



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



2022

INTERIM REPORT

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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.

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This report, 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 report 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 report misleading.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. ZHENG Fushuang
(Chairman and Chief Executive Officer)
Mr. PANG Gang *(President)*
Mr. LIU Baodong

Independent Non-executive Directors

Dr. LI Wanshou
Mr. Frank CHRISTIAENS
Ms. CAO Qian

COMPANY SECRETARY

Mr. AU Wai Keung

AUTHORISED REPRESENTATIVES

Mr. ZHENG Fushuang
Mr. AU Wai Keung

COMPLIANCE OFFICER

Mr. LIU Baodong

AUDIT COMMITTEE

Ms. CAO Qian *(Chairlady)*
Dr. LI Wanshou
Mr. Frank CHRISTIAENS

REMUNERATION COMMITTEE

Mr. Frank CHRISTIAENS *(Chairman)*
Mr. LIU Baodong
Dr. LI Wanshou

NOMINATION COMMITTEE

Mr. ZHENG Fushuang *(Chairman)*
Dr. LI Wanshou
Ms. CAO Qian

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1303, 13/F
Hua Fu Commercial Building
111 Queen's Road West
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN PRC

China Digital Video Technical Plaza
No. 131 West Fourth Ring Road N
Haidian District
Beijing
PRC

GEM STOCK CODE

8280

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1112
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

China Merchants Bank (West Sanhuan Branch)
China Merchants Bank (Shuangyushu Branch)
Beijing Bank (Hongxing Branch)
Bank of Ningbo (Beijing Branch)

AUDITOR

Grant Thornton Hong Kong Limited

LEGAL ADVISORS

As to Hong Kong law
King & Wood Mallesons

As to Cayman Islands law
Maples and Calder

COMPANY'S WEBSITE

www.cdv.com
(Information of this website does not form part of this interim report)

FINANCIAL HIGHLIGHTS

Our revenue decreased by 17.5% to RMB117.6 million for the six months ended 30 June 2022 (the "**2022 Interim Period**") from RMB142.6 million for the six months ended 30 June 2021 (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.

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

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 impairment loss of RMB10.2 million for 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).

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB55.1 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.

REPORT OF THE DIRECTORS

The board (the “**Board**”) of the Directors is pleased to submit the interim report together with the unaudited condensed consolidated financial interim financial information of the Group for the 2022 Interim Period.

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 report.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 30 June 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the “**SFO**”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange, were as follows:

Long position in the shares, underlying shares and debentures of the Company

Name of Director	Capacity	Number of shares or underlying shares	Approximate percentage of interest in the Company
Mr. ZHENG Fushuang	Founder of a discretionary trust ¹	214,278,278	33.99%
Mr. LIU Baodong	Beneficial owner ²	17,118,669	2.72%
Mr. PANG Gang	Beneficial owner ³	405,000	0.06%
Mr. Frank CHRISTIAENS	Beneficial owner ³	300,000	0.05%
Ms. CAO Qian	Beneficial owner ³	300,000	0.05%

REPORT OF THE DIRECTORS

Notes:

1. Mr. ZHENG Fushuang is the settlor and a beneficiary of Future Success Trust. Future Success Trust holds the entire issued share capital of ZFS Holdings Limited, which in turn holds the entire issued share capital of Wing Success Holdings Limited, a controlling shareholder of the Company. Therefore, Mr. ZHENG Fushuang is deemed to be interested in the shares held by Wing Success Holdings Limited.
2. Mr. LIU Baodong held 14,118,669 shares and the remaining interest is the options representing 3,000,000 underlying shares upon fully exercise of such options.
3. Interests in options granted pursuant to the Share Option Scheme.

Save as disclosed above, as at 30 June 2022, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2022, so far as was known to the Directors, the following persons (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the shares of the Company

Name of shareholder	Capacity	Number of shares held	Approximate percentage of interest in the Company
Mr. ZHENG Fushuang	Founder of a discretionary trust ¹	214,278,278	33.99%
Wickhams Cay Trust Company Limited	Trustee and interest of controlled corporation ²	214,278,278	33.99%
ZFS Holdings Limited	Interest of controlled corporation ²	214,278,278	33.99%
Wing Success Holdings Limited	Beneficial owner ²	214,278,278	33.99%
Power Side Limited	Interest of controlled corporation ³	98,098,000	15.56%
Mr. LI Peng	Interest of controlled corporation ³	98,098,000	15.56%
Carvillo Success Limited	Beneficial owner ³	98,098,000	15.56%
Mr. GUO Langhua	Beneficial owner	39,034,053	6.19%

REPORT OF THE DIRECTORS

Notes:

1. Mr. ZHENG Fushuang is the settlor and a beneficiary of Future Success Trust. Future Success Trust holds the entire issued share capital of ZFS Holdings Limited, which in turn holds the entire issued share capital of Wing Success Holdings Limited. Therefore, Mr. ZHENG Fushuang is deemed to be interested in the shares held by Wing Success Holdings Limited.
2. Wickhams Cay Trust Company Limited is the trustee of Future Success Trust and holds the entire issued share capital of ZFS Holdings Limited which in turn holds the entire issued share capital of Wing Success Holdings Limited. Therefore, Wickhams Cay Trust Company Limited and ZFS Holdings Limited are each deemed under the SFO to be interested in the shares held by Wing Success Holdings Limited.
3. Mr. LI Peng is the controlling shareholder of Power Side Limited, who holds 100% interest in Carvillo Success Limited. Therefore, Mr. LI Peng and Power Side Limited are deemed to be interested in the Shares held by Carvillo Success Limited.

