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 2018

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 35.5% to RMB298.7 million for the year ended 31 December 2018 from RMB462.8 million for the year ended 31 December 2017.
- Gross profit decreased by approximately 51.9% to RMB61.1 million for the year ended 31 December 2018 from RMB127.1 million for the year ended 31 December 2017.
- Net loss decreased by approximately 76.9% to a loss of RMB38.8 million for the year ended 31 December 2018 from a loss of RMB167.7 million for the year ended 31 December 2017.
- The Board does not recommend distribution of any final dividend for the year ended 31 December 2018 (2017: Nil).

FINAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Century Sage Scientific Holdings Limited (the "**Company**") hereby presented the audited consolidated final results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018 (the "**Current Period**"), together with the comparative figures for the year ended 31 December 2017 (the "**Corresponding Period**"). The consolidated final results of the Group have been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Continuing operations			
Revenue	*3*	**298,704**	462,780
Cost of sales	*5*	**(237,579)**	(335,713)
Gross profit		**61,125**	127,067
Selling expenses	*5*	**(25,465)**	(29,026)
Administrative expenses	*5*	**(96,737)**	(260,030)
Other gains — net	*4*	**53,997**	8,647
Operating loss		**(7,080)**	(153,342)
Finance income	*6*	**277**	185
Finance costs	*6*	**(19,225)**	(15,637)
Finance costs — net	*6*	**(18,948)**	(15,452)
Share of (loss)/profit of investments accounted for using the equity method	*9*	**(4,618)**	2,509
Loss before income tax		**(30,646)**	(166,285)
Income tax expense	*10*	**(8,156)**	(1,390)
Loss from continuing operations for the year		**(38,802)**	(167,675)
Profit from discontinued operations		**3,157**	21,540
Loss for the year		**(35,645)**	(146,135)
Loss attributable to:			
Owners of the Company		**(35,449)**	(148,700)
Non-controlling interests		**(196)**	2,565
		(35,645)	(146,135)
Loss per share (expressed in RMB cents per share)			
— Continuing operations: Basic and diluted earnings per share	*11*	**(3.78)**	(16.69)
— Discontinued operations: Basic and diluted earnings per share		**0.31**	2.11
		(3.47)	(14.58)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Loss for the year	**(35,645)**	(146,135)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Share of increase of other reserve of an associate	**–**	845
Currency translation differences	**(2,018)**	838
Total comprehensive loss for the year	**(37,663)**	(144,452)
Total comprehensive loss attributable to:		
Owners of the Company	**(37,467)**	(147,017)
Non-controlling interests	**(196)**	2,565
	(37,663)	(144,452)
Attributable to owner of the Company arises from:		
Continuing operations	**(40,624)**	(168,557)
Discontinued operations	**3,157**	21,540
	(37,467)	(147,017)

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Assets			
Non-current assets			
Property, plant and equipment	*12*	**40,112**	52,209
Intangible assets	*13*	**50,170**	55,081
Deferred income tax assets	*25*	**1,229**	6,133
Trade and other receivables	*15*	**27,197**	3,344
Financial assets at fair value through profit or loss	*14*	**45,263**	44,117
Investments accounted for using the equity method	*9*	**61,842**	43,527
Other non-current assets		**693**	1,172
Total non-current assets		**226,506**	205,583
Current assets			
Inventories	*16*	**148,359**	157,957
Other current assets	*17*	**46,694**	42,246
Trade and other receivables	*15*	**255,102**	415,753
Pledged bank deposits		**2,211**	1,015
Cash and cash equivalents	*18*	**59,452**	57,986
Total current assets		**511,818**	674,957
Total assets		**738,324**	880,540
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	*20*	**8,106**	8,106
Share premium	*20*	**265,396**	265,396
Other reserves	*22*	**(65,851)**	(62,769)
Retained earnings	*22*	**43,906**	101,443
		251,557	312,176
Non-controlling interests	*7*	**15,723**	15,919
Total equity		**267,280**	328,095

CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Liabilities			
Non-current liabilities			
Borrowings	*23*	**9,387**	6,586
Deferred income tax liabilities	*25*	**1,152**	1,847
Total non-current liabilities		**10,539**	8,433
Current liabilities			
Contract liabilities	*19*	**89,528**	55,181
Trade and other payables	*24*	**185,148**	213,531
Current income tax liabilities		**13,842**	16,306
Borrowings	*23*	**171,987**	258,994
Total current liabilities		**460,505**	544,012
Total liabilities		**471,044**	552,445
Total equity and liabilities		**738,324**	880,540

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash generated from operations		**86,498**	113,491
Interest paid		**(15,140)**	(15,738)
Income tax paid		**(2,466)**	(1,808)
Net cash generated from operating activities		**68,892**	95,945
Cash flows from investing activities			
Purchases of property, plant and equipment		**(6,553)**	(6,355)
Payment of pledged bank deposits		**(2,211)**	(1,015)
Collection of pledged bank deposits		**1,015**	26,240
Purchase of intangible assets		**(3,170)**	(4,508)
Proceeds from sale of property, plant and equipment		**2,752**	196
Proceeds from disposal of interests in subsidiary		**19,964**	–
Proceeds from disposal of interests in an associate		**9,149**	–
Payment for purchase of associates		**–**	(5,034)
Net cash generated from investing activities		**20,946**	9,524
Cash flows from financing activities			
Proceeds from borrowings		**78,600**	80,212
Repayments of borrowings		**(162,807)**	(175,660)
Dividends paid to the shareholders		**–**	(5,313)
Net cash used in financing activities		**(84,207)**	(100,761)
Net increase in cash and cash equivalents		**5,631**	4,708
Cash and cash equivalents at beginning of year	*18*	**57,986**	50,571
Exchange (loss)/gain on cash and cash equivalents		**(4,165)**	2,707
Cash and cash equivalents at end of the year	*18*	**59,452**	57,986

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

In November 2018, the Group entered into an agreement with an independent third party for sales of 55% equity interest of Beijing Evertop Sports Culture Media Co., Ltd* (北京永達天恒體育文化傳媒有限公司) ("Beijing Evertop"). Beijing Evertop was engaged in sports and events business, independent from other segments of the Group, of which related results were presented as discontinued operation, and the comparative figures are restated accordingly.

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 29 March 2019.

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

(a) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622 ("HKCO").

(b) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment and investment property — measured at fair value.
- assets held for sale — measured at fair value less cost to sell, and defined benefit pension plans — plan assets measured at fair value.

(c) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for financial year beginning on or after 1 January 2018:

- HKFRS 9 Financial Instruments

- HKFRS 15 Revenue from Contracts with Customers

The Group's assessment of the impact of these new or amended standards is set out in note 2.2.

(d) New standards and interpretations not yet adopted

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
(HK) Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKAS 8	Annual Improvements to HKFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a business	1 January 2020
Amendments to HKAS 1	Conceptual Framework for Financial Reporting 2018	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	The effective date has now been deferred

Based on the Group's current assessment, the directors of the Company do not expect a material impact on the Group's financial position and performance as a result of the adoption of this new standard when it becomes effective, except for following:

HKFRS 16, 'Leases'

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB5,658,000 (Note 27). The Group estimates that approximately 60% of these relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss. The remaining lease commitments will result in the recognition of an asset and a liability for future payments and will affect the Group's profit and classification of cash flows.

Date of adoption by the Group

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

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

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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

2.2 Changes in accounting policy and disclosures

Adoption of HKFRS 9

HKFRS 9 replaces the provisions of HKAS 39 Financial Instruments ("HKAS 39") that relate to the recognition, classification and measurement of financial assets and hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 Financial Instruments — Disclosures. The accounting policies were changed to comply with HKFRS 9.

