ended 31 December			
	2016		2015	
	RMB'000	***Gross profit margin %***	*RMB'000*	*Gross profit margin %*
Segment gross profit and gross profit margin				
Application solutions	**128,797**	**24.4%**	126,884	24.6%
Sports and events business	**29,198**	**50.1%**	28,930	50.4%
System maintenance services	**8,989**	**47.5%**	8,955	51.0%
Sales of self-developed products	**28,288**	**49.8%**	18,175	53.9%
Total	**195,272**	**29.5%**	182,944	29.3%

The Group's gross profit was increased by 6.7% in the Current Period when compared to the Corresponding Period. The gross profit margin was increased gently from 29.3% for the Corresponding Period to 29.5% for the Current Period. The increase in the Group's gross profit margin was mainly attributable to the increase in the gross profit for the sales of self-developed products segment, since the revenue of such segment increased by 68.3% in the Current Period when compared to the Corresponding Period.

Application solutions

The Group's gross profit from provision of application solutions increased gently by 1.5% from RMB126.9 million for the year ended 31 December 2015 to RMB128.8 million for the year ended 31 December 2016 while the Group's gross profit margin of the segment decreased slightly from 24.6% for the year ended 31 December 2015 to 24.4% for the year ended 31 December 2016. The Group believes the slight fluctuation in the gross profit of the segment is within a reasonable range of normal operation.

Sports and events business

The Group's gross profit from sports and events business increased by approximately 0.9% from RMB28.9 million for the year ended 31 December 2015 to RMB29.2 million for the year ended 31 December 2016. Gross profit margin for such segment decreased slightly from 50.4% in 2015 to 50.1% in 2016. The Group has maintained a healthy portfolio of sport events which contributed to a stable business and gross profit during 2016.

System maintenance services

The Group's gross profit from system maintenance services increased slightly by approximately 0.4% from RMB8.95 million for the year ended 31 December 2015 to RMB8.99 million for the year ended 31 December 2016. The gross profit margin of the segment decreased from 51.0% for the year ended 31 December 2015 to 47.5% for the year ended 31 December 2016.The decrease in the gross profit margin was mainly attributable to the increase in the cost of some repair contracts which was executed and recognised in the Current Period.

Sales of self-developed products

The Group's gross profit from sales of self-developed products increased by approximately 55.6% from RMB18.2 million for the year ended 31 December 2015 to RMB28.3 million for the year ended 31 December 2016 while gross profit margin decreased from 53.9% for the year ended 31 December 2015 to 49.8% for the year ended 31 December 2016. The increase in gross profit was mainly attributable to the increase of the equipment sales, such as the sale of 4G system and signal processing and transmission products during the Current Period.

Other gains — net

Other gains was approximately RMB3.5 million and RMB4.8 million for the year ended 31 December 2015 and 2016, respectively, the value added tax refund and government subsidy was decreased from RMB5.2 million for the year ended 31 December 2015 to RMB4.2 million for the year ended 31 December 2016 while the fair value gains on financial assets at fair value through profit or loss was increased from RMB0.4 million for the year ended 31 December 2015 to RMB1.3 million for the year ended 31 December 2016. Others were the loss from disposal of the obsolete and damaged inventory, property, plant and equipment and other assets.

Selling and administrative expenses

Selling expenses increased by approximately 2.3% from RMB34.7 million for the year ended 31 December 2015 to RMB35.5 million for the year ended 31 December 2016. The increase in selling expense was mainly attributable to the increase in the labour cost for the sales staffs and the travelling expense.

Administrative expenses increased by approximately 8.5% from RMB85.8 million for the year ended 31 December 2015 to RMB93.1 million for the year ended 31 December 2016. The increase in administrative expense was mainly attributable to (i) the increase in the research and development expense by 35.6% from RMB14.5 million for the year ended 31 December 2015 to RMB19.7 million for the year ended 31 December 2016; and (ii) the increase in the amortisation of the intangible assets expense.

Net finance costs

Net finance costs increased by approximately 47.1% from RMB8.7 million for the year ended 31 December 2015 to RMB12.8 million for the year ended 31 December 2016. The increase was mainly attributable to the increase in interest expenses and the exchange loss associated with the Group's project financing and short-term borrowings for its working capital requirements.

