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China Digital Video Holdings Limited

中國數字視頻控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8280)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

**CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF
HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “**Directors**”) of China Digital Video Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

INTERIM RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022, together with the comparative figures for the corresponding period in 2021, as follows.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Notes	(Unaudited)		(Unaudited)	
		Three months ended 30 June		Six months ended 30 June	
		2022	2021	2022	2021
		RMB'000	RMB'000	RMB'000	RMB'000
Revenue	3	56,777	64,288	117,611	142,619
Cost of sales		<u>(54,114)</u>	<u>(47,668)</u>	<u>(102,379)</u>	<u>(101,235)</u>
Gross profit		2,663	16,620	15,232	41,384
Other income	4	10,216	7,448	17,015	12,323
Selling and marketing expenses		(11,847)	(16,623)	(26,171)	(30,811)
Research and development expenses		(5,185)	(8,789)	(12,516)	(16,381)
Administrative expenses		(9,692)	(3,593)	(18,127)	(15,390)
Finance costs	5	(3,690)	(3,245)	(5,201)	(5,937)
Reversal of/(Impairment loss)					
on trade and other receivables					
and contract assets		6,764	(3,121)	4,555	(10,246)
Share of results of joint ventures		(19)	—	(19)	—
Share of results of associates		2,318	2,352	950	1,044
Loss before income tax		(8,472)	(8,951)	(24,282)	(24,014)
Income tax	6	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Loss for the period		(8,472)	(8,951)	(24,282)	(24,014)
Other comprehensive (expense)/ income					
<i>Item that may be subsequently reclassified to profit or loss:</i>					
Exchange difference arising on the translation of foreign operation		(1,244)	2,341	(331)	(1,118)
Total comprehensive expense for the period		(9,716)	(6,610)	(24,613)	(25,132)

	(Unaudited)		(Unaudited)	
	Three months ended 30 June		Six months ended 30 June	
Note	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Loss for the period attributable to:				
Equity holders of the Company	(6,593)	(8,621)	(20,790)	(21,950)
Non-controlling interests	(1,879)	(330)	(3,492)	(2,064)
	<u>(8,472)</u>	<u>(8,951)</u>	<u>(24,282)</u>	<u>(24,014)</u>
Total comprehensive expense for the period attributable to:				
Equity holders of the Company	(7,837)	(6,280)	(21,121)	(23,068)
Non-controlling interests	(1,879)	(330)	(3,492)	(2,064)
	<u>(9,716)</u>	<u>(6,610)</u>	<u>(24,613)</u>	<u>(25,132)</u>
LOSS PER SHARE	7			
(expressed in Renminbi (“RMB”) cents per share)				
Basic	<u>(1.07)</u>	<u>(1.39)</u>	<u>(3.36)</u>	<u>(3.55)</u>
Diluted	<u>(1.07)</u>	<u>(1.39)</u>	<u>(3.36)</u>	<u>(3.55)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

		(Unaudited)	(Audited)
		As at	As at
		30 June	31 December
Notes		2022	2021
		RMB'000	RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		29,152	34,893
Intangible assets		74,065	86,627
Goodwill		—	—
Interests in joint ventures		6,644	—
Interests in associates		30,485	29,898
Financial assets at fair value through profit or loss		7,472	7,472
		147,818	158,890
Current assets			
Inventories		16,613	34,518
Trade and other receivables	9	201,114	381,105
Contract assets		57,901	45,179
Restricted bank deposits	10	1,184	2,070
Bank balances and cash	10	165,894	31,192
		442,706	494,064