In accordance with the transitional provision on HKFRS 9, comparative figures have not been restated. Any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings.

(i) Classification and measurement of financial instruments on adoption of HKFRS 9

	Measurement category		Carrying amount		
	Original (HKAS 39)	**New (HKFRS 9)**	**31 Dec 2017 As originally presented** *RMB'000*	**HKFRS 9** *RMB'000*	**1 Jan 2018 Restated** *RMB'000*
Trade receivables	Amortised cost	Amortised cost	518,895	(22,088)	496,807
Cash and cash equivalents	Amortised cost	Amortised cost	57,986		57,986
Other receivables excluding prepayments	Amortised cost	Amortised cost	54,972		54,972

There is no changes to the classification and measurement of financial liabilities.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

The impact on the Group's equity as at 1 January 2018 is as follows:

	2018 *RMB'000*
Closing retained earnings 31 December 2017 — HKAS 39	101,443
Increase in provision for trade receivables and other receivables	(22,088)
Opening retained earnings 1 January 2018 — HKFRS 9 (after restatement for HKFRS 9)	79,355

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model and have significant impact.

- Trade receivables
- Other receivables

The Group was required to revise its impairment methodology under HKFRS 9. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables. This resulted in an increase of the loss allowance on 1 January 2018 by RMB22,088,000 for trade receivables. The loss allowance decreased from RMB171,416,000 to RMB27,154,000 for trade receivables.

Other receivables

The Group applies the HKFRS 9 three-stage approach to measuring ECL. There are three types of other receivables, including advances to staff, deposit and advance payment for guarantee. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. The adjustment of the loss allowance for other receivables on transition to HKFRS9 on 1 January 2018 is immaterial.

Adoption of HKFRS 15

The Group has also adopted HKFRS 15 "Revenue from contracts with customers" on 1 January 2018. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a five-step approach: (i) identify the contract(s) with a customer; (ii) identify separate performance obligations in a contract; (iii) determine the transaction price; (iv) allocate transaction price to performance obligations; and (v) recognise revenue when performance obligation is satisfied. HKFRS 15 also provides specific guidance on contract costs and license arrangements. It also includes a cohesive set of disclosure requirements about revenue and cash flows arising from the contracts with customers. In accordance with the Transitional provision in HKFRS 15, there is no impact on the consolidated financial statements of the Group, except for presentation of assets and liabilities related to contracts with customers as below:

Contract liabilities in relation to advance received from customers, were previously included in trade and other payables.

	HKAS 18 carrying amount 31 December 2017	Reclassification	HKFRS 15 carrying amount 1 January 2018
Contract liabilities	–	55,181	55,181
Trade and other payables	268,712	(55,181)	213,531

3 SEGMENT INFORMATION

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

The Group has the following reportable segments during the year:

- Application solutions
- System maintenance services
- Sales of self-developed products

The sports and events business segment presented as an independent segment and was disposed in November 2018. The sports and events business is classified as discontinued operations and the financial information of the preceding year is restated accordingly.

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:

(i) Continuing Operations:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Segment revenue		
Application solutions	**246,674**	376,378
System maintenance services	**13,143**	19,527
Sales of self-developed products	**38,887**	66,875
Total	**298,704**	462,780
Segment cost		
Application solutions	**(218,624)**	(303,862)
System maintenance services	**(5,387)**	(8,116)
Sales of self-developed products	**(13,568)**	(23,735)
Total	**(237,579)**	(335,713)
Segment gross profit		
Application solutions	**28,050**	72,516
System maintenance services	**7,756**	11,411
Sales of self-developed products	**25,319**	43,140
Total	**61,125**	127,067
Depreciation and amortization		
Application solutions	**10,388**	10,744
System maintenance services	**553**	557
Sales of self-developed products	**1,638**	1,909
Total	**12,579**	13,210

For the year ended 31 December 2018, one customer accounted for greater than 10% of the Group's total revenues:

	Year ended 31 December			
	2018		2017	
	Amount	**% of total revenue**	Amount	% of total revenue
	RMB'000		*RMB'000*	
Customer A	**71,791**	**24%**	63,946	13%

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	
	2018	2017
	RMB'000	*RMB'000*
Revenue		
Mainland China	**260,993**	439,091
Hong Kong	**30,733**	24,358
Others	**6,978**	7,331
	298,704	462,780

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Total of non-current assets other than deferred tax assets, financial assets at fair value through profit or loss, and investment in associates		
Mainland China	**34,315**	48,939
Hong Kong	**83,857**	62,867
	118,172	111,806

(ii) Discontinued Operations

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Segment revenue		
Sports and events business	**30,456**	80,385
Segment cost		
Sports and events business	**(15,243)**	(42,943)
Segment gross profit		
Sports and events business	**15,213**	37,442
Depreciation and amortization		
Sports and events business	**2,578**	3,739

4 OTHER GAINS — NET

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Gain from disposal of a subsidiary *(Note 8)*	**51,234**	–
Gain on disposal of an associate *(Note 9)*	**1,578**	–
Value added tax refund	**2,859**	4,528
Government grants	**1,870**	2,245
Fair value gains on financial assets at fair value through profit or loss *(Note 14)*	**1,146**	317
Gain/(loss) from disposal of property, plant and equipment	**171**	290
Compensation for a legal dispute	**(5,574)**	–
Others	**713**	1,267
	53,997	8,647

5 EXPENSE BY NATURE

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Inventory costs *(Note 16)*	**220,532**	303,492
Employee benefit expenses	**73,123**	74,863
Provision for prepayment for acquisition of a subsidiary *(Note 15(ii))*	**16,934**	–
Amortisation expenses of intangible assets *(Note 13)*	**8,081**	7,319
Depreciation expense *(Note 12)*	**4,498**	5,891
Travelling and transportation expenses	**6,115**	7,139
Operating lease rentals	**3,729**	5,599
Office expenses	**3,115**	5,701
Business development	**3,403**	4,084
Legal fee and professional charges	**3,613**	4,967
Credit loss provision impairment *(Note 15)*	**2,724**	169,438
Business tax and other transaction taxes	**2,587**	3,408
Transportation costs	**2,130**	2,531
Auditor's remuneration	**2,112**	2,325
Advertising costs	**1,340**	2,239
Provision for inventory obsolescence *(Note 16)*	**1,055**	299
Servicing and agency costs	**2,057**	19,056
Others	**2,633**	6,418
	359,781	624,769

6 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Finance expenses		
— Interest expenses on bank borrowings	**(15,368)**	(17,731)
— Net foreign exchange (loss)/gain	**(3,857)**	2,094
	(19,225)	(15,637)
Finance income		
— Interest income on short-term bank deposits	**277**	185
Net finance costs	**(18,948)**	(15,452)