Save as disclosed above, as at 30 June 2022, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

On 18 May 2017, the Company adopted the Share Option Scheme which is subject to the provisions under Chapter 23 of the GEM Listing Rules. The purpose of the Share Option Scheme is to attract, retain and motivate employees, Directors and other participants, and to provide a means of compensation through the grant of options for their contribution to the growth and profits of the Group, and to allow them to participate in the future growth and profitability of the Group. The participants of the Share Option Scheme are any executive, non-executive or independent non-executive Directors or any employees (whether full-time or part-time) of the Company, or any of its subsidiaries or associated companies or any other person whom the Board considers, in its sole discretion, has contributed or will contribute to the Group. The basis of eligibility of any of the class of the participants to the grant of any options under the Share Option Scheme shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group and any invested entity. The Share Option Scheme will end on 17 May 2027.

The shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of the Company (and to which the provisions of the GEM Listing Rules are applicable) shall not exceed 10% of the aggregate of the shares of the Company in issue on the listing date, being a total of 62,000,000 shares.

The total number of shares issued and to be issued upon exercise of the options granted to each eligible participant under the Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares in issue. Any further grant of options to an eligible participant under the Share Option Scheme which would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant exceeding the aforesaid limit shall be subject to the shareholders' approval in general meeting with such participant and his associates (as defined under the GEM Listing Rules) abstaining from voting.

REPORT OF THE DIRECTORS

The amount of HK\$1.00 is payable as consideration for each grant of options under the Share Option Scheme, upon acceptance of such grant. The subscription price in respect of shares upon exercise of options under the Share Option Scheme shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option), but in any case the subscription price shall not be less than the higher of (a) the closing price of the shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a business day; (b) the average closing price of the shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

An option granted under the Share Option Scheme may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be determined by our Board at its absolute discretion and notified by our Board to each grantee as being the period during which an option may be exercised and in any event, such period shall not be longer than 10 years from the date upon which any particular option is granted in accordance with the Share Option Scheme.

The following details the options granted pursuant to the Share Option Scheme but not yet exercised as at 30 June 2022. No options were cancelled, lapsed or exercised during the 2022 Interim Period.

Grantee	Date of grant	Number of share options outstanding as at 1 January 2022	Closing price per Share immediately prior to the date of grant	Exercise price per Share	Exercise Period	Number of options granted during the six months ended 30 June 2022	Number of options exercised during the six months ended 30 June 2022	Number of options lapsed during the six months ended 30 June 2022	Number of options cancelled during the six months ended 30 June 2022	Number of options outstanding as at 30 June 2022	Approximate percentage of shareholding upon fully exercise of share options
Executive Directors											
Mr. LIU Baodong	24 May 2017	3,000,000	HK\$1.31	HK\$1.33	24 May 2017 to 17 May 2027	-	-	-	-	3,000,000	0.48%
Mr. PANG Gang	24 May 2017	405,000	HK\$1.31	HK\$1.33	24 May 2017 to 17 May 2027	-	-	-	-	405,000	0.06%
Independent non-executive Directors											
Mr. Frank CHRISTIAENS	24 May 2017	300,000	HK\$1.31	HK\$1.33	24 May 2017 to 17 May 2027	-	-	-	-	300,000	0.05%
Ms. CAO Qian	24 May 2017	300,000	HK\$1.31	HK\$1.33	24 May 2017 to 17 May 2027	-	-	-	-	300,000	0.05%
Other participants of the Share Option Scheme	24 May 2017	57,477,700	HK\$1.31	HK\$1.33	24 May 2017 to 17 May 2027	-	-	-	-	57,477,700	9.12%
Total		<u>61,482,700</u>								<u>61,482,700</u>	<u>9.76%</u>

REPORT OF THE DIRECTORS

Notes:

1. The options were granted on 24 May 2017. For full details of the Share Option Scheme, please refer to the circular of the Company dated 11 April 2017 regarding, among others, the adoption of the Share Option Scheme.

2. The options under the Share Option Scheme were vested as follows:

On the date of grant: 40% vested

On the first anniversary of the date of grant (i.e. 24 May 2018): 30% vested

On the second anniversary of the date of grant (i.e. 24 May 2019): 30% vested

SHARE AWARD SCHEME

On 20 March 2017, the Company adopted the Share Award Scheme to recognize and reward the contribution of certain selected participants to the growth and development of the Group. The Share Award Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 23 of the GEM Listing Rules. The shares under the Share Award Scheme will be acquired by a trustee by way of subscription of new shares (whether pursuant to general mandate or specific mandate granted by the shareholders or otherwise) and/or purchase of shares from the market out of cash contributed by the Group and be held on trust for the participants until such awarded shares are vested in the relevant selected participants in accordance with the provisions of the Share Award Scheme. The administrator of the Share Award Scheme, may from time to time, at its absolute discretion, select any participant for participation in the Share Award Scheme as a selected participant.

The Company has appointed The Core Trust Company Limited as the trustee (the "**Trustee**"). The Trustee is an independent third party of the Company and is acting for a wide scope of participants under the Share Award Scheme.

Unless early terminated by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date of the Share Award Scheme, provided that no contribution to the trust fund will be made by the Company on or after the 10th anniversary date of the adoption date of the Share Award Scheme.