Income tax expenses

Income tax expenses amounted to RMB7.1 million and RMB8.9 million for the year ended 31 December 2015 and 2016, respectively, representing an increase of 25.3%. The effective tax rate increased to approximately 14.5% for the year ended 31 December 2016 from approximately 12.4% for the year ended 31 December 2015, primarily due to the decrease in the deductable expenses for the year ended 31 December 2016.

Profit for the Current Period

As a result of the foregoing factors, profit attributable to owners of the Company increased by approximately 4.8% from RMB50.1 million for the year ended 31 December 2015 to RMB52.5 million for the year ended 31 December 2016. The net profit margin of the Company was maintained at 8% for the Current Period and the Corresponding Period.

Liquidity, financial resources and capital structure

Net cash used in the Group's operating activities amounted to RMB92.2 million for the year ended 31 December 2016 (as at 31 December 2015: approximately RMB45.2 million). The net cash outflow of the Group's operating activities mainly arose from (i) the execution of projects procurement; and (ii) deferral in collection of trade receivables.

Net cash used in the Group's investing activities amounted to RMB64.3 million for the year ended 31 December 2016 (as at 31 December 2015: approximately RMB94.7 million). The net cash outflow for the year ended 31 December 2016 mainly arose from the payment for the acquisition of Beijing BroadVision, the purchase of financial assets, equipment, intangible assets and the pledged deposits placed for the issuance of trade related documents.

Net cash generated from the Group's financing activities amounted to RMB149.5 million for the year ended 31 December 2016 (as at 31 December 2015: approximately RMB85.6 million). The net cash generated from financing activities of the Group for the year ended 31 December 2016 was mainly attributable to the proceeds from bank loans which was partially offset by the payment of dividend declared for the year ended 31 December 2015.

As at 31 December 2016, the Group had current assets of approximately RMB842.4 million (as at 31 December 2015: approximately RMB679.2 million) and current liabilities of approximately RMB542.4 million (as at 31 December 2015: approximately RMB383.2 million). The current ratio (which is calculated by dividing current assets by current liabilities) was approximately 1.55 as at 31 December 2016, which was decreased as compared with the current ratio of approximately 1.77 as at 31 December 2015.

The Board's approach to 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 all over the world 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 2015 and 31 December 2016 respectively, bank borrowings of RMB77,400,000 and RMB76,700,000 were secured by the buildings of the Group, net book value of which amounting to RMB42,848,000 and RMB40,366,800, and trade receivables of which amounting to RMB26,735,001 and RMB25,834,502, respectively.

Gearing position

The gearing ratio, which represented total borrowings divided by total equity multiplied by 100%, was 50.2% and 78.2% respectively as of 31 December 2015 and 2016. The total borrowings of the Group increased from RMB206.4 million as at 31 December 2015 to RMB361.0 million as at 31 December 2016. Such increase was mainly attributable to the new borrowings of RMB167.3 million long-term financing for the Le TV project. The total borrowings as at 31 December 2016 mainly comprised RMB82.1 million working capital loans, RMB147.7 million long-term borrowings and RMB131.2 million loans from project financing.

Significant investments, acquisitions and disposals

During the Current Period, the Group acquired 55% equity interest of Beijing BroadVision which became a subsidiary of the Company after completion of the acquisition. Other than the acquisition mentioned above, the Group had no significant investments, acquisitions or disposals during the Current Period. Please refer to the announcement of the Company dated 13 May 2016 for details.

Capital and operating lease commitments and contingent liabilities

As at 31 December 2016, the Group had capital commitment amounting to approximately RMB1,264,000 for the investment of an associate (as at 31 December 2015: Nil) and operating lease commitment amounting to RMB7,927,000 (as at 31 December 2015: approximately RMB1,531,000).

In March 2014, one of the subsidiaries of the Group was involved in a contractual dispute with a supplier of television broadcasting systems (the "**Claimant**"). The Claimant supplied certain television broadcasting systems to this subsidiary, 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. The contractual claim between the Claimant and the Client was still under trial for the year ended 31 December 2016. In light of the quality problems in the systems supplied by the Claimant, the fact that the Client was the end user of the systems and bore the ultimate obligation to settle payments, and that the Group acted as a third party in the legal proceedings, the Directors consider that the ultimate 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 year ended 31 December 2016.

