



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

THIRD QUARTERLY  
REPORT

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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 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.

# CONTENTS

FINANCIAL HIGHLIGHTS	<b>2</b>
MANAGEMENT DISCUSSION AND ANALYSIS	<b>3</b>
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	<b>15</b>
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	<b>16</b>
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	<b>18</b>

## FINANCIAL HIGHLIGHTS

- Our revenue decreased by 28% to RMB146.7 million for the nine months ended 30 September 2022 from RMB203.6 million for the nine months ended 30 September 2021.
- We recorded a loss of RMB53.6 million for the nine months ended 30 September 2022 as compared to a loss of RMB57.7 million for the nine months ended 30 September 2021.
- Our Directors did not recommend the payment of dividends for the nine months ended 30 September 2022 (nine months ended 30 September 2021: 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 the People's Republic of China (the "PRC"). 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, which is a critical part of the PRC TV broadcasting market. We have been at the forefront of digital video technology innovation in the PRC. Our emphasis on demand-driven and highly responsive research and development initiatives is particularly critical for us because of our focus on the solutions and services business, where 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 relationship with most of the central- and provincial-level TV stations in the PRC and with some of the provincial-level TV broadcasters in the PRC for over 25 years. We have also served alternative broadcasting platforms, such as cable networks operators, internet media content providers and IPTV operators. In view of the sustained loss of the Company and its subsidiaries (collectively, the "Group"), while we will continue with 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 our 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 RMB146.7 million for the nine months ended 30 September 2022, representing a decrease of 28% from RMB203.6 million for the nine months ended 30 September 2021. We recorded a loss of RMB53.6 million for the nine months ended 30 September 2022 as compared to a loss of RMB57.7 million for the nine months ended 30 September 2021. Such loss was primarily due to the decrease in gross profit as a result of (i) the keen competition from new media and the internet; and (ii) delay in bidding of upgrading projects in relation to TV station.

## MANAGEMENT DISCUSSION AND ANALYSIS

### ANALYSIS ON CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

#### Revenue

We derived revenue primarily from (i) sale of solutions; (ii) provision of services; and (iii) sale of products. The following table sets out a breakdown of our revenue for the periods indicated:

	Nine months ended 30 September			
	2022		2021	
	(Unaudited)		(Unaudited)	
	Amount	% of total	Amount	% of total
	(RMB in thousands, except percentages)			
Solutions	63,189	43.1	97,024	47.7
Services	45,069	30.7	76,461	37.5
Products	38,451	26.2	30,143	14.8
Total	146,709	100.0	203,628	100.0

Our revenue decreased by 28% to RMB146.7 million for the nine months ended 30 September 2022 from RMB203.6 million for the nine months ended 30 September 2021. The decrease in revenue was mainly attributable to TV stations delaying from upgrading due to the pandemic.

#### Cost of Sales

Our cost of sales decreased by 20.9% to RMB126.4 million for the nine months ended 30 September 2022 from RMB159.8 million for the nine months ended 30 September 2021 as a result of decrease in revenue.

#### Gross Profit and Gross Profit Margin

Our gross profit represents revenue less cost of sales. Our gross profit decreased by 53.7% to RMB20.3 million for the nine months ended 30 September 2022 from RMB43.8 million for the nine months ended 30 September 2021, and our gross profit margin decreased to 13.8% for the nine months ended 30 September 2022 from 21.5% for the nine months ended 30 September 2021. The decrease in gross profit was primarily attributable to a decrease in revenue while the fixed cost within the cost of our major business remained stable year-on-year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Other Income

Our other income increased by 27.1% to RMB21.3 million for the nine months ended 30 September 2022 from RMB16.8 million for the nine months ended 30 September 2021 as a result of the gain on disposal of intangible assets.

### Selling and Marketing Expenses

Our selling and marketing expenses was RMB40.0 million for the nine months ended 30 September 2022, basically unchanged from RMB39.9 million for nine months ended 30 September 2021.

### Administrative Expenses

Our administrative expenses increased by 15.9% to RMB32.8 million for the nine months ended 30 September 2022 from RMB28.3 million for the nine months ended 30 September 2021, primarily due to the increase in legal service fees.