		(Unaudited)	(Audited)
		As at	As at
		30 June	31 December
	Notes	2022	2021
		RMB'000	RMB'000
Current liabilities			
Trade and other payables	11	207,361	253,572
Contract liabilities		7,634	13,418
Interest-bearing borrowings	12	109,752	91,862
Income tax liabilities		7,225	6,982
Lease liability		8,003	7,807
		<u>339,975</u>	<u>373,641</u>
Net current assets		<u>102,731</u>	<u>120,423</u>
Total assets less current liabilities		<u>250,549</u>	<u>279,313</u>
Non-current liabilities			
Interest-bearing borrowing	12	19,700	19,800
Lease liability		16,495	20,546
		<u>36,195</u>	<u>40,346</u>
Net assets		<u>214,354</u>	<u>238,967</u>
EQUITY			
Share capital	13	43	43
Reserves		212,891	234,012
		<u>212,934</u>	<u>234,055</u>
Equity attributable to equity holders of the Company		212,934	234,055
Non-controlling interests		1,420	4,912
		<u>1,420</u>	<u>4,912</u>
Total equity		<u>214,354</u>	<u>238,967</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. The address of the Company's principal place of business in Hong Kong is Unit 1303, 13/F, Hua Fu Commercial Building, 111 Queen's Road West, Hong Kong. The Company's shares were listed on GEM of the Stock Exchange.

The Company is an investment holding company and the Group are principally engaged in research, development and sales of video-related and broadcasting equipment and software and provision of related technical services in the People's Republic of China (the "PRC").

In the opinion of the directors of the Company, the immediate holding company and ultimate holding company of the Company is Wing Success Limited, a company incorporated in the British Virgin Islands, while the ultimate beneficial owner of the Company is Mr. Zheng Fushuang, the executive director of the Company.

The condensed consolidated interim financial information of the Group for the six months ended 30 June 2022 (the "**Interim Financial Information**") are presented in RMB, unless otherwise stated.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2022 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “IASB”) and the applicable disclosure provisions of the GEM Listing Rules.

The Interim Financial Information has been prepared on the historical cost basis except for financial assets at fair value through profit or loss, which are measured at fair value.

The Interim Financial Information has been prepared in accordance with the accounting policies adopted in the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following amended International Financial Reporting Standards (“IFRSs”) issued by the IASB which are effective as of 1 January 2022.

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

The adoption of these amended IFRSs had no material impact on how the consolidated results and consolidated financial position of the Group for the current and prior periods have been prepared and presented.

The Group has not early adopted any other new and amended IFRSs that has been issued but are not yet effective for the current accounting period. The Directors anticipate that all of the new and amended IFRSs will be adopted in the Group’s accounting period beginning on or after the effective date of the pronouncement. The adoption of the new and amended IFRSs are not expected to have a material impact on the Group’s Interim Financial Information.

3. REVENUE AND SEGMENT INFORMATION

The Group's operating activities are attributable to a single reportable and operating segment focusing primarily on the research, development and sales of video-related and broadcasting equipment and software and provision of related technical services in the PRC. This operating segment has been identified on the basis of internal management reports reviewed by the chief operating decision-makers (the "CODM"), being the executive Directors of the Company. The CODM mainly reviews revenue derived from sale of products, solutions and services, which are measured in accordance with the Group's accounting policies. However, other than revenue information, no operating results and other discrete financial information is available for the assessment of performance of the respective type of revenue. The CODM reviews the overall results of the Group as a whole to make decisions about resources allocation. Accordingly, no segment information is presented.

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

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Solutions	12,000	36,226	48,533	85,230
Services	12,852	16,681	32,758	36,533
Products	31,925	11,381	36,320	20,856
	<u>56,777</u>	<u>64,288</u>	<u>117,611</u>	<u>142,619</u>

An analysis of the timing of revenue recognition is as follows:

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
At a point in time	43,925	47,607	84,853	106,086
Over time	12,852	16,681	32,758	36,533
	<u>56,777</u>	<u>64,288</u>	<u>117,611</u>	<u>142,619</u>

4. OTHER INCOME

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Other revenue				
Interest income	879	3,794	3,128	5,103
Value-added tax (“VAT”) refunds (note (a))	762	709	3,903	3,397
	1,641	4,503	7,031	8,500
Other income				
Gain on disposal of intangible assets (note (b))	6,300	—	6,300	—
Government grants (note (c))	898	1,865	1,864	2,723
Net foreign exchange gain	226	1,040	226	1,040
Sundry income	1,151	40	1,594	60
	8,575	2,945	9,984	3,823
	10,216	7,448	17,015	12,323

Notes:

- (a) Companies which develop their own software products and have the software products registered with the relevant authorities in the PRC are entitled to a refund of VAT equivalent to the excess over 3% of the sales invoice amount paid in the month when output VAT exceeds input VAT for the six months ended 30 June 2022 and 2021.