As at 31 December 2016, 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 Directors have resolved to recommend the payment of a final dividend of HK0.6 cents (equivalent to RMB0.54 cents) per ordinary share of the Company for the year ended 31 December 2016 (2015: HK0.6 cents), amounting to approximately HK$6 million (equivalent to approximately RMB5.4 million). Subject to the approval of the ordinary shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting (the "**AGM**"), the proposed final dividend will be payable to the Shareholders whose names appear on the register of members of the Company on 22 June 2017 and payable on 6 July 2017.

CLOSURE OF REGISTER OF MEMBERS

a) For determining the entitlement to attend and vote at the AGM

The AGM of the Company is scheduled to be held on 13 June 2017. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 8 June 2017 to 13 June 2017, 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 certificate(s), must be lodged with the Company's Hong Kong branch share registrar, 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. (Hong Kong time) on 7 June 2017.

b) For determining the entitlement to the proposed final dividend

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 20 June 2017 to 22 June 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares of the Company, accompanied by the relevant share certificate(s), must be lodged with the Company's Hong Kong branch share registrar, 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. (Hong Kong time) on 19 June 2017.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distribution to equity holders, comprising the share premium, exchange fluctuation reserve and accumulated loss, amounted to approximately RMB453.9 million (as at 31 December 2015: approximately RMB403.4 million).

MAJOR CUSTOMERS AND SUPPLIERS

For the Current Period, revenue from the Group's five largest customers accounted for approximately 42.3% (2015: 36.9%) of the Group's total revenue and the revenue from the largest customer included therein accounted for approximately 18.1% (2015: 20.8%) of the Group's total revenue.

For the Current Period, supplies from the Group's five largest suppliers accounted for approximately 18.4% (2015: 11.3%) of the Group's total operating cost and supplies from the largest supplier included therein accounted for approximately 5.2% (2015: 4.2%) of the Group's total operating cost.

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers for the year ended 31 December 2016.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group had a total of 329 employees (as at 31 December 2015: 359 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 2016 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 2016 annual report of the Company.

FUTURE OUTLOOK

The Group expects solid growth in its three main business segments, namely the application solutions, the sports and events business and the sales of self-developed products business.

Under the new landscape of the merged media era, along with the rapid advancement of technologies and the national policies aiming to speed up development of integrated media, the Group expects further growth in its application solutions business as broadcast television clients are eager to produce, publish and manage new system for merged media. Meanwhile, the emerging on-line media is also expanding its investment to build its own content creation platforms. In addition, the central and some important provincial and municipal television stations in the PRC begin to deploy and implement 4K technology which has become an important development direction of the radio and television industry. The Group also took part in certain 4K technology research and development, design and implementation projects during the Current Period. While central, provincial and municipal television stations are endeavouring to upgrade and transform their systems, local television stations are also actively reforming in multiple aspects. As indicated by the large-scale high definition projects of many local television stations as shown in the orders received by the Group in 2015 and 2016, the production and broadcasting of high definition programmes have been placed on the agenda of local television stations, in an attempt to diversify and enhance their business development. The Group will continue to increase its business coverage, provide professional service for and maintain good business cooperation with all its clients.

On 5 March 2017, Premier Li Keqiang delivered a Government Work Report during the opening meeting of the 5th Session of the 12th National People's Congress. In his report, Premier Li Keqiang pointed out that the Chinese goverment will develop the cultural business and industry in various aspects, including to strengthen the building of socialist spiritual civilisation and reach consensus and gather forces with the "Chinese Dream" and the core socialist values to prosper philosophy and social science and creation of literature and arts, to develop news publications, radio, film and television, and archive businesses, to build new type of Chinese think tanks and to strengthen protection and utilisation of cultural relics and intangible cultural heritage, to promote national reading, to strengthen popularisation of scientific knowledge, and to improve equitable basic public culture service.

