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

ALWAYS BE FORWARD LOOKING

ANNUAL REPORT 2020

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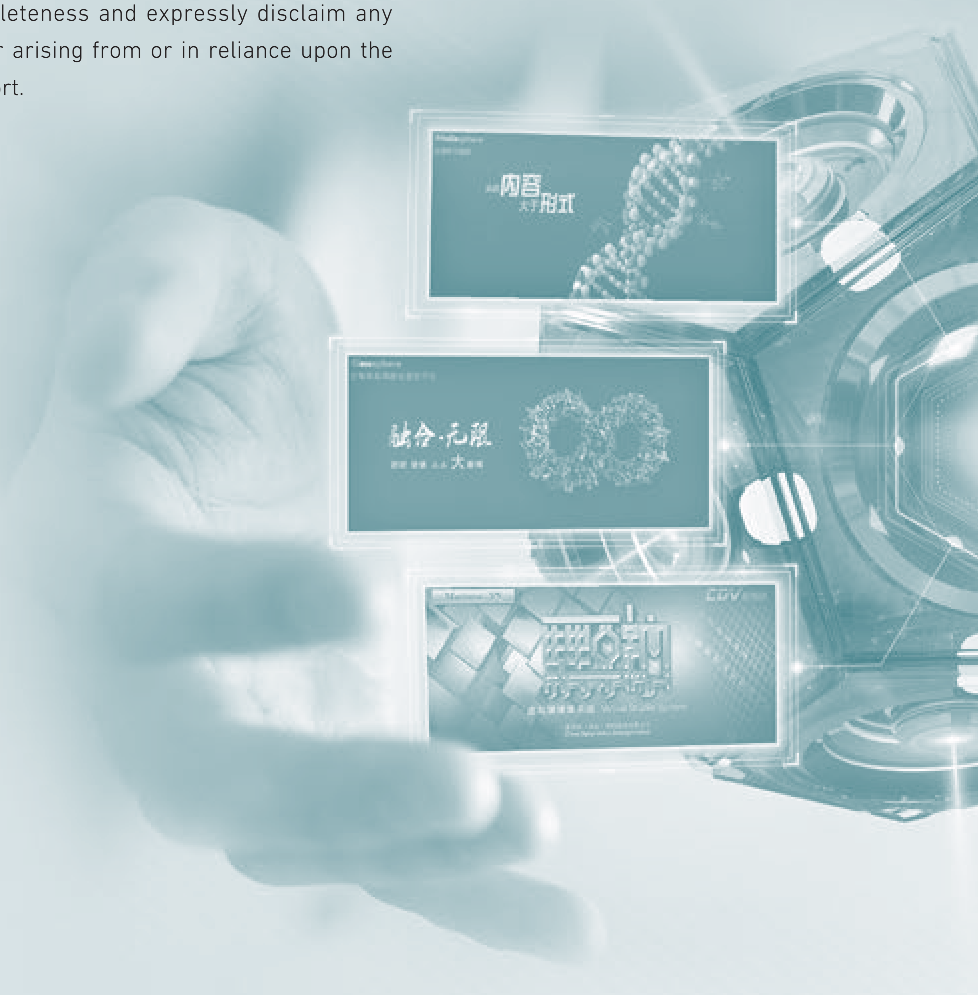
This report, for which the directors (the "**Directors**") of China Digital Video Holdings Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange (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)*
(appointed on 2 February 2021)
Mr. LIU Baodong
(resigned as President on 2 February 2021)
Mr. XU Da *(resigned on 2 February 2021)*

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)

AUDITORS

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 annual report)*

CHAIRMAN STATEMENT

On behalf of the board (the "**Board**") of China Digital Video Holdings Limited (the "**Company**" or "**we**"), I am pleased to report to our valued shareholders and investors the results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the financial year ended 31 December 2020 (the "**2020 Annual Period**").