- (b) During the six months ended 30 June 2022, the Group, through series of transactions, invested into 30% equity interest in Totem Vision (Guangzhou) Digital Technology Co., Ltd. (圖騰視界(廣州)數字科技有限公司), which has been classified as a joint venture of the Group, by contributing the Group's intangible assets with nil carrying amount at the date of transfer. A gain on disposal of intangible assets of RMB6,300,000 (2021: nil) was recognised in profit or loss of the Group, after eliminating the unrealised profit to extent of the Group's interest in the joint venture.
- (c) Government grants for the six months ended 30 June 2022 and 2021 mainly relate to cash subsidies in respect of operating and developing activities and such cash subsidies are received from the governments. The government grants are either unconditional grants or grants with conditions having been satisfied.

5. FINANCE COSTS

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Interest charges on:				
– interest-bearing borrowings	3,025	2,394	4,536	5,086
– lease liability	665	851	665	851
	<u>3,690</u>	<u>3,245</u>	<u>5,201</u>	<u>5,937</u>

6. INCOME TAX

(a) Hong Kong Profits Tax

Hong Kong Profits Tax rate is calculated at 16.5% (2021: 16.5%) for the six months ended 30 June 2022. No provision for Hong Kong Profits Tax has been made since no assessable profits has been generated by the Group.

(b) PRC Enterprise Income Tax

Under the Law of the PRC on EIT (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards, except for certain subsidiaries which obtained the “High and New Technology Enterprise” qualification with preferential tax rate of 15% (2021: 15%) for the six months ended 30 June 2022.

According to relevant laws and regulations in the PRC, enterprises engaging in research and development activities are entitled to claim 175% (2021: 175%) of the research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (the “**Super Deduction**”). The Group has made its best estimate for the Super Deduction to be claimed in ascertaining their assessable profits for six months ended 30 June 2022 and 2021.

(c) PRC withholding tax

According to the relevant laws and regulations in the PRC, the Group is also liable to a 10% withholding tax on dividends to be distributed from the Group’s foreign-owned enterprises in the PRC in respect of its profits generated from 1 January 2008.

Under the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and its relevant regulations, dividends paid by a PRC resident enterprise to its direct holding company in Hong Kong will be subject to withholding tax at a reduced rate of 5% (if the Hong Kong investor is the “beneficial owner” and owns directly at least 25% of the equity interest of the PRC resident enterprise for the past twelve months before the dividends distribution).

The Group is not subject to tax under other jurisdictions during the six months ended 30 June 2022 and 2021.

7. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to equity holders of the Company is based on the following data:

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Loss				
Loss for the purpose of basic and diluted loss per share (loss for the period attributable to equity holders of the Company)	<u>(6,593)</u>	<u>(8,621)</u>	<u>(20,790)</u>	<u>(21,950)</u>

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
Number of shares (in thousands)				
Weighted average number of ordinary shares outstanding for the purpose of basic and diluted loss per share	<u>618,332</u>	<u>618,332</u>	<u>618,332</u>	<u>618,332</u>

For the three months and six months ended 30 June 2022, the Company has potential dilutive ordinary shares from share option scheme adopted by the Company on 20 December 2010 (2021: two share options schemes adopted by the Company on 20 December 2010 and 18 May 2017). The diluted loss per share for the three months and six months ended 30 June 2022 and 2021 was the same as the basic loss per share as all the potential ordinary shares are anti-dilutive.

8. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 June 2022, nor has any dividend been proposed since the end of the reporting period (2021: nil).