The maximum number of shares which may be allocated and awarded to a selected participant under the Share Award Scheme in any 12-month period shall not exceed 1% of the issued share capital of the Company immediately preceding such allocation and award.

Vesting of the shares will be conditional on the selected participant remaining a participant at all times from after the relevant dates of the fulfillment of the performance targets (if any) specified by the Board and on the vesting date until and on each of the relevant vesting dates and his/her execution of the relevant documents to effect the transfer from the Trustee, unless otherwise determined by the Board.

During the 2022 Interim Period, the Company neither issued new shares nor arranged any funds to be paid to the Trustee for purchasing of shares of the Company from the market.

REPORT OF THE DIRECTORS

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 report.

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 report. No incident of non-compliance was noted by the Company during this period.

REPORT OF THE DIRECTORS

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.

COMPOSITION OF THE BOARD

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. The Board currently comprises three executive Directors and three independent non-executive Directors. The Directors have no financial, business, family or other material/relevant relationships with one another.

By order of the Board

China Digital Video Holdings Limited

ZHENG Fushuang

Chairman

Hong Kong, 8 August 2022

* For identification purposes only

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Notes	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2022	2021	2022	2021
		RMB'000	RMB'000	RMB'000	RMB'000
Revenue	4	56,777	64,288	117,611	142,619
Cost of sales		(54,114)	(47,668)	(102,379)	(101,235)
Gross profit		2,663	16,620	15,232	41,384
Other income	5	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	6	(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	7	(8,472)	(8,951)	(24,282)	(24,014)
Income tax	8	–	–	–	–
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)
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)
		(8,472)	(8,951)	(24,282)	(24,014)
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)
		(9,716)	(6,610)	(24,613)	(25,132)
LOSS PER SHARE	9				
(expressed in Renminbi ("RMB") cents per share)					
Basic		(1.07)	(1.39)	(3.36)	(3.55)
Diluted		(1.07)	(1.39)	(3.36)	(3.55)

The notes on pages 21 to 44 are an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Notes	(Unaudited) As at 30 June 2022 RMB'000	(Audited) As at 31 December 2021 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	29,152	34,893
Intangible assets	12	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	13	16,613	34,518
Trade and other receivables	14	201,114	381,105
Contract assets	15	57,901	45,179
Restricted bank deposits	16	1,184	2,070
Bank balances and cash	16	165,894	31,192
		442,706	494,064
Current liabilities			
Trade and other payables	17	207,361	253,572
Contract liabilities	15	7,634	13,418
Interest-bearing borrowings	18	109,752	91,862
Income tax liabilities		7,225	6,982
Lease liability		8,003	7,807
		339,975	373,641
Net current assets		102,731	120,423
Total assets less current liabilities		250,549	279,313
Non-current liabilities			
Interest-bearing borrowing	18	19,700	19,800
Lease liability		16,495	20,546
		36,195	40,346
Net assets		214,354	238,967

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Note	(Unaudited) As at 30 June 2022 RMB'000	(Audited) As at 31 December 2021 RMB'000
EQUITY			
Share capital	19	43	43
Reserves		212,891	234,012
Equity attributable to equity holders of the Company		212,934	234,055
Non-controlling interests		1,420	4,912
Total equity		214,354	238,967

The notes on pages 21 to 44 are an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Equity attributable to equity holders of the Company										
	Share capital	Treasury shares	Share premium	Statutory reserve	Translation reserve	Share option reserve	Other reserve	Accumulated losses	Sub-total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at 1 January 2022 (audited)	43	(1)	600,213	30,215	(12,244)	27,165	31,278	(442,614)	234,055	4,912	238,967
Total comprehensive expense for the period											
Loss for the period	-	-	-	-	-	-	-	(20,790)	(20,790)	(3,492)	(24,282)
Other comprehensive expense for the period											
Item that may be subsequently reclassified to profit or loss:											
Exchange difference arising on the translation of foreign operation	-	-	-	-	(331)	-	-	-	(331)	-	(331)
Total comprehensive expense for the period	-	-	-	-	(331)	-	-	(20,790)	(21,121)	(3,492)	(24,613)
Balance at 30 June 2022 (Unaudited)	43	(1)	600,213	30,215	(12,575)	27,165	31,278	(463,404)	212,934	1,420	214,354

	Equity attributable to equity holders of the Company										
	Share capital	Treasury shares	Share premium	Statutory reserve	Translation reserve	Share option reserve	Other reserve	Accumulated losses	Sub-total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at 1 January 2021 (audited)	43	(1)	600,213	29,664	(8,133)	47,836	31,278	(357,762)	343,138	3,112	346,250
Total comprehensive expense for the period											
Loss for the period	-	-	-	-	-	-	-	(21,950)	(21,950)	(2,064)	(24,014)
Other comprehensive expense for the period											
Item that may be subsequently reclassified to profit or loss:											
Other comprehensive expense for the period	-	-	-	-	(1,118)	-	-	-	(1,118)	-	(1,118)
Total comprehensive expense for the period	-	-	-	-	(1,118)	-	-	(21,950)	(23,068)	(2,064)	(25,132)
Balance at 30 June 2021 (Unaudited)	43	(1)	600,213	29,664	(9,251)	47,836	31,278	(379,712)	320,070	1,048	321,118