### Share-Based Compensation Expense

We did not record any share-based compensation expense during the nine months ended 30 September 2022 and for the nine months ended 30 September 2021, since all share options granted under the share option scheme were fully vested in 2019.

### Research and Development Expenses

Our research and development expenses decreased by 14% to RMB17.7 million for the nine months ended 30 September 2022 as compared to RMB20.6 million for the nine months ended 30 September 2021, primarily due to an increase in capitalized expenditure of research and development expenses.

### Finance Costs

Our finance costs decreased by 7.2% to RMB7.1 million for the nine months ended 30 September 2022 from RMB7.7 million for the nine months ended 30 September 2021, primarily due to the decrease in bank borrowings interest.

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

Our impairment loss on trade and other receivables and contract assets amounted to RMB18.0 million for the nine months ended 30 September 2021, while our reversal of impairment loss on trade and other receivables and contract assets amounted to RMB2.9 million for the nine months ended 30 September 2022, primarily due to 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 RMB53.7 million for the nine months ended 30 September 2022 as compared to a loss before income tax of RMB57.7 million for the nine months ended 30 September 2021.

### Loss for the Period

As a result of the foregoing factors, we recorded a loss of RMB53.7 million for the nine months ended 30 September 2022 as compared to a loss of RMB57.7 million for the nine months ended 30 September 2021.

### Other Comprehensive Loss

We recorded other comprehensive loss of RMB15.0 million for the nine months ended 30 September 2022 as compared to other comprehensive loss of RMB0.3 million for the nine months ended 30 September 2021.

### Total Comprehensive Loss for the Period

We recorded a total comprehensive loss of RMB68.6 million for the nine months ended 30 September 2022 as compared to RMB58.0 million for the nine months ended 30 September 2021, primarily due to a decrease in gross profit.

### Loss Attributable to Non-controlling Interests

We recorded a loss attributable to non-controlling interests of RMB0.4 million for the nine months ended 30 September 2022 as compared to a loss attributable to non-controlling interests of RMB1.4 million for the nine months ended 30 September 2021.

## MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 25 May 2022, China Digital Video (Beijing) Limited\* (新奧特(北京)視頻技術有限公司) ("CDV BJ"), an indirectly wholly-owned subsidiary of the Company and Tuteng Shijie (Guangzhou) Digital Technology Limited Company\* (圖騰視界(廣州)數字科技有限公司) ("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.\* (北京錦頌創逸技術科技有限公司), at a consideration of RMB9.0 million. Upon completion of the abovesaid transaction, the Company is interested in 30% of the entire equity interests in Beijing Jinsong Chuangyi Technology Co., Ltd.\* by virtue of its shareholding in Tuteng Shijie through CDV BJ, and Beijing Jinsong Chuangyi Technology Co., Ltd.\* ceased to be the subsidiary of the Company. For details, please refer to the announcements of the Company dated 25 May 2022 and 26 May 2022.

Saved as disclosed above, we made no material acquisition or disposal of subsidiaries, associates and joint ventures during the nine months ended 30 September 2022.

## FUTURE PLANS FOR MATERIAL INVESTMENT IN OR ACQUISITION OF CAPITAL ASSETS

During the nine months ended 30 September 2022, we did not have any plans for material investment in or acquisition of capital assets.

## MANAGEMENT DISCUSSION AND ANALYSIS

### HUMAN RESOURCES

As at 30 September 2022, we had 415 full-time employees and 38 dispatched workers (30 September 2021: 548 full-time employees and 41 dispatched workers). The remuneration package of the employees includes salary, sales commission, bonus and other cash subsidies. For the nine months ended 30 September 2022 and 30 September 2021, the remuneration expense, excluding share-based compensation expense, was approximately RMB74.7 million and RMB84.2 million, respectively. In general, our employees' salaries are determined based on individual performance, qualification, position and seniority. We place a strong emphasis on recruiting skilled personnel. We typically recruit talents from universities and technical schools and conduct an annual review on 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. For further details, please see "Share Option Scheme" and "Share Award Scheme" in this report.