OVERVIEW

Business Review

During the 2020 Annual Period, we recorded revenue of approximately RMB312.0 million, which represents an increase of 2.9% over the revenue of RMB303.2 million for the year ended 31 December 2019 (the "**2019 Annual Period**"). We recorded a loss of RMB69.1 million for the 2020 Annual Period as compared to a loss of RMB172.7 million for the 2019 Annual Period.

Future Prospects

As the leading digital video technology solution and service company in the TV broadcasting in China, we will actively adapt to the market development and technological progress. We plan to continue to develop and invest in innovative products and businesses by leveraging our core digital video technology. We will continuously consolidate and expand existing technology, market and brand advantage and endeavor to optimize and improve the efficiency of existing products and reduce costs. We will also proactively seek potential business opportunities that will broaden our sources of income and enhance value to the shareholders.

Appreciation

I would like to take this opportunity to express my heartfelt gratitude to the fellow members of the Board, and on behalf of the Board, the management and entire staff of the Group for their diligent work and contribution in the past year. Last but not the least, I would like to extend my sincerest appreciation to the investors and shareholders of the Company for their continuing confidence in and support for the Group over the years. In 2021, the business portfolio of the Group will continue to be optimised and rationalised to provide the Company's future development and business growth with a motive force. We will devote our best efforts to generate encouraging returns for our supportive shareholders.

Zheng Fushuang
Chairman

29 March 2021

FINANCIAL HIGHLIGHTS

Our revenue increased by 2.9% to RMB312.0 million for the 2020 Annual Period from RMB303.2 million for the 2019 Annual Period.

We recorded a loss of RMB69.1 million for the 2020 Annual Period as compared to a loss of RMB172.7 million for the 2019 Annual Period.

Our Directors did not recommend the payment of dividend for the 2020 Annual Period (2019: nil).

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW

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 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 research and development 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 24 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 losses of 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 the existing business and/or business diversification will be appropriate in order to enhance our long-term growth potential.

FINANCIAL REVIEW

We recorded a revenue of RMB312.0 million for the 2020 Annual Period, representing an increase of 2.9% from RMB303.2 million for the 2019 Annual Period. We recorded a loss of RMB69.1 million in the 2020 Annual Period as compared to a loss of RMB172.7 million in the 2019 Annual Period.

Revenue

We derived revenue primarily from (i) sale of solutions; (ii) provision of services; and (iii) sale of products.

Our revenue increased by 2.9% to RMB312.0 million for the 2020 Annual Period from RMB303.2 million for the 2019 Annual Period. The increase was mainly attributable to the carry on of (i) the upgrading projects in relation to 4K ultra-high definition equipment and (ii) outfield network production and broadcasting systems of certain major customers in the 2020 Annual Period.

Cost of Sales

Our cost of sales increased by 9.6% to RMB258.2 million for the 2020 Annual Period from RMB235.7 million for the 2019 Annual Period, as a result of the increase in costs arising from procurement and amortisation charges of our intangible assets.

Gross Profit and Gross Profit Margin

Our gross profit represents revenue less cost of sales. Our gross profit decreased by 20.3% to RMB53.8 million for the 2020 Annual Period from RMB67.5 million for the 2019 Annual Period, primarily due to the increase in cost of sales. As a result, our gross profit margin decreased to 17.2% for the 2020 Annual Period from 22.3% for the 2019 Annual Period due to the increase in cost of sales.

Other Income

Our other income increased by 97.6% to RMB62.0 million for the 2020 Annual Period from RMB31.4 million for the 2019 Annual Period, primarily due to (i) the gain on deemed disposal of partial interests in an associate; (ii) the increase in government subsidies; and (iii) the net gain on foreign exchange.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 24.0% to RMB43.6 million for the 2020 Annual Period as compared to RMB57.4 million for 2019 Annual Period, primarily due to (i) the decrease in staff costs for sales and marketing activities; and (ii) the decrease in business-related travel and entertainment expenses due to the outbreak of COVID-19.