7 SUBSIDIARIES

The following is a list of the principal subsidiaries of the Group as at 31 December 2018:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Effective equity interests held
Directly owned:				
Century Sage Scientific International Limited	British Virgin Islands ("BVI"), limited liability company	Investment holding company, Hong Kong ("HK")	10,000 ordinary shares of USD1 each	100%
Indirectly owned:				
Cortesia Limited	BVI, limited liability company	Investment holding company, HK	1 ordinary share of USD1	100%
Century Sage Scientific Group Ltd	BVI, limited liability company	All-media broadcast application solutions industry, the PRC	1 ordinary share of USD50	100%
Century Sage Scientific Solutions Limited	BVI, limited liability company	Investment holding company, HK	1 ordinary share of USD1	100%
北京世紀睿科系統技術有限公司 (Beijing Century Sage Scientific System and Technology Company Limited) ("CSS Beijing")	The PRC, limited liability company	All-media broadcast application solutions industry, the PRC	Registered capital of RMB20,000,000	100%
Century Sage Scientific Information Technology Co., Limited (formerly known as Times Sage Tech Ltd)	BVI, limited liability company	All-media broadcast system integration industry, the PRC	1 ordinary share of USD1	100%
時代華睿（北京）科技有限公司 (Times Sage (Beijing) Tech Company Limited) ("TST Beijing")	The PRC, limited liability company	All-media broadcast application solutions industry, the PRC	Registered capital of RMB12,000,000	100%

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Effective equity interests held
Evertop Technology (Int'l) Limited	HK, limited liability company	All-media broadcast application solutions industry, HK	2 ordinary shares of HKD1 each	100%
Cogent Technologies Limited (formerly known as CGT Technologies Limited)	BVI, limited liability company	All-media broadcast application solutions industry, the PRC	1 ordinary share of USD1	100%
Cogent Tech (Asia) Limited	HK, limited liability company	Investment holding company, HK	1 ordinary share of HKD1	100%
高駿(北京)科技有限公司 (Cogent (Beijing) Technology Company Limited) ("Cogent (Beijing)")	The PRC, limited liability company	Research, development and sale of technical products, the PRC	Registered capital of RMB31,000,000	100%
Century Sage Scientific (HK) Limited (formerly known as "Times Sage Tech Limited")	HK, limited liability company	All-media broadcast application solutions industry, HK	1 ordinary share of HKD1	100%
Fineone International Limited	BVI, limited liability company	Equipment trading , the PRC	1 ordinary share of USD1	100%
TV Logic Technology Limited	BVI, limited liability company	Equipment trading, the PRC	1 ordinary share of USD1	100%
NI Systems Limited	BVI, limited liability company	Equipment trading, the PRC	1 ordinary share of USD1	100%
天維通達(北京)數碼科技有限公司 (Tianwei Tongda (Beijing) Digital Technology Company Limited)	The PRC, limited liability company	All-media broadcast application solutions industry, the PRC	Registered capital of RMB6,000,000	100%
上海高駿精視信息技術有限公司 (Shanghai Cogent Accurate Video Info-Tech Co., Limited) ("AVIT")	The PRC, limited liability company	Research and development of all-media broadcasting and transmission products, the PRC	Registered capital of RMB4,500,000	100%
北京經緯中天信息技術有限公司 (Beijing BroadVision Information Technology Company Limited) ("Beijing BroadVision")	The PRC, limited liability company	Provision of turnkey solutions to internet protocol television and over-the-top video service operators, the PRC	Registered capital of RMB10,000,000	55%
台灣世紀睿科有限公司 (Century Sage Scientific (Taiwan) Limited)	Taiwan, limited liability company	TV broadcast application solutions industry, Taiwan	TWD10,000,000	51%
世紀睿科(澳門)一人有限公司 (CSS Macau Limited)	Macau, limited liability company	TV broadcast application solutions industry, Macau	MOP $25,000	100%

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

Material non-controlling interests

The total non-controlling interest as at 31 December 2018 was RMB15,723,000 (2017: RMB15,919,000), of which RMB15,187,000 (2017: RMB15,077,000) was for Beijing BroadVision. The non-controlling interests in respect of Century Sage Scientific (Taiwan) Limited is not material.

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

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

Summarised balance sheet

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current assets	**38,794**	41,711
Current liabilities	**(14,968)**	(15,015)
Current net assets	**23,826**	26,696
Non-current assets	**8,009**	8,432
Non-current liabilities	**–**	–
Non-current net assets	**8,009**	8,432
Net assets	**31,835**	35,128
Accumulated non-controlling interests	**15,187**	15,077

Summarised statement of profit or loss

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Revenue	**30,907**	30,045
Profit before income tax	**(317)**	6,500
Income tax expense	**563**	(770)
Total comprehensive income	**246**	5,730
Profit allocated to non-controlling interests	**111**	2,579

Summarised cash flows

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash (used in)/generated from operations	**(4,580)**	3,314
Income tax paid	**(1,089)**	(915)
Net cash (used in)/generated from operating activities	**(5,669)**	2,399
Net cash used in investing activities	**(250)**	(165)
Net cash generated from financing activities	**–**	3,757
Net (decrease)/increase in cash and cash equivalents	**(5,919)**	5,991
Cash, cash equivalents and bank overdrafts at beginning of year	**15,427**	9,436
Cash and cash equivalents at end of year	**9,508**	15,427

8 DISCONTINUED OPERATIONS

In November 2018, the Group entered into an agreement with an independent third party for sales of 55% equity interest of Beijing Evertop. Beijing Evertop was established in May 2011 and the principal activity is sports and events business. The total consideration is RMB42,900,000, and subject to adjustment based on the aggregated net profit of Beijing Evertop for the three years ending 31 December 2020. After the transaction was completed in November 2018, the sports and events business was disposed and classified as discontinued operation.

Details of the gain from disposal of Beijing Evertop at the date of completion of the disposal are as follow:

	RMB'000
Current assets	117,688
Including: cash and cash equivalents	2,036
Current liabilities	(104,479)
Net current assets	13,209
Non-current assets	12,943
Non-current liabilities	(321)
Non-current net assets	12,622
Net assets	25,831
Cash	22,000
Consideration receivable	20,655
Total	42,655
Net assets	(25,831)
Fair value of 45% retained equity interest of Beijing Evertop	34,410
Gain on disposal before income tax	51,234

9 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amount recognised in the consolidated balance sheet is as follows:

	2018	2017
	RMB'000	*RMB'000*
Associate	**61,842**	43,527

The amounts recognised in the consolidated income statement are as follows:

	2018	2017
	RMB'000	*RMB'000*
Associate	**(4,618)**	2,509

Investment in associates

Set out below are the associates of the Group as at 31 December 2018 which, in the opinion of the Directors, are material to the Group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group and the country of incorporation or registration is also their principal place of business.

Nature of investment in associates as at 31 December 2018 and 2017

Name of entity	Place of business, country of incorporation	% of ownership interest		Nature of the relationship	Carrying amount	
		2018	2017		**2018**	2017
					RMB'000	*RMB'000*
Beijing Gefei Technology Corporation ("Beijing Gefei")	Beijing	**49%**	49%	*Note (i)*	**26,449**	32,974
Simplylive Limited ("Simplylive")	Hong Kong	**–**	16.95%	*Note (ii)*	**–**	6,694
Beijing Gangtiexia Sports and Entertainment Co., Limited ("Gangtiexia")	Beijing	**–**	7.50%	*Note (iii)*	**–**	3,859
Beijing Evertop	Beijing	**45%**	100%	*Note (iv)*	**35,393**	–
					61,842	43,527

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

(ii) In June 2017, the Group acquired 16.95% equity interest of Simplylive at a total consideration of USD1,000,000 which was settled by the Company by cash. Simplylive is a hardware and software solution provider in live broadcast industry, which sells server equipment and software for live production mainly of sports events to clients worldwide. In July and September 2018, the Group sold 7.11% and 9.84% equity at a cash consideration of USD400,000 and USD944,538, respectively (approximately RMB9,149,000 in total), and the gain of disposal is RMB1,578,000.