### DIVIDEND DISTRIBUTION

The Board did not recommend the payment of dividends for the nine months ended 30 September 2022 (nine months ended 30 September 2021: nil).

### ADVANCE TO AN ENTITY PROVIDED BY THE COMPANY

On 1 January 2021, the Company as lender and Beijing Huizhi Technology Co., Ltd.\* (北京蕙質科技有限公司) as borrower entered into a loan agreement (the "Beijing Huizhi Loan Agreement"), pursuant to which, the Company agreed to provide a loan in the principal amount of RMB200,000,000 at an interest rate of 6% per annum for a term from 1 January 2021 to 31 December 2021. It was agreed between the parties to the Beijing Huizhi Loan Agreement that the maturity date would be extended to 30 June 2022. As the amount of the abovesaid loan exceeds 8% of the Company's total assets as at 31 December 2021, the entering into of such loan agreement constituted an advance to an entity pursuant to Rule 17.15 of the GEM Listing Rules. Please refer to the announcement of the Company dated 21 October 2022 for further details.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 30 September 2022.

### EVENT AFTER THE REPORTING PERIOD

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 September 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 and beneficial owner <sup>1</sup>	216,402,278	34.33%
Mr. Liu Baodong	Beneficial owner <sup>2</sup>	17,118,669	2.72%
Mr. Pang Gang	Beneficial owner <sup>3</sup>	405,000	0.06%
Mr. Frank Christiaens	Beneficial owner <sup>3</sup>	300,000	0.05%
Ms. Cao Qian	Beneficial owner <sup>3</sup>	300,000	0.05%

#### Notes:

- 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 of the Company (the "Shares") held by Wing Success Holdings Limited.
- 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.
- Interests in options granted pursuant to the Share Option Scheme.

Save as disclosed above, as at 30 September 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 September 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, or who were directly or indirectly interested in 10% or more of the number of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

#### Long positions in the shares of the Company

Name of shareholder	Capacity	Number of shares or underlying shares	Approximate percentage of interest in the Company
Mr. Zheng Fushuang	Founder of a discretionary trust and beneficial owner <sup>1</sup>	216,402,278	34.33%
Wickhams Cay Trust Company Limited	Trustee and interest of controlled corporation <sup>2</sup>	214,278,278	33.99%
ZFS Holdings Limited	Interest in controlled corporation <sup>2</sup>	214,278,278	33.99%
Wing Success Holdings Limited	Beneficial owner <sup>2</sup>	214,278,278	33.99%
Power Side Limited	Interest in controlled corporation <sup>3</sup>	98,098,000	15.56%
Mr. Li Peng	Interest in controlled corporation <sup>3</sup>	98,098,000	15.56%
Carvillo Success Limited	Beneficial owner <sup>3</sup>	98,098,000	15.56%
Mr. Guo Langua	Beneficial owner	39,034,053	6.19%

#### Notes:

- 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.
- 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.
- 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 September 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, or who was directly or indirectly interested in 10% or more of the number of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 our 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 our Group and any invested entity.

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 in issue on 18 May 2017, 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 our Shareholders' approval in general meeting with such participant and his associates (as defined under the GEM Listing Rules) abstaining from voting.

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 the 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets out the details of the options granted pursuant to the Share Option Scheme but not yet exercised as at 30 September 2022. No option lapsed during the nine months ended 30 September 2022.

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 nine months ended 30 September 2022	Number of options lapsed during the nine months ended 30 September 2022	Number of options outstanding as at 30 September 2022	Approximate percentage of shareholding upon full exercise of share options
<b>Executive Directors</b>									
Liu Baodong	24 May 2017	3,000,000	HK\$1.31	HK\$1.33	24 May 2017 to 17 May 2027 <sup>2</sup>	–	–	3,000,000	0.48%
Pang Gang	24 May 2017	405,000	HK\$1.31	HK\$1.33	24 May 2017 to 17 May 2027 <sup>2</sup>	–	–	405,000	0.06%
<b>Independent non-executive Directors</b>									
Frank Christiaens	24 May 2017	300,000	HK\$1.31	HK\$1.33	24 May 2017 to 17 May 2027	–	–	300,000	0.05%
Cao Qian	24 May 2017	300,000	HK\$1.31	HK\$1.33	24 May 2017 to 17 May 2027	–	–	300,000	0.05%
<b>Other employees and consultants of the Group</b>	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		<b>61,482,700</b>						<b>61,482,700</b>	<b>9.76%</b>

Notes:

- 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.
- The option 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

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 their 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.