The notes on pages 21 to 44 are an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Cash flows from operating activities		
Net cash used in operating activities	(49,065)	(45,246)
Cash flows from investing activities		
Interest received	3,128	5,423
Purchase of property, plant and equipment	(957)	(1,201)
Placement of time deposits with original maturities exceeding three months	(179,500)	–
Withdrawal of time deposits with original maturities exceeding three months	20,000	–
Addition in development costs through internal development	(5,087)	(6,887)
Decrease/(Increase) in loan and interest receivables	199,755	(41,783)
Other investing activities	1,187	(10,370)
Net cash from/(used in) investing activities	38,526	(54,818)
Cash flows from financing activities		
Other financing activities	(14,259)	(4,737)
Net cash used in financing activities	(14,259)	(4,737)
Net decrease in cash and cash equivalents	(24,798)	(104,801)
Cash and cash equivalents at the beginning of the period	31,192	117,094
Effect of foreign exchange rate changes	–	(6)
Cash and cash equivalents at the end of the period	6,394	12,287
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	165,894	20,787
Less: time deposits with original maturities exceeding three months	(159,500)	(8,500)
Cash and cash equivalents at the end of the period	6,394	12,287

The notes on pages 21 to 44 are an integral part of this interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. GENERAL INFORMATION

China Digital Video Holdings Limited (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 of Hong Kong Limited (the “**Stock Exchange**”).

The Company is an investment holding company and its subsidiaries (together with the Company collectively referred to as 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 (“**Mr. Zheng**”), the executive director of the Company.

These 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.

The Interim Financial Information was authorised for issue by the Company’s board of directors (the “**Board**”) on 8 August 2022.

2. BASIS OF PREPARATION

These 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 Rules Governing the Listing of Securities on GEM of the Stock Exchange (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 values.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

2. BASIS OF PREPARATION – continued

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 of the Company 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. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

4. 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) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 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>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

4. REVENUE AND SEGMENT INFORMATION – continued

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

	(Unaudited)		(Unaudited)	
	Three months ended 30 June		Six months ended 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>

5. OTHER INCOME

	(Unaudited)		(Unaudited)	
	Three months ended 30 June		Six months ended 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
	<u>1,641</u>	<u>4,503</u>	<u>7,031</u>	<u>8,500</u>
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
	<u>8,575</u>	<u>2,945</u>	<u>9,984</u>	<u>3,823</u>
	<u>10,216</u>	<u>7,448</u>	<u>17,015</u>	<u>12,323</u>

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) ("Totem Vision Guangzhou"), 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

6. FINANCE COSTS

	(Unaudited)		(Unaudited)	
	Three months ended 30 June		Six months ended 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>

7. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

	(Unaudited)		(Unaudited)	
	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Employee benefit expenses				
Salaries, bonus and allowances	17,672	17,438	37,495	37,460
Retirement benefit scheme contributions	4,803	6,414	9,521	10,443
Severance payments	—	—	103	53
	<u>22,475</u>	<u>23,852</u>	<u>47,119</u>	<u>47,956</u>
Other items				
Depreciation of property, plant and equipment:				
- owned assets	404	481	839	745
- right-of-use assets - office premise	1,997	3,995	3,995	3,995
Amortisation of intangible assets	8,275	8,107	17,649	16,971
Cost of inventories recognised as an expense	40,279	33,112	76,500	69,811
Lease charges for short-term leases	46	235	491	458
	<u>46</u>	<u>235</u>	<u>491</u>	<u>458</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

8. 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

9. 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 30 June		Six months ended 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 30 June		Six months ended 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 the 2010 Share Option Plan (as defined in note 20) (2021: 2010 Share Option Plan and the 2017 Share Option Scheme (as defined in note 20)). 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.

10. 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).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property, plant and equipment with a cost of RMB957,000 (2021: RMB1,201,000).

As at 30 June 2022, included in the net book amount of property, plant and equipment is right-of-use asset of RMB23,303,000 (31 December 2021: RMB27,298,000) in respect of the office premise.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

12. INTANGIBLE ASSETS

During the six months ended 30 June 2022, additions to intangible assets by capitalisation of development costs amounted to RMB5,087,000 (2021: RMB6,887,000).

13. INVENTORIES

As at 30 June 2022, the carrying amount of the Group's inventories, net of allowance for inventories, of RMB16,613,000 (31 December 2021: RMB34,518,000). During the six months ended 30 June 2022, no allowance for inventories (2021:nil) has been recognised and included in cost of sales.

14. TRADE AND OTHER RECEIVABLES

	Notes	(Unaudited) As at 30 June 2022 RMB'000	(Audited) As at 31 December 2021 RMB'000
Trade receivables			
From third parties		164,848	163,305
From related parties		4,500	18,884
		<u>169,348</u>	182,189
Less: Expected credit losses ("ECL") allowance		<u>(76,287)</u>	(75,426)
	(a)	<u>93,061</u>	<u>106,763</u>
Other receivables	(b)		
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
		<u>125,387</u>	323,640
Less: ECL allowance		<u>(17,334)</u>	(49,298)
		<u>108,053</u>	<u>274,342</u>
		<u>201,114</u>	<u>381,105</u>

The directors of the Company considered that the fair values of trade and other receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

14. TRADE AND OTHER RECEIVABLES – *continued*

(a) Trade receivables

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) As at 30 June 2022 RMB'000	(Audited) As at 31 December 2021 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
	93,061	106,763

The Group applies the simplified approach for the calculation of the ECL allowance prescribed in IFRS 9, which permits the use of life-time ECL for all trade receivables. To measure the ECL allowance, trade receivables without significant outstanding balances have been grouped based on shared credit risk characteristics and the ageing.