(iii) In February 2017, the Group acquired 7.5% equity interest of Gangtiexia at a total consideration of RMB3,750,000 which was settled by the Company by cash. The relevant registration was completed in August 2017. Gangtiexia is a sports marketing company, which provides innovative overall sports marketing solutions. The investment of Gangtiexia was indirectly held by the Group through Beijing Evertop and was disposed in November 2018 as mentioned in Note 8.

(iv) In November 2018, the Group entered into an agreement with an independent third party for sales of 55% equity interest of Beijing Evertop, details of the disposals are disclosed in Note 8.

Investments accounted for using the equity method

(a) Summarised financial information for Beijing Gefei

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

(i) Summarised balance sheet

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current assets	**89,309**	98,970
Current liabilities	**(45,266)**	(46,251)
Total current net assets	**44,043**	52,719
Non-current assets	**477**	1,412
Net assets	**44,520**	54,131

(ii) Summarised statement of comprehensive income

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Revenue	**30,676**	51,629
Profit before income tax	**(8,903)**	8,859
Income tax expense	**(708)**	(111)
Total comprehensive (loss)/income	**(9,611)**	8,748

(iii) Reconciliation of summarised financial information

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Opening net assets	**54,131**	43,657
Contribution by owners	**–**	1,726
(Loss)/Profit for the period	**(9,611)**	8,748
Closing net assets	**44,520**	54,131
Interest in an associate (49%)	**21,815**	26,524
Fair value adjustments	**3,631**	5,447
Goodwill	**1,003**	1,003
Carrying value	**26,449**	32,974

10 INCOME TAX EXPENSE

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current income tax — PRC enterprise income tax	**3,369**	7,974
Withholding income tax	**1,180**	–
Deferred income tax *(Note 25)*	**4,209**	(5,399)
Income tax expense	**8,758**	2,575
Income tax expense is attributable to:		
— Profit from continuing operations	**8,156**	1,390
— Profit from discontinued operations	**602**	1,185
	8,758	2,575

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	
	2018	2017
	RMB'000	*RMB'000*
Profit before income tax:		
— Continuing operations	**(30,646)**	(166,285)
— Discontinued operations	**3,759**	22,725
	(26,887)	(143,560)
Tax calculated at statutory tax rates (25%)	**(6,722)**	(35,890)
Tax effects of		
— Expenses not deductible for tax purpose	**1,384**	5,988
— Effect of preferential/difference tax rate	**(1,268)**	13,759
— Adjustments in respect of prior years	**(1,707)**	635
— Withholding income tax for dividend	**1,180**	–
— Temporary differences for which no deferred income tax asset was recognised	**(645)**	18,083
— Reversal temporary differences for which deferred income tax asset was recognised	**6,093**	–
— Utilisation of temporary difference previously not recognised	**(531)**	–
— Unrecognised tax losses	**10,974**	–
Income tax expense	**8,758**	2,575

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 BVI were incorporated under the International Business Companies Act of the BVI and, accordingly, are exempted from the BVI income tax.

HK profits tax

Entities incorporated in HK are subject to HK profits tax at a rate at 16.5% for the year ended 31 December 2018 on the estimated assessable profit for the year. No HK 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 2018 is 15%.

Cogent (Beijing) obtained a "Software Production Enterprise" qualification in 2012. According to the law on corporate income tax Caishui201227 and Guofa20114, Cogent (Beijing) is entitled to enjoy the preferential taxation policy of "two year exemptions and three year 50% reduction on EIT". Hence, the applicable EIT tax rate for Cogent (Beijing) is 0% for the years ended 31 December 2012 and 2013, and 12.5% for the years ended 31 December 2014, 2015 and 2016. It has obtained the HNTE qualification in 2017, and applied income tax rate of 15% for the year ended 31 December 2018.

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.

11 EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the years ended 31 December 2017 and 2018 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	
	2018	2017
Profit attributable to owners of the Company (in RMB'000)		
— Continuing operations	**(38,606)**	(170,240)
— Discontinued operations	**3,157**	21,540
	(35,449)	(148,700)
Weighted average number of ordinary shares in issue (in thousand)	**1,020,301**	1,020,301
Basic earnings per share (RMB cents per share)		
— Continuing operations	**(3.78)**	(16.69)
— Discontinued operations	**0.31**	2.11
	(3,47)	(14.58)

(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.

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Vehicles and machinery *RMB'000*	Furniture, fittings and other equipment *RMB'000*	Total *RMB'000*
At 1 January 2017				
Cost	56,721	25,870	16,304	98,895
Accumulated depreciation	(12,963)	(19,432)	(10,487)	(42,882)
Net book amount	43,758	6,438	5,817	56,013
Year ended 31 December 2017				
Opening net book amount	43,758	6,438	5,817	56,013
Currency translation differences	(16)	–	(27)	(43)
Additions	649	4,179	1,527	6,355
Transfer	–	2,164	(2,164)	–
Disposals	–	(381)	(105)	(486)
Depreciation	(3,499)	(4,450)	(1,681)	(9,630)
Closing net book amount	40,892	7,950	3,367	52,209
At 31 December 2017				
Cost	57,573	31,445	15,041	104,059
Accumulated depreciation	(16,681)	(23,495)	(11,674)	(51,850)
Net book amount	40,892	7,950	3,367	52,209
At 1 January 2018				
Cost	57,573	31,445	15,041	104,059
Accumulated depreciation	(16,681)	(23,495)	(11,674)	(51,850)
Net book amount	40,892	7,950	3,367	52,209
Year ended 31 December 2018				
Opening net book amount	40,892	7,950	3,367	52,209
Currency translation differences	–	15	37	52
Additions	140	5,413	1,000	6,553
Disposals of subsidiaries	(1,657)	(6,724)	(322)	(8,703)
Disposals	(109)	(2,667)	(147)	(2,923)
Depreciation	(3,360)	(2,273)	(1,443)	(7,076)
Closing net book amount	35,906	1,714	2,492	40,112
At 31 December 2018				
Cost	54,364	12,157	14,773	81,294
Accumulated depreciation	(18,458)	(10,443)	(12,281)	(41,182)
Net book amount	35,906	1,714	2,492	40,112

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Depreciation expense is attributable to:		
— Profit from continuing operations	**4,498**	5,891
— Profit from discontinued operations	**2,578**	3,739
	7,076	9,630

The Group's buildings are located in the mainland China.

Depreciation expense of RMB6,416,000 (2017: RMB8,559,000) for the year ended 31 December 2018 has been charged in administrative expenses. Depreciation expense of RMB660,000 (2017: RMB1,071,000) for the year ended 31 December 2018 has been charged in cost of sales and selling expenses. As at 31 December 2018, net book value of the buildings amounting to RMB22,695,000 (2017: RMB36,194,000) have been pledged for bank borrowings (Note 23).