On 30 August 2017, 12,000,000 awarded Shares were issued by the Company to the Trustee under the Share Award Scheme. The 12,000,000 awarded Shares shall vest in the grantees subject to the vesting scale under the grant letter.

During the nine months ended 30 September 2022, the Company neither issued new Shares nor arranged any funds to be paid to the Trustee for purchasing of Shares from the market.

### COMPETING BUSINESSES

For the nine months ended 30 September 2022, none of the Directors or 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 may compete with the business of the Group, or had any other conflict of interest with the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

Mr. Zheng Fushuang (“**Mr. Zheng**”) 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 (the “**Chairman**”) and the CEO of the Company. 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 the 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 has 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 nine months ended 30 September 2022 and up to the date of this report. No incident of non-compliance was noted by the Company during this period.

### AUDIT COMMITTEE AND REVIEW OF QUARTERLY 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 to review and supervise the financial reporting process and internal control systems of the Group, and oversee the audit process and the audits of the financial statements of the Group.

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 this report including the unaudited financial statements for the nine months ended 30 September 2022 and is of the opinion that (i) the unaudited financial statements of the Group for the nine months ended 30 September 2022 comply with the applicable accounting standards and the GEM Listing Rules; and (ii) adequate disclosure has been made in such unaudited financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 and Chief Executive Officer*

Hong Kong, 8 November 2022

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

	Notes	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
		2022	2021	2022	2021
		RMB'000	RMB'000	RMB'000	RMB'000
<b>Revenue</b>	4	<b>29,098</b>	61,009	<b>146,709</b>	203,628
Cost of sales		<b>(24,033)</b>	(58,583)	<b>126,412</b>	(159,818)
<b>Gross profit</b>		<b>5,065</b>	2,426	<b>20,297</b>	43,810
Other income	5	<b>4,311</b>	4,450	<b>21,326</b>	16,773
Selling and marketing expenses		<b>(13,841)</b>	(9,083)	<b>(40,013)</b>	(39,894)
Administrative expenses		<b>(14,674)</b>	(12,908)	<b>(32,801)</b>	(28,298)
Research and development expenses		<b>(5,233)</b>	(4,254)	<b>(17,749)</b>	(20,635)
Finance costs	6	<b>(1,930)</b>	(1,749)	<b>(7,131)</b>	(7,686)
Net impairment loss on trade and other receivables and contract sales	6	<b>(1,680)</b>	(7,785)	<b>2,875</b>	(18,031)
Share of losses of joint ventures		<b>19</b>	(3,699)	<b>0</b>	(3,699)
Share of loss of associates	6	<b>(1,369)</b>	(1,044)	<b>(419)</b>	0
<b>Loss before income tax</b>	6	<b>(29,332)</b>	(33,646)	<b>(53,614)</b>	(57,660)
<b>Loss for the period</b>		<b>(29,332)</b>	(33,646)	<b>(53,614)</b>	(57,660)
<b>Other comprehensive income/(loss)</b> <i>Items that may be subsequently reclassified to profit or loss:</i>					
Exchange difference arising on the translation of foreign operation		<b>(14,695)</b>	826	<b>(15,026)</b>	(292)
<b>Total comprehensive income/(loss) for the period</b>		<b>(44,027)</b>	(32,820)	<b>(68,641)</b>	(57,952)
<b>Loss for the period attributable to:</b>					
Equity holders of the Company		<b>(32,384)</b>	(34,355)	<b>(53,175)</b>	(56,305)
Non-controlling interests		<b>3,052</b>	709	<b>(440)</b>	(1,355)
		<b>(29,332)</b>	(33,646)	<b>(53,614)</b>	(57,660)
<b>Total comprehensive income/(loss) for the period attributable to:</b>					
Equity holders of the Company		<b>(47,080)</b>	(33,529)	<b>(68,201)</b>	(56,597)
Non-controlling interests		<b>3,052</b>	709	<b>(440)</b>	(1,355)
		<b>(44,027)</b>	(32,820)	<b>(68,641)</b>	(57,952)
<b>Loss per share for loss attributable to equity holders of the Company</b> (expressed in RMB cents per share)	8				
Basic		<b>(5.24)</b>	(5.56)	<b>(8.6)</b>	(9.11)
Diluted		<b>(5.24)</b>	(5.56)	<b>(8.6)</b>	(9.11)