9. TRADE AND OTHER RECEIVABLES

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Trade receivables		
From third parties	164,848	163,305
From related parties	4,500	18,884
	169,348	182,189
Less: Expected credit losses (“ECL”) allowance	(76,287)	(75,426)
	93,061	106,763
Other receivables		
Deposits, prepayments and other receivables	12,067	9,057
Deposits for guarantee certificate over tendering and performance	21,993	17,264
Loan and interest receivables	—	223,600
Advances to suppliers	84,057	43,158
Amounts due from related parties	695	8,523
Amounts due from joint ventures	4,767	4,667
Amounts due from associates	—	3,677
Advances to employees	1,808	13,694
	125,387	323,640
Less: ECL allowance	(17,334)	(49,298)
	108,053	274,342
	201,114	381,105

Invoices issued to customers are in accordance with the payment terms stipulated in the contracts and payable on issuance. Deposits are normally required upon signing of the contract. For customers with good credit history and selected large television stations in the PRC with sound financial standing, its settlement may be longer than 180 days (31 December 2021: 180 days) after issuance of invoices. Ageing analysis based on invoiced date of the trade receivables and net of ECL allowance at the end of the reporting period, is as follows:

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
0 to 90 days	12,452	23,405
91 to 180 days	20,938	16,432
181 to 365 days	29,574	28,015
1 to 2 years	19,769	21,140
Over 2 years	10,328	17,771
	<u>93,061</u>	<u>106,763</u>

The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

10. RESTRICTED BANK BALANCES AND BANK BALANCES AND CASH

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Cash at banks and on hand	7,578	24,762
Short-term time deposits	<u>159,500</u>	<u>8,500</u>
	167,078	33,262
Less: Restricted bank deposits	<u>(1,184)</u>	<u>(2,070)</u>
Bank balances and cash per the condensed consolidated statement of financial position	165,894	31,192
Time deposits with original maturities exceeding 3 months	<u>(159,500)</u>	<u>(8,500)</u>
	<u><u>6,394</u></u>	<u><u>22,692</u></u>

11. TRADE AND OTHER PAYABLES

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Trade payables		
Third parties	82,117	93,552
A related party	1,998	153
	<u>84,115</u>	<u>93,705</u>
Other payables		
Other payables and accrued charges	24,129	40,348
Other tax liabilities	36,499	38,261
Staff costs and welfare accruals	42,147	31,572
Amounts due to related parties	12,642	41,368
Amounts due to associates	5,867	4,670
Deferred income related to government grants	1,962	3,648
	<u>123,246</u>	<u>159,867</u>
	<u>207,361</u>	<u>253,572</u>

The Group was granted by its suppliers credit periods ranging from 30 - 180 days (31 December 2021: 30 - 180 days). Based on the invoice dates, the ageing analysis of trade payables is as follows:

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
0 to 90 days	17,228	32,912
91 to 180 days	8,134	15,331
181 to 365 days	24,081	5,627
1 to 2 years	8,106	17,588
2 to 3 years	6,060	9,019
Over 3 years	20,506	13,228
	<u>84,115</u>	<u>93,705</u>

12. INTEREST-BEARING BORROWINGS

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Non-current		
Bank borrowing, unsecured	<u>19,700</u>	<u>19,800</u>
Current		
Bank borrowings, unsecured	105,000	88,200
Other borrowings, unsecured	<u>4,752</u>	<u>3,662</u>
	<u>109,752</u>	<u>91,862</u>
	<u>129,452</u>	<u>111,662</u>

As at 30 June 2022, the Group's bank and other borrowings were repayable as follows:

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Carrying amount repayable, based on the scheduled repayment dates as set out in the loan agreements:		
– within one year	109,752	91,862
– in the second year	19,700	19,800
Total carrying amount	129,452	111,662
Less:		
– amount due within one year	(109,752)	(91,862)
Carrying amount shown under non-current liabilities	<u>19,700</u>	<u>19,800</u>

13. SHARE CAPITAL

	Number of shares	Nominal value of shares US\$
Authorised:		
<i>Ordinary shares of the Company</i>		
As at 1 January 2021, 31 December 2021 (audited), 1 January 2022 and 30 June 2022 (unaudited), at US\$0.00001 each	<u>5,000,000,000</u>	<u>50,000</u>

	Number of shares	Share capital US\$	Equivalent to RMB'000
Issued and fully paid:			
<i>Ordinary shares of the Company</i>			
As at 1 January 2021, 31 December 2021 (audited), 1 January 2022 and 30 June 2022 (unaudited)	<u>630,332,000</u>	<u>6,303</u>	<u>43</u>