13 INTANGIBLE ASSETS

	Goodwill	**Computer software**	**Customer relationships**	**Technical knowhow**	**Development costs**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2017						
Opening net book amount	21,012	15,394	9,672	5,542	6,272	57,892
Additions	–	282	–	–	4,226	4,508
Amortisation charge	–	(2,158)	(2,111)	(1,379)	(1,671)	(7,319)
Closing net book amount	21,012	13,518	7,561	4,163	8,827	55,081
At 31 December 2017						
Cost	21,012	18,743	12,336	6,688	11,460	70,239
Accumulated amortisation	–	(5,225)	(4,775)	(2,525)	(2,633)	(15,158)
Net book value	21,012	13,518	7,561	4,163	8,827	55,081
Year ended 31 December 2018						
Opening net book amount	**21,012**	**13,518**	**7,561**	**4,163**	**8,827**	**55,081**
Additions	**–**	**–**	**–**	**–**	**3,170**	**3,170**
Amortisation charge	**–**	**(2,219)**	**(2,111)**	**(1,304)**	**(2,447)**	**(8,081)**
Closing net book amount	**21,012**	**11,299**	**5,450**	**2,859**	**9,550**	**50,170**
At 31 December 2018						
Cost	**21,012**	**18,729**	**12,336**	**6,688**	**14,629**	**73,394**
Accumulated amortisation	**–**	**(7,430)**	**(6,886)**	**(3,829)**	**(5,079)**	**(23,224)**
Net book value	**21,012**	**11,299**	**5,450**	**2,859**	**9,550**	**50,170**

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
At beginning of the year	**44,117**	43,800
Fair value change	**1,146**	317
At end of the year	**45,263**	44,117

The financial assets at fair value through profit or loss in 2018 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:

	2018	2017
Mortality rate	**0.21%**	0.21%
Discount rate	**3.65%**	3.55%

15 TRADE AND OTHER RECEIVABLES

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**262,499**	518,895
Trade receivables from associates	**7,912**	–
Less: provision for impairment of trade receivable	**(27,154)**	(171,416)
Trade receivables — net	**243,257**	347,479
Other receivables		
Deposit for guarantee certificate over tendering and performance *(i)*	**20,985**	32,402
Receivable related to deposit paid for acquisition of a subsidiary *(ii)*	**16,934**	16,646
Cash advance to employees	**5,424**	9,612
Receivable for disposal of a subsidiary *(iii)*	**2,900**	–
Others	**9,733**	12,958
	299,233	419,097
Less: provision for impairment of prepayment for acquisition of a subsidiary *(ii)*	**(16,934)**	–
	282,299	419,097
Less: Non-current portion		
Trade receivables *(iv)*	**9,496**	64,360
Receivable for disposal of a subsidiary *(iii)*	**17,755**	–
Less: provision for impairment of trade receivables	**(54)**	(61,016)
	27,197	3,344
Current portion	**255,102**	415,753

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

(ii) The amount represented a refundable deposit paid related to a proposed acquisition of 100% equity interest of a target company amounting to HKD20,000,000 (equivalent to RMB16,934,000) paid to the seller in 2015. The conditions precedent underlying this proposed acquisition were not fulfilled and therefore the acquisition did not proceed. In March 2018, the Group entered into another framework agreement with this seller to transfer this deposit into prepayment of 20% equity interest of another target company. In current year, management has evaluated that the acquisition of this target company would not contribute benefit to the Group as a whole and did not proceed further. Thereafter, management ran into dispute with the seller to refund the deposit. Based on the management's assessment with consultation with external legal counsel's opinion, the recoverability of the prepayment is remote. They are of the opinion that the cost of incurring legal proceeding expenses will outweigh benefit, and therefore would not proceed further to collect the outstanding amount from the seller. A full provision was provided in 2018 accordingly.

(iii) The amount represented receivable for disposal of Beijing Evertop amounting to approximately RMB20,900,000 after offsetting the fair value adjustment of the contingent consideration amounting to RMB20,655,000, out of which approximately RMB2,900,000 will be settled within one year. Please refer to Note 8 for further details.

(iv) Invoices issued to customers of the Group are payable on issuance and no credit terms are stipulated in project contracts generally. The majority of the Group's trade receivables will be settled from 3 months to two years based on the historical record. The Group has put in place control measures so that our accounting and finance department will keep regular tracking of outstanding receivables, and our head of sale department would supervise our sale personnel to closely monitor and follow up with our customers on settlement of the outstanding receivables. At 31 December 2018, the aging analysis of the trade receivables based on invoice date is as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Up to 3 months	**55,279**	84,295
3 to 6 months	**10,671**	17,940
6 months to 1 year	**48,130**	85,133
1 to 2 years	**79,035**	258,133
2 to 3 years	**39,831**	39,888
Over 3 years	**37,465**	33,506
	270,411	518,895

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
At beginning of the year	**171,416**	1,978
Provision for impairment	**2,724**	169,438
Opening loss allowance as at 1 January 2018 — calculated under HKFRS 9	**22,088**	–
Trade receivables write off	**(169,074)**	–
At end of the year	**27,154**	171,416

16 INVENTORIES

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Equipments and parts	**106,217**	112,935
Contract work in progress	**46,349**	48,174
	152,566	161,109
Provision for inventory	**(4,207)**	(3,152)
	148,359	157,957

17 OTHER CURRENT ASSETS

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Prepayment for purchase of goods or services	**46,694**	42,246

18 CASH AND CASH EQUIVALENTS

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Cash on hand	**391**	142
Cash at banks	**59,061**	57,844
Cash and cash equivalents	**59,452**	57,986

19 CONTRACT LIABILITIES

	As at December 31	
	2018	2017
	RMB'000	*RMB'000*
Contract liability to third party	**81,600**	55,181
Contract liability to associates	**7,928**	–
	89,528	55,181

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

20 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 2017, 31 December 2017 and 2018	1,020,300,761	10,203	8,106	265,396	273,502

21 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, has 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 year is as the following:

	Number of awarded shares
At 1 January 2018	5,927,687
Vested	(295,672)
Forfeited	(1,470,671)
At 31 December 2018	4,161,344
At 1 January 2017	12,884,868
Granted	680,000
Vested	(6,420,116)
Forfeited	(1,217,065)
At 31 December 2017	5,927,687

(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 new 2016 Scheme.

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

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

On 28 November 2018, the Board approved a share option of 57,670,000 shares at the exercise price of HK$0.222 (the "2018 Scheme"). The options can be exercised beginning on the 2nd anniversary of the grant date.

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

	Number of share options 2015 & 2016 & 2017 Scheme	**Number of share options 2018 Scheme**
At 1 January 2018	**23,260,000**	**–**
Lapsed	**(10,428,000)**	**–**
Granted	**–**	**57,670,000**
At 31 December 2018	**12,832,000**	**57,670,000**

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.

	2017 Scheme	**2018 Scheme**
Risk free rate	1.30%	2.24%
Dividend yield	1.38%	0.00%
Expected volatility	48.38%	53.50%

The fair value of 2015 & 2016 Scheme, 2017 Scheme and 2018 Scheme share options granted during the year ended 31 December 2018 was RMB0.29, RMB0.16 and RMB0.08 per share respectively.

Since the share option pricing model requires input of highly subjective assumptions, fair values calculated are therefore inherently subjective and the model may not necessarily provide a reliable measure of share option expense.