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.

(b) Other receivables

Deposits for guarantee certificate over tendering and performance

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

14. TRADE AND OTHER RECEIVABLES – continued

(b) Other receivables – continued

Loan and interest receivables

As at 31 December 2021, the Group has gross amounts of loan and interest receivables of RMB215,364,000 (30 June 2022: nil) and RMB8,236,000 (30 June 2022: nil), respectively, from independent third parties.

As at 31 December 2021, a credit-impaired loan receivables of RMB23,845,000 is secured by a property, carrying fixed interest rate of 6% per annum and should be wholly repayable on 30 May 2020. The Group has taken legal action against the debtor to recover the loan receivables. During the six months ended 30 June 2022, such loan receivables have been written off as the directors of the Company considered that there was no realistic prospect of recovery.

As at 31 December 2021, the remaining loan receivables of RMB191,519,000 (30 June 2022: nil) were unsecured, carrying fixed interest rate of 6% per annum, and wholly repayable within one year.

Amounts due from joint ventures, associates and related parties

The amounts due are unsecured, interest-free and repayable on demand.

Advances to employees

Advances to employees mainly advances for various expenses and deposits to be incurred in the ordinary course of business.

15. CONTRACT ASSETS AND CONTRACT LIABILITIES

15.1 Contract assets

	(Unaudited) As at 30 June 2022 RMB'000	(Audited) As at 31 December 2021 RMB'000
Contract assets	66,649	51,226
Less: ECL allowance	(8,748)	(6,047)
	<u>57,901</u>	<u>45,179</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

15. CONTRACT ASSETS AND CONTRACT LIABILITIES – continued

15.1 Contract assets – continued

The Group's contract assets mainly include retention receivables of solution sales contracts. Typical payment terms which impact on the amount of contract assets recognised are as follows:

The Group's solution sales contracts include payment schedules which generally require contract instalment over the contract period once certain specified milestones are reached. The Group also agrees to a one to two years (31 December 2021: one to two years) retention period for 5% to 10% (31 December 2021: 5% to 10%) of the solution sales contract value. This amount is included in contract assets until the end of retention period as the Group's entitlement to this final payment is conditional on the Group's satisfactory work.

The Group applies the simplified approach for the calculation of the ECL allowance prescribed in IFRS 9, which permits the use of life-time ECL for all contract assets. To measure the ECL allowance, contract assets have been grouped with trade receivables based on shared credit risk characteristics and the ageing. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the ECL rates for trade receivables are a reasonable approximation of the ECL rates for the contract assets.

15.2 Contract liabilities

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying products or services are yet to be provided.

16. RESTRICTED BANK BALANCES AND BANK BALANCES AND CASH

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

17. TRADE AND OTHER PAYABLES

	Note	(Unaudited) As at 30 June 2022 RMB'000	(Audited) As at 31 December 2021 RMB'000
Trade payables	(a)		
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>

All amounts are short-term and hence the carrying values of the Group's trade and other payables as at 30 June 2022 and 31 December 2021 were considered to be a reasonable approximation of its fair value.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

17. TRADE AND OTHER PAYABLES – continued

(a) Trade payables

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) As at 30 June 2022 RMB'000	(Audited) As at 31 December 2021 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>

18. INTEREST-BEARING BORROWINGS

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

18. INTEREST-BEARING BORROWINGS – *continued*

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

	(Unaudited) As at 30 June 2022 RMB'000	(Audited) As at 31 December 2021 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	19,700	19,800

19. SHARE CAPITAL

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

19. SHARE CAPITAL – continued

	Number of treasury shares	Treasury shares US\$	Equivalent to RMB'000
Treasury shares of the Company:			
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>

20. SHARE-BASED COMPENSATION TRANSACTIONS

(a) The 2010 Share Option Plan

Pursuant to unanimous written resolution of the Board on 20 December 2010 (the “**Effective Date**”), a share option scheme was adopted by the Company and is valid and effective for a period of ten years from 20 December 2010 (the “**2010 Share Option Plan**”).

The purpose of the 2010 Share Option Plan is to provide eligible participants to acquire and maintain share ownership, thereby strengthening their commitment to the welfare of the Group and promoting an identify of interest between shareholders and these eligible participants. All directors, employees, consultant or advisor to the Group who, in the sole discretion of the remuneration committee of the Board (the “**Remuneration Committee**”), or if no such committee has yet been established, the Board, have contributed or will contribute to the Group, are eligible to participate in the 2010 Share Option Plan. Without limiting to the foregoing, at the time of grant of options, any holder of 5% or more of the outstanding ordinary shares of the Company shall not be eligible to be granted, or to receive any ordinary shares of the Company under, any options under the 2010 Share Option Plan.

The maximum number of ordinary shares of the Company to be issued (from time to time) upon exercise of all outstanding options granted and yet to be exercised under the 2010 Share Option Plan must not in aggregate exceed 26,000,000 (subject to adjustment, such as bonus issue, extraordinary cash dividends, share splits, reverse share splits, recapitalisation, reorganisations, mergers, consolidations, combinations occurring after the date of grant of options). The aggregate number of outstanding ordinary shares of the Company as of the Effective Date is 80,000,000 ordinary shares of US\$0.00001 each.