	Number of treasury shares	Treasury shares US\$	Equivalent to RMB'000
<i>Treasury shares of the Company:</i>			
As at 1 January 2021, 31 December 2021 (audited), 1 January 2022 and 30 June 2022 (unaudited)	<u>12,000,000</u>	<u>120</u>	<u>1</u>

14. COMMITMENTS

Lease commitments

At the end of the reporting period, the lease commitments for short-term leases are as follows:

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Within one year	<u>—</u>	<u>491</u>

Capital commitments

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Contracted but not provided for – investment in an associate	<u>4,900</u>	<u>4,900</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

We are a leading digital video technology solution and service company in the TV broadcasting industry in China. We provide a full range of solutions, services and products to TV broadcasters and other digital video content providers, to effectively assist and enhance digital video technology content in the upgrade and management works on the post-production segment, a critical part of the People's Republic of China (the "PRC") TV broadcasting market. We have been at the forefront of digital video technology innovation in China. Our emphasis on developing a demand-driven and highly responsive R&D is particularly critical for us because of our focus on the solutions and services business, where the customers demand customized services. Our solutions, services and products businesses facilitate the processing, enhancement and management of digital video content at the post-production stage between the ingestion of raw content and the output of finished content.

We have established business relationships with most of the central- and provincial-level TV stations in China and with some of the provincial-level TV broadcasters in China for over 25 years. We have also served alternative broadcasting platforms, such as cable network operators, internet media content providers and IPTV operators. In view of the sustained losses of the Group, while we will continue our existing principal business, we will conduct a review of our business activities for the purpose of formulating business plans and strategies for our future business development. We may explore other business opportunities and consider whether any asset disposal, asset acquisition, business rationalisation, business divestment, fund raising, restructuring of the existing business and/or business diversification will be appropriate in order to enhance our long-term growth potential.

FINANCIAL REVIEW

We recorded a total revenue of RMB117.6 million for the 2022 Interim Period, representing a decrease of 17.5% from RMB142.6 million for the 2021 Interim Period. We recorded a loss of RMB24.3 million for the 2022 Interim Period as compared to RMB24.0 million for the 2021 Interim Period, primarily due to the decrease in revenue and the gross profit.

Our cost of sales remained relatively stable at RMB102.4 million for the 2022 Interim Period as compared to RMB101.2 million for the 2021 Interim Period. Our gross profit margin decreased from 29.0% for the 2021 Interim Period to 13.0% for the 2022 Interim Period. Such a decrease was mainly due to the increase in percentage sales of products with lower gross profit margin compared with provision of solutions and services.

ANALYSIS ON INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME ITEMS

Revenue

We derived revenue primarily from (i) sale of solutions; (ii) provision of services; and (iii) sale of products. Our revenue decreased by 17.5% to RMB117.6 million for the 2022 Interim Period from RMB142.6 million for the 2021 Interim Period. The decrease in revenue was mainly attributable to delay in implementing of projects as a result of pandemic prevention and control measures implementing by the local regulatory authorities.

Cost of Sales

Our cost of sales remained relatively stable at RMB102.4 million for the 2022 Interim Period as compared to RMB101.2 million for the 2021 Interim Period.

Gross Profit and Gross Profit Margin

Our gross profit represents revenue less cost of sales. Our gross profit decreased by 63.3% to RMB15.2 million for the 2022 Interim Period from RMB41.4 million for the 2021 Interim Period, primarily due to the increase in percentage sales of products with lower gross profit margin compared with solutions and services. Our gross profit margin decreased to 13.0% for the 2022 Interim Period from 29.0% for the 2021 Interim Period.

Other Income

Our other income increased by 38.2% to RMB17 million for the 2022 Interim Period from RMB12.3 million for the 2021 Interim Period as a result of the gain on disposal of intangible assets.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 14.9% to RMB26.2 million for the 2022 Interim Period from RMB30.8 million for 2021 Interim Period, primarily due to (1) a decrease in the revenue; and (2) a decrease in traveling expenses as a result of the pandemic control measures implemented by the local regulatory authorities.