(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	
	2018	2017
	RMB'000	*RMB'000*
Share Award Plan		
— Employees (excluding Directors)	**438**	1,047
Share Option Scheme		
— Employees (excluding Directors)	**(520)**	1,304
— Directors	**(238)**	192
	(758)	1,496
	(320)	2,543

22 RESERVES AND RETAINED EARNINGS

	Other reserves					
	Merger reserve	**Translation reserve**	**share option reserve**	**Capital reserve**	**Retained earnings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2017	(70,612)	(6,820)	8,567	1,870	255,456	188,461
Change in accounting policy	–	–	–	–	(22,088)	(22,088)
Loss for the year	–	–	–	–	(148,700)	(148,700)
Dividends relating to 2016	–	–	–	–	(5,313)	(5,313)
Employee share award and option scheme	–	–	2,543	–	–	2,543
Share of increase of other reserves of an associate	–	–	845	–	–	845
Currency translation difference	–	838	–	–	–	838
Balance at 31 December 2017 and 1 January 2018	**(70,612)**	**(5,982)**	**11,955**	**1,870**	**79,355**	**16,586**
Loss for the year	–	**–**	**–**	**–**	**(35,449)**	**(35,449)**
Disposal subsidiary	–	**–**	**–**	**(744)**	**–**	**(744)**
Dividends relating to 2017	**–**	**–**	**–**	**–**	**–**	**–**
Employee share award and option scheme	**–**	**–**	**(320)**	**–**	**–**	**(320)**
Share of increase of other reserves of an associate	**–**	**–**	**–**	**–**	**–**	**–**
Currency translation difference	**–**	**–**	**–**	**(2,018)**	**–**	**(2,018)**
Balance at 31 December 2018	**(70,612)**	**(5,982)**	**11,635**	**(892)**	**43,906**	**(21,945)**

23 BORROWINGS

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Non-current		
Bank borrowings — secured	**9,387**	6,586
Current		
Bank borrowings — unsecured	**18,856**	119,770
Bank borrowings — secured		
— short term bank borrowings	**62,500**	72,703
— current portion of long term bank borrowings	**90,631**	66,521
	171,987	258,994
Total borrowings	**181,374**	265,580

As at 31 December 2018, the scheduled repayment dates of the Group's bank borrowing, as set out in loan arrangements without considering the effect of any repayment on demand clause, are as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**171,987**	258,994
Between 1 and 2 years	**8,130**	4,791
Between 2 and 5 years	**1,257**	1,795
	181,374	265,580

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Wholly repayable within 5 years	**181,374**	265,580

24 TRADE AND OTHER PAYABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade payables	**94,130**	127,944
Trade payables to associates	**10,483**	2,542
Other taxes payable	**34,927**	54,953
Employee benefits payable	**6,656**	5,271
Amounts due to an associate	**11,236**	–
Amounts due to shareholders/directors	**7,622**	7,824
Accrual for professional service fee	**1,199**	2,643
Compensation payable for a legal dispute	**2,774**	–
Others	**16,121**	12,354
	185,148	213,531

At 31 December 2018, the aging analysis of the trade payables based on invoice date is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Up to 3 months	**67,281**	101,783
3 to 6 months	**13,959**	7,597
6 months to 1 year	**13,293**	3,094
1 to 2 years	**991**	16,276
2 to 3 years	**7,600**	1,383
Over 3 years	**1,489**	353
	104,613	130,486

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
RMB	**69,958**	92,972
USD	**29,088**	27,237
GBP	**–**	3,638
HKD	**1,182**	3,055
EUR	**3,869**	3,548
JPY	**–**	36
TWD	**516**	–
	104,613	130,486

25 DEFERRED INCOME TAX

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Deferred tax assets:		
— Deferred tax asset to be recovered after more than 12 months	**–**	5,403
— Deferred tax asset to be recovered within 12 months	**1,229**	730
	1,229	6,133
Deferred tax liabilities:		
— Deferred tax liabilities to be recovered after more than 12 months	**457**	1,152
— Deferred tax liabilities to be recovered within 12 months	**695**	695
	1,152	1,847
Deferred tax assets — net	**77**	4,286

26 DIVIDENDS

Pursuant to the resolutions by the annual general meeting of the Company held on 13 June 2017, a final dividend of HK0.6 cents (equivalent to RMB0.54 cents) per ordinary share amounting to RMB5,313,000 for the year ended 31 December 2016 was approved and paid to the shareholders of the Company.

The Directors do not recommend payment of any final dividend for the year ended 31 December 2018.

27 COMMITMENTS

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	
	2018	2017
	RMB'000	*RMB'000*
No later than 1 year	**3,382**	2,421
Later than 1 year and no later than 2 years	**2,032**	2,305
Later than 2 years and no later than 3 years	**244**	1,937
Later than 3 years	**–**	345
	5,658	7,008

BUSINESS REVIEW

In 2018, the global market was put to test under a complex environment with significant downward pressure. Economy in China has delivered both stability with hidden uncertainty and volatility mixed with potential economic plights.

The all-media industry, in which the Group is mainly engaged in, is currently under technology transformation and innovation. Projects involving new technologies including but not limited to 4K, conversion to IP, virtualisation, cloud computing and artificial intelligence are still under development and further evaluation before rolling out to the market. As such, this year, the Group had concentrated most of its efforts in enhancing efficient operation and management, implementing effective cost control and prudent financial management for more healthy capital structure, adjusting the management team and appointing new talents for sustainable development of the Group.

During the Current Period, the Group had reached a deal with Wanda group, pursuant to which, 55% equity interests of Beijing Evertop was sold to Wanda Sports Co., Ltd.* (萬達體育有限公司) ("**Wanda Sports**") at a consideration of RMB42.9 million (the "**Disposal**"). As Wanda group is one of the market leaders around the world specialising in, among others, sports events organisation and operation, the Directors believe that the Disposal will provide business synergy between each other by putting together the skills and techniques of the Group and the resources of Wanda group, thus strengthen the Group's market position in the industry as a leading PRC-based all-media solution provider and to enhance the Group's cash flow and working capital for the Group's future business development. For details of the Disposal, please refer to the announcements of the Company dated 9 November 2018 and 4 December 2018, respectively.

Using the promotional slogan of "be your trusted communication solutions provider", Cogent, one of the Group's brands, has long been committed to research and self-development of qualified products which are able to provide quality and smooth broadcasting and signal return services for various live events. During the Current Period, responding to the increasing market demand with the rapid development of 5G technology, Cogent designed and manufactured a new generation of portable transmission products supporting 5G technology and a new series of portable suitcase-size satellite flyaway terminals with full automatic functions, which have already been utilised by provincial television stations in China. The Group made steady efforts for implementation of its dual track expansion strategy covering both multiple vertical markets and overseas market. During the Current Period, the Group established strategic cooperation relationship with Integrated Microwave Technology Ltd trading as Vislink for the increase of sales channels and promotion of Cogent products outside of China. For details of the strategic cooperation, please refer to the announcement of the Company dated 13 August 2018.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 35.5% from approximately RMB462.8 million for the year ended 31 December 2017 to approximately RMB298.7 million for the year ended 31 December 2018. The decrease was due to the general decline in market demand, mainly because the all-media industry is still undergoing gradual technology changes, that new technologies including 4K, conversion to IP, virtualisation and cloud computing are still under development. The applications solutions segment decreased by approximately 34.5% while the sales of self-developed products segment decreased by approximately 41.9%. Compared with the Corresponding Period, the revenue from the sports and events business segment ceased to be consolidated to the Group's financial results as the Group has carved out part of the interest of the business unit that operates the sports and events business during the Current Period, where the economic benefits of which will be picked up by equity method. The table below sets out the Group's segment revenue for the year ended 31 December 2017 and 2018 respectively:

	For the year ended 31 December			
	2018		2017	
	RMB'000	**% of total revenue**	*RMB'000*	% of total revenue
Segment revenue				
Application solutions	**246,674**	**82.6%**	376,378	81.3%
System maintenance services	**13,143**	**4.4%**	19,527	4.2%
Sales of self-developed products	**38,887**	**13.0%**	66,875	14.5%
Total	**298,704**	**100.0%**	462,780	100.0%

Application solutions

Revenue generated by the Group's application solutions business segment represented approximately 81.3% and 82.6% of the total revenue of the Group for the Corresponding Period and the Current Period, respectively. Such revenue has decreased from approximately RMB376.4 million for the Corresponding Period to approximately RMB246.7 million for the Current Period. The decrease was mainly attributable to the fact that the all-media industry is still undergoing gradual technology changes, that new technologies including 4K, conversion to IP, virtualisation and cloud computing are still under development and many all-media customers are still carrying out feasibility study before rolling out their projects, thus leading to a decline of project roll-outs during the Current Period. However, the Group has continuously kept upgrading its traditional business, innovating and transforming its current business, as well as committing itself to developing new media and IP/IT business. The roadmap of launching 4k is undergoing. Therefore, the Directors are optimistic that the Group will be able to capture the golden opportunities of new projects when they are rolled out.