The period within which the options must be exercised will be specified by the Company at the time of grant and must not exceed 10 years. The options may be exercised according to the vesting schedule established by the Company. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before the option can be exercised in whole or in part.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

20. SHARE-BASED COMPENSATION TRANSACTIONS – *continued*

(a) The 2010 Share Option Plan – *continued*

The subscription price of the shares (the “**Option Price**”) under the 2010 Share Option Plan will be specified by the Company at the time of grant. The Option Price shall be payable in cash or by the sale by the participant to the Company, and the repurchase by the Company, for an aggregate consideration of US\$1.00, of ordinary shares of the Company held by the participant having an aggregate fair market value at the time the option is exercised equal to the Option Price.

The offer and acceptance of a grant of share options shall be evidenced by a share option agreement. No options may be granted under the 2010 Share Option Plan after the date of the tenth anniversary of its adoption.

In the event a participant’s employment or service with the Group is terminated for any reason, for a period of 360 days after such termination (the “**Repurchase Period**”) the Company shall have a right but not an obligation, to repurchase any or all ordinary shares of the Company purchased by such participant upon exercise of his or her options (the “**Right of Repurchase**”), at a price equal to the fair market value of the ordinary shares on the date the Company exercises its Right of Repurchase.

On 1 January 2011, 26,000,000 options were granted by the Company for nil consideration with estimated fair value of US\$3,129,000 (equivalent to RMB20,720,000) (note). Each option gives the holder the right to subscribe for one ordinary share in the Company at an exercise price of US\$1.16 per share. The share options are valid for a period of 10 years from 1 January 2011. Included in the 26,000,000 options are (i) 25,700,000 options which are subject to a vesting scale in which 30%, 30%, 20% and 20% of options granted shall vest on 1 January 2012, 1 January 2013, 1 January 2014 and 1 January 2015 respectively; and (ii) 300,000 options which are subject to a vesting scale in which 1/3, 1/3 and 1/3 of the options granted shall vest on 1 January 2012, 1 January 2013 and 1 January 2014 respectively. All options granted are exercisable from 1 January 2012 to 31 December 2021.

Note: As detailed above, as the participant can choose the method of settlement, the Company is considered to have issued a compound financial instrument, an instrument with a debt component (to the extent that the participant has a right to demand cash) and an equity component (to the extent that the counterparty has a right to demand settlement in equity instruments by giving up their right to cash). However, as the exercise price of the options of US\$1.16 per share is higher than the agreed repurchase price of US\$1.00 per share, the Group considered the debt component is of no value in respect of all the share options granted, thus the fair value of the equity component was US\$3,129,000 (equivalent to RMB20,720,000) at the date of grant.

On 1 October 2015, 2,935,000 options were granted by the Company to the key employees of the Group under the 2010 Share Option Plan with an estimated total fair value of US\$3,000,000 (equivalent to RMB19,195,000). The exercise price of the share options granted is US\$0.00001 per share. The share options are valid for a period of 10 years from 1 October 2015. Included in the 2,935,000 options are (i) 1,435,000 options granted which were vested on the 1 October 2017; and (ii) 1,500,000 options which are subject to a vesting scale in which 40%, 30% and 30% of options granted shall vest on 1 October 2016, 1 October 2017 and 1 October 2018 respectively. The options granted are exercisable from 1 October 2016 to 31 December 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

20. SHARE-BASED COMPENSATION TRANSACTIONS – *continued*

(a) The 2010 Share Option Plan – *continued*

The Company has adjusted, pursuant to the authority granted to the Board under the 2010 Share Option Plan, the total number of shares subject to options granted under the 2010 Share Option Plan to 77,893,000 as a result of the capitalisation issue which was completed on 27 June 2016. Upon completion of such grant and adjustment, no further options will be granted under the 2010 Share Option Plan.

The following table discloses details of the Company's share options under the 2010 Share Option Plan held by senior employees and movements in such holdings:

	(Unaudited) Six months ended 30 June 2022		(Unaudited) Six months ended 30 June 2021	
	Average exercise price in US\$ per share option	Number of share options outstanding	Average exercise price in US\$ per share option	Number of share options outstanding
Employees				
At the beginning and the end of the period	–	–	0.33	12,391,385
Excisable at the end of the period	–	–	0.33	12,391,385

On 31 December 2021, all 12,391,385 outstanding share options have been lapsed.

None of the above share options were exercised during the six months ended 30 June 2021 (2022: nil).

No expenses were recognised in relation to the 2010 Share Option Plan for the six months ended 30 June 2022 and 2021 as the share options had been fully lapsed and vested, respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

20. SHARE-BASED COMPENSATION TRANSACTIONS – *continued*

(b) The Share Option Scheme adopted by the Company in 2017

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 18 May 2017, the Company adopted a share option scheme to attract, retain and motivate employees, directors and other participants, and to provide a means of compensation through the grant of options for their contribution to the growth and profits of the Group, and to allow them to participate in the future growth and profitability of the Group (the “**2017 Share Option Scheme**”). The participants of the 2017 Share Option Scheme are any executive, non-executive or independent non-executive directors or any employees (whether full-time or part-time) of the Company, or any of its subsidiaries or associated companies or any other person whom the board considers, in its sole discretion, has contributed or will contribute to the Group.

The 2017 Share Option Scheme is valid and effective for a period of ten years from 18 May 2017.