Administrative Expenses

Our administrative expenses increased by 17.5% to RMB18.1 million for the 2022 Interim Period from RMB15.4 million for the 2021 Interim Period due to the increase in professional fees incurred during the 2022 Interim Period.

Research and Development Expenses

Our research and development expenses decreased by 23.6% to RMB12.5 million for the 2022 Interim Period as compared to RMB16.4 million for the 2021 Interim Period due to a decrease in the staff salaries.

Finance Costs

Our finance costs decreased by 11.9% to RMB5.2 million for the 2022 Interim Period from RMB5.9 million for the 2021 Interim Period, primarily due to the decrease in interest expenses on bank borrowings.

Reversal of/Impairment Loss on Trade and Other Receivables and Contract Assets

Reversal of impairment loss on trade and other receivables and contract assets of RMB4.6 million was recognised for the 2022 Interim Period as compared to impairment loss on trade and other receivables and contract assets of RMB10.2 million for the 2021 Interim Period as a result of the recovery of impaired loan and interest receivables.

Loss before Income Tax

As a result of the foregoing factors, we recorded a loss before income tax of RMB24.3 million for the 2022 Interim Period as compared to RMB24.0 million for the 2021 Interim Period.

Income Tax

We recorded no income tax for the 2022 Interim Period and the 2021 Interim Period, primarily due to losses incurred for both interim periods.

Loss for the Period

As a result of the foregoing factors, we recorded a loss of RMB24.3 million for the 2022 Interim Period as compared to RMB24.0 million for the 2021 Interim Period.

Other Comprehensive Income/Expense

We recorded other comprehensive expense of RMB0.3 million for the 2022 Interim Period as compared to RMB1.1 million for the 2021 Interim Period, primarily due to the exchange difference arising from the translation of Renminbi from U.S. dollars.

Total Comprehensive Expense for the Period

We recorded a decrease of total comprehensive expense by RMB0.5 million to RMB24.6 million for the 2022 Interim Period from RMB25.1 million for the 2021 Interim Period, primarily due to (i) increase in other income; and (ii) reversal of impairment loss on trade and other receivables and contract assets of RMB4.6 million as compared to the impairment loss of RMB10.2 million in the 2021 Interim Period.

Loss Attributable to Equity Holders and Non-controlling Interests

We recorded a loss attributable to equity holders and non-controlling interests of the Company of RMB24.3 million for the 2022 Interim Period as compared to RMB24.0 million for the 2021 Interim Period.

ANALYSIS ON CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS

Non-current Assets

As at 30 June 2022, our non-current assets amounted to RMB147.8 million (as compared to RMB158.9 million as at 31 December 2021), primarily consisting of intangible assets of RMB74.1 million (as compared to RMB86.6 million as at 31 December 2021), property, plant and equipment of RMB29.2 million (as compared to RMB34.9 million as at 31 December 2021) and interests in associates of RMB30.5 million (as compared to RMB29.9 million as at 31 December 2021). Our intangible assets mainly represent our intellectual properties,

patents, trademarks and licenses related to our products and all direct costs incurred in the development of software products. Our interests in associates represent our interests in associates, namely, Beijing Yue Ying Technology Co., Ltd. (北京悦影科技有限公司), Beijing Meicam Network Technology Co, Ltd. (北京美攝網絡科技有限公司) and Beijing Xin'aote Smart Sport Innovation Development Co., Ltd. (北京新奧特智慧體育創新發展有限公司).

Current Assets

As at 30 June 2022, our current assets amounted to RMB442.7 million (as compared to RMB494.1 million as at 31 December 2021), primarily consisting of trade and other receivables of RMB201.1 million (as compared to RMB381.1 million as at 31 December 2021), bank balances and cash of RMB165.9 million (as compared to RMB31.2 million as at 31 December 2021) and contract assets of RMB57.9 million (as compared to RMB45.2 million as at 31 December 2021).