The notes on pages 18 to 22 are an integral part of this report.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

	Equity attributable to equity holders of the Company										
	Share capital	Treasury shares	Share premium	Statutory reserve	Translation reserve	Share option reserve	Other reserve	Retained earnings/ (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)
<b>Balance at 1 January 2022</b>	43	(1)	600,213	30,215	(12,244)	27,165	31,278	(442,614)	234,055	4,912	238,967
<b>Comprehensive loss for the period</b>											
Loss for the period	-	-	-	-	-	-	-	(53,175)	(53,175)	(440)	(53,615)
Other comprehensive income for the period	-	-	-	-	15,026	-	-	-	15,026	-	15,026
<b>Total comprehensive income/(loss) for the period</b>	-	-	-	-	15,026	-	-	(53,175)	(38,148)	(440)	(38,588)
<b>Transactions with owners</b>											
Share repurchased and cancelled	-	-	-	-	-	-	-	-	-	-	-
Share-based compensation	-	-	-	-	-	-	-	-	-	-	-
Transfer upon forfeiture of share options	-	-	-	-	-	-	-	-	-	-	-
Vesting of shares of share award scheme	-	-	-	-	-	-	-	-	-	-	-
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	-
<b>Total transactions with owners</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at 30 September 2022</b>	43	(1)	600,213	30,215	2,782	27,165	31,278	(495,789)	195,907	4,472	200,379

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

	Equity attributable to equity holders of the Company										
	Share capital	Treasury shares	Share premium	Statutory reserve	Translation reserve	Share option reserve	Other reserve	Retained earnings/ (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)
<b>Balance at 1 January 2021</b>	43	(1)	600,213	29,664	(8,133)	47,836	31,278	(357,762)	343,138	3,112	346,250
<b>Comprehensive loss for the period</b>											
Loss for the period	-	-	-	-	-	-	-	(56,305)	(56,305)	(1,355)	(57,659)
Other comprehensive income for the period	-	-	-	-	292	-	-	-	292	-	292
<b>Total comprehensive income/(loss) for the period</b>	-	-	-	-	292	-	-	(56,305)	(56,013)	(1,355)	(57,369)
<b>Transactions with owners</b>											
Share repurchased and cancelled	-	-	-	-	-	-	-	-	-	-	-
Share-based compensation	-	-	-	-	-	-	-	-	-	-	-
Transfer upon forfeiture of share options	-	-	-	-	-	-	-	-	-	-	-
Vesting of shares of share award scheme	-	-	-	-	-	-	-	-	-	-	-
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	-
<b>Total transactions with owners</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at 30 September 2021</b>	43	(1)	600,213	29,664	(7,841)	47,836	31,278	(414,067)	287,125	1,757	288,882

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

### 1. GENERAL INFORMATION

China Digital Video Holdings Limited (the **"Company"**) was incorporated in the Cayman Islands on 8 January 2007 as an exempted company with limited liability under the Companies Act (as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the GEM of The Stock Exchange of Hong Kong Limited (the **"Stock Exchange"**) since 27 June 2016 (the **"Listing"**).

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

### 2. BASIS OF PREPARATION

This unaudited condensed consolidated quarterly financial information for the nine months ended 30 September 2022 (the **"Quarterly Financial Information"**) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. The Quarterly Financial Information was authorised for issue by the Company's board of directors (the **"Board"**) on 8 November 2022.