The maximum number of shares which may be issued upon exercise of all options to be granted at any time under the 2017 Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the relevant class of the shares in issue as at the date of adoption (the “**Mandate Limit of Option Scheme**”). Options lapsed in accordance with the terms of the 2017 Share Option Scheme will not be counted for the purpose of calculating the Mandate Limit of Option Scheme.

The Company may seek approval from its shareholders in general meeting for refreshing the Mandate Limit of Option Scheme under the 2017 Share Option Scheme. However, the total number of shares which may be issued upon exercise of all options to be granted under the 2017 Share Option Scheme and any other schemes of the Company under the limit as “refreshed” must not exceed 10% of the relevant class of the shares in issue as at the date of passing the relevant resolution to refresh such limit. Options previously granted under the 2017 Share Option Scheme and any other schemes (including those outstanding, cancelled, lapsed in accordance with the 2017 Share Option Scheme or any other schemes or exercised options) will not be counted for the purpose of calculating the Mandate Limit of Option Scheme as “refreshed”. The Company may seek separate approval from its shareholders in general meeting for granting options beyond the Mandate Limit of Option Scheme provided the options in excess of the Mandate Limit of Option Scheme are granted only to eligible participants of the option scheme specifically identified by the Company before such approval is sought.

Unless approved by the shareholders, the total number of shares issued and to be issued upon exercise of the options granted to each eligible participant of the 2017 Share Option Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of the shares in issue.

The amount of HK\$1.00 is payable as consideration for each grant of options under the 2017 Share Option Scheme, upon acceptance of such grant.

Unless otherwise specified by the Board, a grantee is not required to achieve any performance target or to hold an option for a minimum period from the date of grant before any option granted under the 2017 Share Option Scheme can be exercised.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

20. SHARE-BASED COMPENSATION TRANSACTIONS – continued

(b) The Share Option Scheme adopted by the Company in 2017 – continued

An option may be exercised at any time during a period to be determined and notified by the directors to each grantee of the option and such period shall not exceed the period of ten years from the offer date.

62,000,000 options were granted under the 2017 Share Option Scheme on 24 May 2017 with estimated total fair values of RMB29,510,000.

The exercise price of the share options granted is HK\$1.33 per share. The exercisable period of the share options are from 24 May 2017 to 17 May 2027. Included in the 62,000,000 share options, 25,340,000 options, 18,330,000 options and 18,330,000 options will vest on the grant date, the first anniversary of the grant date and the second anniversary of the grant date respectively.

Movements in the number of the Company's share options under the 2017 Share Option Scheme during the period are as follows:

	(Unaudited) Six months ended 30 June 2022		(Unaudited) Six months ended 30 June 2021	
	Average exercise price in HK\$ per share option	Number of share options	Average exercise price in HK\$ per share option	Number of share options
Directors				
At the beginning of the period	1.33	4,005,000	1.33	9,800,000
Re-designated from employees	1.33	–	1.33	405,000
Re-designated to employees	1.33	–	1.33	(6,200,000)
At the end of the period	1.33	4,005,000	1.33	4,005,000
Employees				
At the beginning of the period	1.33	57,477,700	1.33	51,682,700
Re-designated to directors	–	–	1.33	(405,000)
Re-designated from directors	–	–	1.33	6,200,000
At the end of the period	1.33	57,477,700	1.33	57,477,700
Total				
At the beginning and the end of the period	1.33	61,482,700	1.33	61,482,700
Exercisable at the end of the period	1.33	61,482,700	1.33	61,482,700

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

20. SHARE-BASED COMPENSATION TRANSACTIONS – *continued*

(b) The Share Option Scheme adopted by the Company in 2017 – *continued*

As at 30 June 2022, the Group had 61,482,7000 (31 December 2021: 61,482,700) share options outstanding under the 2017 Share Option Scheme, which represented 9.75% (31 December 2021: 9.75%) of the issued ordinary shares of the Company as at 30 June 2022.

None of the above share options were exercised during the six months ended 30 June 2022 and 2021. The weighted average remaining contractual life of options outstanding at 30 June 2022 was 4.9 years (31 December 2021: 5.4 years).

No expenses were recognised in relation to the 2017 Share Option Scheme for the six months ended 30 June 2022 and 2021 as the share options had been fully vested.

(c) Share Award Scheme adopted by the Company in 2017

The Board approved the adoption of a share award scheme on 20 March 2017 (the “**2017 Share Award Scheme**”), pursuant to which, shares will be acquired by a trustee by way of subscription of new shares and/or purchase of shares from the market out of cash contributed by the Group and be held on trust for the participants until such awarded shares are vested in the relevant selected participants in accordance with the provisions of the 2017 Share Award Scheme.

The Company has appointed The Core Trust Company Limited as the trustee (the “**Trustee**”). The Trustee is an independent third party of the Company and is acting for a wide scope of participants under the 2017 Share Award Scheme.

Unless early terminated by the Board, the 2017 Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date of the 2017 Share Award Scheme provided that no contribution to the trust fund will be made by the Company on or after the 10th anniversary date of the adoption date of the 2017 Share Award Scheme.

The Board shall not make any further award of shares which will result in the number of shares awarded by the Board under the 2017 Share Award Scheme to be in excess of 8.5% of the issued share capital of the Company as at the adoption date of the 2017 Share Award Scheme unless otherwise determined by the resolution of the Board.

The maximum number of shares to be awarded under the 2017 Share Award Scheme in each financial year of the Company shall not exceed 3% of the issued share capital of the Company as at the adoption date of the 2017 Share Award Scheme.