System maintenance services

Revenue from the system maintenance services business segment represented approximately 4.2% and 4.4% of the total revenue of the Group for the Corresponding Period and the Current Period, respectively, and decreased from approximately RMB19.5 million for the Corresponding Period to approximately RMB13.1 million for the Current Period, representing a decrease of approximately 32.7%. Such decrease was mainly attributable to the decrease in demand for onsite support services during the Current Period.

Sales of self-developed products

Revenue from the sales of self-developed products business segment represented approximately 14.5% and 13.0% of the total revenue of the Group for the Corresponding Period and the Current Period, respectively and decreased from approximately RMB66.9 million for the Corresponding Period to approximately RMB38.9 million for the Current Period, representing a decrease of approximately 41.9%. Such decrease was mainly attributable to a short term decline in demand, where the all-media industry is still undergoing gradual technology changes, that new technologies including 4K, conversion to IP, virtualisation and cloud computing are still under development.

Cost of sales

The Group's cost of sales decreased by approximately 29.2% from approximately RMB335.7 million for the Corresponding Period to approximately RMB237.6 million for the Current Period. The decrease was mainly attributable to the decrease in the overall business volume of the Group during the Current Period. The following table sets forth the cost of sales for each business segment of the Group for the year ended 31 December 2017 and 2018 respectively:

	For the year ended 31 December			
	2018		2017	
	RMB'000	***% of total cost***	*RMB'000*	*% of total cost*
Segment cost of sales				
Application solutions	**218,624**	**92.0%**	303,862	90.5%
System maintenance services	**5,387**	**2.3%**	8,116	2.4%
Sales of self-developed products	**13,568**	**5.7%**	23,735	7.1%
Total	**237,579**	**100%**	335,713	100%

Gross profit and gross profit margin

The Group's gross profit was approximately RMB127.1 million and approximately RMB61.1 million for the year ended 31 December 2017 and 2018, respectively, representing a decrease of approximately 51.9%. The Group's gross profit margin was approximately 27.5% and approximately 20.5% for the year ended 31 December 2017 and 2018, respectively. The following table sets out the gross profit and gross profit margin of each of the Group's business segments for the year ended 31 December 2017 and 2018 respectively:

	For the year ended 31 December			
	2018		2017	
	RMB'000	**% of Gross profit margin**	*RMB'000*	% of Gross profit margin
Segment gross profit and gross profit margin				
Application solutions	**28,050**	**11.4%**	72,516	19.3%
System maintenance services	**7,756**	**59.0%**	11,411	58.4%
Sales of self-developed products	**25,319**	**65.1%**	43,140	64.5%
Total	**61,125**	**20.5%**	127,067	27.5%

Application solutions

In line with the decrease in the revenue of the application solutions business segment, the gross profit of the application solutions business segment also decreased by approximately 61.3% from approximately RMB72.5 million for the Corresponding Period to approximately RMB28.1 million for the Current Period. The gross profit margin decreased from approximately 19.3% for the Corresponding Period to approximately 11.4% for the Current Period. The decrease in the gross profit margin of the application solutions business segment was mainly attributable to the fact that those projects adopting the new technologies including 4K, conversion to IP, virtualisation and cloud computing were yet to launch. Many all-media customers are still in the stage of feasibility study before rolling out their new projects. During the Current Period, many of the projects recognised are with relatively more mature technology. Therefore, the customers are more price sensitive and the Group has been offering more competitive pricing where the gross margin was lower. However, the Directors are pleased that the Group has been involved in many of the on-going pioneering projects with new technologies, such as the master control of CCTV all-IP system project, the 4K ultra high-definition broadcasting vehicle project, etc. These enable the Group to gain leading edge knowhow and charge a premium when the new technology projects are launched.

System maintenance services

The Group's gross profit from system maintenance services decreased by approximately 32.0% from approximately RMB11.4 million for the Corresponding Period to approximately RMB7.8 million for the Current Period. The gross profit margin of this segment increased slightly from approximately 58.4% for the Corresponding Period to approximately 59.0% for the Current Period, which the Group believes is within a reasonable range of its normal operation.

Sales of self-developed products

The Group's gross profit from sales of self-developed products business segment decreased by approximately 41.3% from approximately RMB43.1 million for the Corresponding Period to approximately RMB25.3 million for the Current Period. The gross profit margin of this segment increased slightly from approximately 64.5% for the Corresponding Period to approximately 65.1% for the Current Period. The Group believes that the slight increase is within a reasonable range of its normal operation.

Discontinued operation

In November 2018, the Group entered into an agreement with an independent third party for the sale of 55% equity interest in Beijing Evertop. Beijing Evertop was established in May 2011 and the principal activity is sports and events business. The transaction was completed in November 2018. Accordingly, the sports and events business segment was classified as a discontinued operation and the financial information of the preceding year was restated accordingly. The Group's retained 45% equity interest in Beijing Evertop was recorded as investment in an associated company and accounted for based on equity method after the transaction.

Other gains-net

Other gains was approximately RMB8.6 million and RMB54.0 million for the Corresponding Period and the Current Period respectively. Such increase was mainly due to (i) the gains of RMB52.8 million from disposal of interests in subsidiary and an associate company; and (ii) the fair value gains on financial assets at fair value through profit or loss increased from approximately RMB0.3 million for the Corresponding Period to approximately RMB1.1 million for the Current Period; and the above gains were partially offset by (i) legal charges of approximately RMB5.6 million; and (ii) the decrease in value added tax refund and government subsidy from approximately RMB6.8 million for the Corresponding Period to approximately RMB4.7 million for the Current Period.

Selling and administrative expenses

Selling expenses decreased by approximately 12.3% from approximately RMB29.0 million for the Corresponding Period to approximately RMB25.5 million for the Current Period. Such decrease was in line with the decrease in the revenue and was mainly attributable to the implementation of stringent budgetary planning and cost control measures so as to trim down travelling expenses and business development cost.

Administrative expenses decreased by approximately 62.8% from approximately RMB260.0 million for the Corresponding Period to approximately RMB96.7 million for the Current Period. In the Corresponding Period, there was a one-time write-off of receivables of approximately RMB170 million in relation to certain contracts for, among others, supply of equipment and provision of installation systems and other services for Le Sports (樂視體育). In the Current Period, there was a one-time provision for impairment of prepayment for acquisition of a subsidiary amounted to approximately RMB16.9 million. Therefore, netting off the one-time effect of provisions in both periods, the adjusted administrative expenses decreased by approximately 11.3% from approximately RMB90.0 million for the Corresponding Period to approximately RMB79.8 million for the Current Period.

Finance costs

Net finance costs increased by approximately 22.6% from approximately RMB15.5 million for the Corresponding Period to approximately RMB18.9 million for the Current Period. The increase was mainly attributable to the net foreign exchange loss of approximately RMB3.9 million in the Current Period compared to a net foreign exchange gain of approximately RMB2.1 million in the Corresponding Period.