The accounting policies and methods of computation used in the preparation of the Quarterly Financial Information are consistent with those used in the annual financial statements for the year ended 31 December 2021 except for the adoption of new amendments to International Financial Reporting Standards (**"IFRSs"**) that have become effective on the accounting period on or after 1 January, 2023 and are relevant to the Group.

The adoption had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

The Quarterly Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2021.

The Quarterly Financial Information is presented in Renminbi (**"RMB"**), unless otherwise stated.

The Quarterly Financial Information was unaudited.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Quarterly 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 Quarterly 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 Group. The CODM mainly reviews revenue derived from sales 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 September		(Unaudited) Nine months ended 30 September	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Solutions	14,656	11,794	63,189	97,024
Services	12,311	39,928	45,069	76,461
Products	2,131	9,287	38,451	30,143
	<u>29,098</u>	<u>61,009</u>	<u>146,709</u>	<u>203,628</u>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

### 5. OTHER INCOME

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
<b>Other revenue</b>				
Interest income	2,731	1,683	5,859	6,786
Value-added tax ("VAT") refunds <sup>1</sup>	509	1,595	4,411	4,992
	<u>3,240</u>	<u>3,278</u>	<u>10,270</u>	<u>11,778</u>
<b>Other net income/gain</b>				
Gain on disposal of intangible assets	0	–	6,300	–
Subsidy income from government <sup>2</sup>	811	841	2,675	4,604
Sundry income	486	331	2,080	391
Net foreign exchange gain	(226)	0	0	0
	<u>1,070</u>	<u>1,172</u>	<u>11,055</u>	<u>4,995</u>
	<u>4,310</u>	<u>4,450</u>	<u>21,326</u>	<u>16,773</u>

*Notes:*

- The sales of software products in the PRC are subject to VAT calculated at 13%. 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.
- Subsidy income mainly relates to cash subsidies in respect of operating and development activities from governments which are either unconditional grants or grants with conditions having been satisfied.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

### 6. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Finance costs</b>				
Interest on bank and other borrowings, wholly repayable within five years	<b>1,930</b>	1,749	<b>7,131</b>	7,686
<b>Employee benefit expenses</b>				
Salaries, bonus and allowances	<b>10,386</b>	21,943	<b>47,881</b>	59,403
Retirement benefit scheme contributions	<b>3,816</b>	3,807	<b>13,337</b>	14,250
Severance payments	<b>112</b>	89	<b>215</b>	142
	<b>14,314</b>	25,839	<b>61,433</b>	73,795
<b>Other items</b>				
Cost of software and hardware equipment recognised as an expense	<b>7,861</b>	39,357	<b>84,361</b>	109,168
Depreciation of property, plant and equipment	<b>247</b>	2,829	<b>5,081</b>	7,569
Amortisation of intangible assets	<b>8,343</b>	9,601	<b>25,992</b>	26,572

### 7. DIVIDENDS

The directors did not recommend the payment of dividends for the nine months ended 30 September 2022 (nine months ended 30 September 2021: nil).

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

### 8. LOSS PER SHARE

#### (a) Basic loss per share

Basic loss per share is calculated by dividing the adjusted loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
<b>Loss</b>				
Loss used to determine basic loss per share	<u>(32,384)</u>	<u>(34,355)</u>	<u>(53,175)</u>	<u>(56,305)</u>

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
<b>Number of shares (in thousands)</b>				
Weighted average number of ordinary shares outstanding for basic loss per share	<u>618,332</u>	<u>618,332</u>	<u>618,332</u>	<u>618,332</u>

#### (b) Diluted loss per share

For the three months and nine months ended 30 September 2022 and 2021, the Company had three categories of potential dilutive ordinary shares: the 2010 Share Option Plan, the 2017 Share Option Scheme and the 2017 Share Award Scheme. The diluted loss per share for the three months and nine months ended 30 September 2022 and 2021 was the same as the basic loss per share as the potential ordinary shares were anti-dilutive.