The maximum number of shares which may be allocated and awarded to a selected participant under the 2017 Share Award Scheme in any 12-month period shall not exceed 1% of the issued share capital of the Company immediately preceding such allocation and award.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

20. SHARE-BASED COMPENSATION TRANSACTIONS – *continued*

(c) Share Award Scheme adopted by the Company in 2017 – *continued*

On each occasion when the Board instructs the Trustee to purchase shares from the market, it shall specify the maximum amount of funds to be used and the range of prices at which such shares are to be purchased. The Trustee may not incur more than the maximum amount of funds or purchase any shares at a price falling outside the range of prices so specified unless with the prior written consent of the Board.

Vesting of the shares will be conditional on the selected participant remaining a participant at all times after the relevant dates of the fulfilment of the performance targets (if any) specified by the Board and on the vesting date until and on each of the relevant vesting dates and his/her execution of the relevant documents to effect the transfer from the Trustee, unless otherwise determined by the Board.

The Trustee shall not exercise the voting rights in respect of any shares held under the trust (including but not limited to the awarded shares, the returned shares and further shares acquired out of the income derived therefrom).

Pursuant to the resolution passed at the annual general meeting of the Company held on 18 May 2017, 12,000,000 share awards were granted by the Company to the key employees of the Group under the 2017 Share Award Scheme with estimated fair value of RMB14,325,000. The fair value of the awarded shares was determined with reference to the market price of the Company's shares at the grant date. The 12,000,000 awarded shares are subject to a vesting scale in which 40%, 30% and 30% of the awarded shares shall vest on 18 May 2017, 20 March 2018 and 20 March 2019 respectively.

In 2017, the Company has issued 12,000,000 new shares to the Trustee for the 2017 Share Award Scheme and classified them as treasury shares of the Company. As at 30 June 2020 and 31 December 2021, the Group had 10,607,207 share awards vested under the 2017 Share Award Scheme, which represented 1.68% of the issued ordinary shares of the Company, while the remaining 1,392,793 shares awards related to the forfeited share awards before vested, and remained in the Trustee as at 30 June 2022 and 31 December 2021.

No shares were purchased or granted by the Company under the 2017 Share Award Scheme during the six months ended 30 June 2022 and 2021.

The Group has not recognised any expense in relation to the 2017 Share Award Scheme during the six months ended 30 June 2022 and 2021..

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

21. COMMITMENTS

Lease commitments

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

	(Unaudited) As at 30 June 2022 RMB'000	(Audited) As at 31 December 2021 RMB'000
Within one year	–	491

Capital commitments

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

22. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the Interim Financial Information, the Group had the following material transactions with related parties during the period:

Name of related parties	Relationship with the Group
Mr. Zheng	Ultimate beneficial owner of the Company and director of the Company
Xin'aote Group Co. Ltd. (" Xin'aote Group ")	Controlled by Mr. Zheng
Xin'aote Investment Group Co., Ltd (" CDV Investment ")	Controlled by Mr. Zheng
Totem Vision Guangzhou	Joint venture

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

22. SIGNIFICANT RELATED PARTY TRANSACTIONS – continued

(a) Transactions with related parties

		(Unaudited)	
		Six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
CDV Investment	Rental expenses and property management fee*	6,530	4,817
Xin'aote Group	Sales of goods and provision of service*	206	14,927
Totem Vision Guangzhou	Sales of intangible assets	6,300	–
		<u>6,300</u>	<u>–</u>

In the opinion of the directors of the Company, all of the above transactions were entered into in the ordinary course of the Group's business.

* These related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules.

(b) Key management personnel remuneration

Key management of the Group are members of the board of directors and senior management. Included in employee benefit expenses are key management personnel remuneration which includes the following expenses:

		(Unaudited)	
		Six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
	Fee, salaries and allowances	1,367	1,820
	Retirement benefit scheme contributions	96	148
		<u>1,463</u>	<u>1,968</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The following table presents financial instruments measured at fair value in the condensed consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial instruments into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial instruments. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial instrument is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial instruments measured at fair value in the condensed consolidated statement of financial position on a recurring basis are grouped into the fair value hierarchy as follows:

	(Unaudited) As at 30 June 2022 Level 3 RMB'000	(Audited) As at 31 December 2021 Level 3 RMB'000
Financial asset at fair value through profit or loss – Unlisted equity investments	<u>7,472</u>	<u>7,472</u>

For the six months ended 30 June 2022 and year ended 31 December 2021, there were no transfers amongst level 1, level 2 and level 3 in the fair value hierarchy.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS – *continued*

The information about the fair value of unlisted equity investments categorised under Level 3 fair value hierarchy are described below:

	Valuation technique	Unobservable input	Range (median)	
			(Unaudited) As at 30 June 2022	(Audited) As at 31 December 2021
- Unlisted equity investments	Market approach and net assets approach	Discount of lack of marketability	<u>15.8%</u>	<u>15.8%</u>

In the opinion of the directors of the Company, the fair value change on the unlisted equity investments is considered to be insignificant for the six months ended 30 June 2022 and 2021 because there is no significant change in the financial projections of the investments, unobservable input and assumptions.

24. NON-CASH TRANSACTION

As detailed in note 5(b), the Group has invested into 30% equity interest in Totem Vision Guangzhou by contributing the Group's intangible assets with nil carrying amount at the date of transfer during the six months ended 30 June 2022.