Current Liabilities

As at 30 June 2022, our current liabilities amounted to RMB340.0 million (as compared to RMB373.6 million as at 31 December 2021), primarily consisting of trade and other payables of RMB207.4 million (as compared to RMB253.6 million as at 31 December 2021), contract liabilities of RMB7.6 million (as compared to RMB13.4 million as at 31 December 2021) and interest-bearing borrowings of RMB109.8 million (as compared to RMB91.9 million as at 31 December 2021).

Non-current Liabilities

As at 30 June 2022, our non-current liabilities consisted of interest-bearing borrowing of RMB19.7 million (as compared to RMB19.8 million as at 31 December 2021) and lease liability amounted to RMB16.5 million (as compared to RMB20.5 million as at 31 December 2021).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the 2022 Interim Period, we financed our operations primarily through cash generated from our operating activities. We had net cash used in operating activities in the amount of RMB54.5 million during the 2022 Interim Period as compared to net cash used in operating activities in the amount of RMB45.2 million during the 2021 Interim Period. As at 30 June 2022, we had (i) bank balances and cash of RMB165.9 million (as compared to RMB31.2 million as at 31 December 2021); and (ii) interest-bearing borrowings of RMB129.5 million (as compared to RMB111.7 million as at 31 December 2021), which were denominated in Renminbi and U.S. dollars bearing fixed and floating interest rates.

Our gearing ratio (calculated as total borrowings divided by total equity) was 60.4% as at 30 June 2022 (31 December 2021: 46.7%).

During the 2022 Interim Period, we did not employ any financial instrument for hedging purposes.

COMMITMENTS

As at 30 June 2022, we had short-term lease commitments in respect of a rented office and various residential properties of nil amount (as at 31 December 2021: RMB0.5 million) and capital commitment in respect of investment in an associate of RMB4.9 million (as at 31 December 2021: RMB4.9 million).

SIGNIFICANT INVESTMENT IN AND MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 25 May 2022, China Digital Video (Beijing) Limited* (“**CDV BJ**”), an indirectly wholly-owned subsidiary of the Company and Tuteng Shijie (Guangzhou) Digital Technology Limited Company* (“**Tuteng Shijie**”) entered into an equity transfer agreement, pursuant to which CDV BJ conditionally agreed to sell, and Tuteng Shijie conditionally agreed to purchase, the entire equity interest in Beijing Jinsong Chuangyi Technology Co., Ltd.*, an indirectly wholly-owned subsidiary of the Company, at a consideration of RMB9 million. For details, please refer to the announcements of the Company dated 25 May 2022 and 26 May 2022.

Save as disclosed above, we did not make any significant investment in or material acquisition or disposal of subsidiaries, associates and joint ventures during the 2022 Interim Period.

FUTURE PLANS FOR MATERIAL INVESTMENT IN OR ACQUISITION OF CAPITAL ASSETS

During the 2022 Interim Period, we did not have any plans for material investment in or acquisition of capital assets.

FOREIGN CURRENCY RISK

Our subsidiaries mainly operate in the PRC and the majority of our transactions are settled in Renminbi, except for certain bank balances and bank borrowings which are denominated in U.S. dollars. Foreign currency risk arises when commercial transactions and recognized assets and liabilities are denominated in a currency that is not the functional currency of the Company or its subsidiaries (collectively referred to as the “**Group**”). As at 30 June 2022, we did not have any significant foreign currency risk from our operations. During the 2022 Interim Period, we did not enter into any arrangements to hedge against any fluctuation in foreign currency.

CHARGE ON ASSETS

As at 30 June 2022, we had restricted bank deposits of RMB1.2 million (as at 31 December 2021: RMB2.1 million) held in banks for the purpose of contract-related deposits or payments, guarantees issued for trade finance facilities and security of bank borrowings.

HUMAN RESOURCES

As at 30 June 2022, we had 439 full-time employees and 39 dispatched workers (30 June 2021: 566 full-time employees and 43 dispatched workers). The remuneration package of our employees includes salary, sales commission, bonus and other cash subsidies. The remuneration expense, excluding share-based compensation expense, for the 2022 Interim Period and the 2021 Interim Period was approximately RMB52.2 million and RMB48 million, respectively. In general, our employees' salaries are determined based on individual performance, qualification, position and seniority. We place strong emphasis on recruiting skilled personnel. We typically recruit talents from universities and technical schools and conduct annual reviews to assess our employees' performance and determine their salary, bonus and promotion. We also place a strong emphasis on providing training to our employees in order to enhance their technical and product knowledge as well as comprehension of industry quality standards.