The Directors believe that the Group is expected to have more business opportunities and greater economic returns by its leading technologies and quality services as it is able to adapt to the speedy expansion and advancement of the media industry.

As the Notice #46 entitled The Opinion on Speeding Up of Development and Promotion of Sports Consumption (《國務院關於加快發展體育產業，促進體育消費的若干意見》) sets a target of RMB5 trillion production volume of the sports industry by 2025, the Group is confident in the outlook of the sports industry. In 2016, the General Administration of Sport of China also published the 13th Five-Year Plan for Sports Development (《體育發展「十三五」規劃》), which calls for further development of the sports industry.

In the Government Work Report at the 5th Session of the 12th National People's Congress, Premier Li Keqiang also proposed to accelerate cultivation of the cultural industry and strengthen regulation on the cultural market. He also suggested promoting the Chinese culture to foreign countries. In addition, he stressed that efforts must be made to prepare and stage the Olympic Winter Games and the Paralympic Winter Games, develop the sports for general public, competitive sports, the sports industry, and launch national fitness, so to enable more people to enjoy sports and stay healthy. The nation will be full of vitality and vigor if its people are healthy and optimistic.

It is expected that Evertop (Beijing) will continue to have a good performance in sports and events broadcast in 2017. With profound industry resources, it will continue to develop in sports events such as cycling and marathon and explore more opportunities of sports events, so as to further develop its businesses in sports technical service and commercial operation of sports events.

In terms of the Group's sales of self-developed products segment, the Group will endeavour to develop in accordance with the relevant national policies. The proposal of "Made in China 2025" encourages innovation of domestic enterprises, clarifies the national strategy of strengthening high-end manufacturing, calls for the change from "Made in China" to "Innovated in China" and the change from growth speed to premium quality and the change from Chinese products to Chinese brands. As mentioned above, in December 2015, the Group acquired 49% equity interest of Beijing Gefei, the shares of which were approved to be quoted on NEEQ on 27 July 2016. The Group believes that the quotation of Beijing Gefei, making it a public company, will help to provide an open platform to invite quality investors to join Beijing Gefei for further business expansion and accelerate its business growth in the new merged media landscape. During the Current Period, the Company announced the acquisition of 55% equity interest of Beijing BroadVision, a leading domestic software provider in integrated media platforms. This shows that the Group's research and development business has given shape to a comprehensive technology integration platform featured by a complete video program workflow containing acquisition, production and editing, playout and distribution, and interactive applications on mobile phone or other devices, including hardware and software research and development capabilities, and this integration platform is highly competent in media industry not only in China but also in the overseas market. To conclude, the Group's diversified product portfolio together with its dual track expansion strategy covering multiple vertical markets and the overseas market will create a bright prospect for the sales of self-developed products business segment of the Group.

Based on the synergies among its three business segments, namely application solutions, sports and events business and sales of self-developed products segment of the Group as reflected in several key projects during the Current Period, benefiting from the beneficial policies applicable to the industry in which the Group operates, and in the context that the Chinese government accelerates cultivation of the cultural industry and promotes Chinese culture to foreign countries, the Directors believe that the Group will be able to excel and further develop in this era of media integration and development, prosperity of the sports industry, and national promotion on self-developed products manufacturing and innovation, and thus the Group will be able to achieve greater breakthroughs and better results in the near future.

EVENTS AFTER REPORTING PERIOD

On 12 March 2017, Mr. Zhou Jue, Mr. Sun Qingjun, Mr. Huang He and Mr. Geng Liang ceased to be executive Directors. On the same date, Mr. Wong Kwok Fai was appointed as an executive Director.

Save as disclosed above, 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 other than the purchase of the Company's shares by the trustee of the Share Award Plan (the "**Share Award Plan Trustee**"). Pursuant to the Share Award Plan, the Share Award Plan Trustee purchased a total of 1,090,000 shares of the Company at a total cost (including transaction costs) of approximately HK$0.55 million on the Stock Exchange 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 ("**CEO**") of the Group 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 of the Company (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 ("PwC")

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of cash flow and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in this preliminary announcement have been agreed with the Group's auditors, PwC, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2016. 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 2016 annual report of the Company will be despatched to the Shareholders 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 2017

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*