Income tax expenses

Income tax expenses amounted to approximately RMB1.4 million and approximately RMB8.2 million for the Corresponding Period and the Current Period, respectively, representing an increase of 486.8%. The loss before income tax of the Group was approximately RMB166.3 million and approximately RMB30.6 million respectively for the Corresponding Period and the Current Period. The income tax expenses for the Current Period mainly arose from the current income tax for the profit making subsidiaries of the Group and the deferred income tax arose from reversal of deferred income tax assets recognised in the Corresponding Period.

Profit for the Current Period

As a result of the foregoing factors, the loss attributable to owners of the Company was reduced by approximately 76.2% from a loss of approximately RMB148.7 million for the Corresponding Period to a loss of approximately RMB35.4 million for the Current Period.

Liquidity, financial resource and capital structure

Net cash generated from the Group's operating activities amounted to approximately RMB68.9 million for the Current Period while net cash generated from operating activities amounted to approximately RMB95.9 million for the Corresponding Period. The decrease in the net cash inflow of the Group's operating activities for the Current Period mainly arose from the scaled down of operation sizes.

Net cash generated from the Group's investing activities amounted to approximately RMB20.9 million for the Current Period while the net cash generated from the Group's investing activities amounted to approximately RMB9.5 million for the Corresponding Period. The net cash inflow for the Current Period mainly due to the sale of 55% equity interest in the subsidiary.

Net cash used in the Group's financing activities amounted to approximately RMB84.2 million for the Current Period while the net cash used in the Group's financing activities amounted to approximately RMB100.8 million for the Corresponding Period. The net cash used in financing activities for the Current Period was mainly attributable to the excess repayment of bank loans over the new borrowing.

As at 31 December 2018, the Group had current assets of approximately RMB511.8 million (as at 31 December 2017: approximately RMB675.0 million) and current liabilities of approximately RMB460.5 million (as at 31 December 2017: approximately RMB544.0 million). The current ratio (which is calculated by dividing current assets by current liabilities) decreased to approximately 1.11 as at 31 December 2018 from approximately 1.24 as at 31 December 2017.

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

Foreign exchange exposure

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

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

Interest rate risk

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

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

Charge over assets of the Group

As at 31 December 2017 and 31 December 2018 respectively, bank borrowings of RMB70,000,000 and RMB25,000,000 were secured by the buildings of the Group, net book value of which amounting to RMB36,194,000 and RMB22,695,000, and trade receivables of which amounting to RMB25,310,000 and RMB25,750,000, respectively.

Gearing position

The gearing ratio, which represented total borrowings divided by total equity multiplied by 100%, was 85.1% and 72.1% as at 31 December 2017 and 2018, respectively. The total borrowings of the Group decreased from approximately RMB265.6 million as at 31 December 2017 to approximately RMB181.4 million as at 31 December 2018. Such decrease was mainly attributable to the repayment of borrowings of approximately RMB84.2 million.

Significant investments, acquisitions and disposals

On 9 November 2018, Evertop Technology (Int'l) Limited (the "**Subsidiary**"), an indirect wholly-owned subsidiary of the Company, Beijing Evertop and Wanda Sports, an independent third party, entered into an equity transfer agreement in relation to the disposal of the 55% equity interest in Beijing Evertop by the Subsidiary to Wanda Sports at a consideration of RMB42.9 million (subject to adjustment). For details, please refer to the announcements of the Company published on 9 November 2018 and 4 December 2018, respectively.

During the Current Period, except for the disposal transactions as disclosed above, the Group had no significant investments, acquisitions and disposals.

Contingencies

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

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

According to the written judgement of the higher people's court in June 2018, it was decided that such subsidiary and the Client were jointly liable for the compensation and other expenses amounted to approximately RMB7.60 million. In September 2018, the Claimant and such subsidiary entered into a settlement agreement to reduce the compensation to RMB5.57 million in instalments within one year, out of which RMB2.8 million was paid as at 31 December 2018. According to the opinion of the Group's legal counsel, upon settling total compensation according to the settlement agreement, the Group has the right to ask for compensation from the Client of the same amount. As at 31 December 2018, no contingent assets regarding to the compensation receivable was recognised for prudence.

As at 31 December 2018, except for the legal dispute as disclosed above, the Directors were not aware of any other significant events that would have resulted in material contingent liabilities.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2018 (2017: Nil).

CLOSURE OF REGISTER OF MEMBERS

The 2018 annual general meeting of the Company (the "**AGM**") is scheduled to be held on 3 June 2019. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 29 May 2019 to 3 June 2019 (both days inclusive), during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar in Hong Kong, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 28 May 2019 (Hong Kong time).

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's reserves available for distribution to equity holders, comprising the share premium, exchange fluctuation reserve and accumulated loss, amounted to approximately RMB251.6 million (as at 31 December 2017: approximately RMB304.1 million).

MAJOR CUSTOMERS AND SUPPLIERS

For the Current Period, revenue from the Group's five largest customers accounted for approximately 49.4% (2017: 25.8%) of the Group's total revenue and the revenue from the largest customer included therein accounted for approximately 24.0% (2017: 11.7%) of the Group's total revenue.

For the Current Period, supplies from the Group's five largest suppliers accounted for approximately 26.3% (2017: 26.4%) of the Group's total operating cost and supplies from the largest supplier included therein accounted for approximately 6.6% (2017: 8.5%) of the Group's total operating cost.

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had a total of 261 employees (as at 31 December 2017: 357 employees).

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

SHARE AWARD PLAN AND SHARE OPTION SCHEME

In order to recognise and reward the contribution of certain eligible participants to the growth and development of the Group, the Company adopted the Share Award Plan on 24 March 2014. The Share Award Plan does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Details of the Share Award Plan and movement in the awarded shares during the Current Period will be set out in the 2018 annual report of the Company.

In order to reward or make incentive to the employees, Directors and other selected participants for their contributions to our Group, the Company conditionally adopted the Share Option Scheme on 13 June 2014. Details of the Share Option Scheme and movement in the share options during the Current Period will be set out in the 2018 annual report of the Company.

FUTURE OUTLOOK

Faced with the downward pressure of the macro-economic of China going forward, the Group will be examining its development strategy more carefully and will endeavor to control costs in order to cope with the different challenges in the market. The Group will continue to integrate its business development with market needs and upgrade its technology and products in a timely manner in order to keep pace with technological advancements in the industry.

The big wave of 4K ultra-high definition TV investment implementation is on the schedule. The Group has worked closely with China Central TV (CCTV) in the 4K project that, CCTV has launched the first 4K Channel in October 2018. CCTV has also announced in the public that it will spend approximately RMB8.5 billion in next three years in the investment in 4K. Other broadcasters and new media operators are also rolling out ultra-high definition projects. Such technology revolution and the empowerment from the central government will certainly fueled up the investment in our markets.

The Directors are pleased that the Group has been involved in many of the on-going pioneering projects with new technologies, such as the master control of CCTV all-IP system project, the 4K ultra-high definition broadcasting vehicle project, etc. These enable the Group to gain leading positions in these new projects.

Moreover, the Group highly values the "people-oriented" principle and will continue to attaching great importance to selecting, appointing, training and development of talents. In the medium to long term, the Group remains positive about its business and believes that it will bring satisfactory and sustainable returns to shareholders. The Group also remains open to the opportunities for investment and cooperation that can lead to sustainable growth going forward.

EVENTS AFTER THE CURRENT PERIOD

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

CORPORATE GOVERNANCE

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

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

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

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

AUDIT COMMITTEE

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

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

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2018 as set out in this preliminary announcement have been agreed with the Group's auditors, PricewaterhouseCoopers ("**PwC**"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2018. 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 2018 annual report of the Company will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 29 March 2019

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*