We have adopted a share option scheme (the “**Share Option Scheme**”) and a share award scheme (the “**Share Award Scheme**”). The purposes of the Share Option Scheme and the Share Award Scheme are to attract, retain and motivate the directors, senior management and employees of the Group and other participants.

CONTINGENT LIABILITIES

As at 30 June 2022, we did not have any material contingent liabilities (31 December 2021: nil). We are not currently involved in any material legal proceedings, nor are we aware of any proceedings or potential material legal proceedings.

DIVIDEND DISTRIBUTION

The Board did not recommend the payment of interim dividends for the 2022 Interim Period (2021 Interim Period: nil).

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY OR ANY OF ITS SUBSIDIARIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the 2022 Interim Period.

EVENT AFTER THE REPORTING PERIOD

There was no significant event since 30 June 2022 and up to the date of this announcement.

COMPETING BUSINESSES

For the 2022 Interim Period, none of the Directors or the controlling shareholders of the Company and their respective associates (as defined under the GEM listing Rules) had any interest in a business that competes or might compete with the business of the Group, or had any other conflict of interest with the Group.

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions as set out in the Corporate Governance Code (the “**Corporate Governance Code**”) as contained in Appendix 15 of the GEM Listing Rules as its corporate governance practices.

Code provision C.2.1 of the Corporate Governance Code stipulates that the roles of the chairman of the board of directors and the chief executive officer of a Company should be separate and should not be performed by the same individual, and that the division of responsibilities between the chairman and the chief executive officer should be clearly stated.

Mr. ZHENG Fushuang was appointed as the chief executive officer of the Company (the “CEO”) with effect from 3 April 2018 and is currently serving as both the chairman of the Company (the “Chairman”) and the CEO. Such practice deviates from code provision C.2.1 of the Corporate Governance Code. The Board believes that vesting the roles of both the Chairman and the CEO in the same person can facilitate the execution of the Group’s business strategies and boost the effectiveness of its operation. The Board is comprised of three executive Directors and three independent non-executive Directors, which is appropriately structured to ensure that there is a balance of power to provide sufficient checks to protect the interests of the Company and its shareholders. Therefore, the Board considers that the deviation from the code provision C.2.1 of the Corporate Governance Code is appropriate in such circumstance.

Saved as disclosed above, in the opinion of the Directors, the Company had complied with all the code provisions set out in the Corporate Governance Code from 1 January 2022 and up to the date of this announcement.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiries with all the Directors, who confirmed their compliance with the required standard of dealings and the code of conduct regarding Directors’ securities transactions during the 2022 Interim Period and up to the date of this announcement. No incident of non-compliance was noted by the Company during this period.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules on 23 May 2016. The primary duties of the audit committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, effectiveness of the internal audit function, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The audit committee comprises three independent non-executive Directors, namely, Ms. CAO Qian, Dr. LI Wanshou and Mr. Frank CHRISTIAENS, and is chaired by Ms. CAO Qian.

The audit committee has reviewed the unaudited interim financial information for the 2022 Interim Period and is of the opinion that (i) the unaudited interim financial information of the Group for the 2022 Interim Period comply with the applicable accounting standards and the GEM Listing Rules; and (ii) adequate disclosure has been made in such unaudited interim financial information.

By Order of the Board
China Digital Video Holdings Limited
ZHENG Fushuang
Chairman

Hong Kong, 8 August 2022

As at the date of this announcement, the executive Directors are Mr. ZHENG Fushuang, Mr. PANG Gang and Mr. LIU Baodong, and the independent non-executive Directors are Mr. Frank CHRISTIAENS, Ms. CAO Qian and Dr. LI Wanshou.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the Stock Exchange’s website at www.hkexnews.hk for at least 7 days from the date of its posting and be posted on the website of the Company at www.cdv.com

** For identification purposes only*