Administrative Expenses

Our administrative expenses decreased by 24.1% to RMB33.1 million for the 2020 Annual Period as compared to RMB43.6 million for the 2019 Annual Period, primarily due to the decrease staff costs in relation to the senior management of the Company.

Share-Based Compensation Expense

We did not have any share-based compensation expense for the 2020 Annual Period (2019: RMB1,755,000).

Research and Development Expenses

Our research and development expenses increased by 56.1% to RMB43.6 million for the 2020 Annual Period as compared to RMB27.9 million for the 2019 Annual Period, primarily due to the decrease in the capitalisation of research and development expenses.

Finance Costs

Our finance costs decreased by 21.2% to RMB10.3 million for the 2020 Annual Period from RMB13.0 million for the 2019 Annual Period, primarily due to the decrease in bank borrowings.

Net Impairment Loss on Trade and Other Receivables and Contract Assets

Our net impairment loss on trade and other receivables and contract assets decreased to RMB49.1 million for the 2020 Annual Period from RMB108.3 million for the 2019 Annual Period. The decrease was primarily due to the decrease in the balances of our trade receivables.

Impairment Loss on Goodwill

We did not have any expense in relation to impairment loss on goodwill for the 2020 Annual Period (2019: RMB17,481,000).

Loss before Income Tax

As a result of the foregoing factors, we recorded a loss before income tax of RMB61.6 million and RMB173.5 million for the 2020 Annual Period and the 2019 Annual Period, respectively.

Income Tax Expense

We recorded an income tax expense of RMB7.5 million for the 2020 Annual Period as compared to an income tax credit of RMB0.8 million for the 2019 Annual Period, primarily due to the reversal of temporary differences.

Loss for the Year

As a result of the foregoing factors, we recorded a loss of RMB69.1 million for the 2020 Annual Period as compared to a loss of RMB172.7 million for the 2019 Annual Period.

Other Comprehensive Expense

We recorded other comprehensive expense of RMB11.0 million for the 2020 Annual Period as compared to an other comprehensive income of RMB5.1 million for the 2019 Annual Period, primarily due to the exchange difference arising on the translation of foreign operation.

Loss attributable to Equity Holders

We had loss attributable to equity holders of RMB71.1 million for the 2020 Annual Period as compared to loss attributable to equity holders of RMB173.3 million for the 2019 Annual Period.

Dividend

The Directors did not recommend the payment of a final dividend for the 2020 Annual Period (2019: nil).

ANALYSIS ON ANNUAL AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS

Non-current Assets

As at 31 December 2020, our non-current assets amounted to RMB194.7 million (as compared to RMB168.0 million as at 31 December 2019), primarily consisting of intangible assets of RMB111.0 million (as compared to RMB139.0 million as at 31 December 2019), property, plant and equipment of RMB40.6 million (as compared to RMB0.6 million as at 31 December 2019) and interests in associates of RMB34.0 million (as compared to RMB17.3 million as at 31 December 2019). 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. (北京悅影科技有限公司), Beijing Meicam Network Technology Co, Ltd. (北京美攝網絡科技有限公司), Xin'aote (Fujian) Culture Technology Co., Ltd. (新奧特 (福建) 文化科技有限公司) and Beijing Xin'aote Smart Sport Innovation Development Co., Ltd. (北京新奧特智慧體育創新發展有限公司).

Current Assets

As at 31 December 2020, our current assets amounted to RMB653.4 million (as compared to RMB769.7 million as at 31 December 2019), primarily consisting of trade and other receivables of RMB364.5 million (as compared to RMB393.9 million as at 31 December 2019), bank balances and cash of RMB125.6 million (as compared to RMB115.2 million as at 31 December 2019) and contract assets of RMB58.5 million (as compared to RMB75.2 million as at 31 December 2019).

Current Liabilities

As at 31 December 2020, our current liabilities amounted to RMB473.6 million (as compared to RMB511.4 million as at 31 December 2019), primarily consisting of trade and other payables of RMB243.8 million (as compared to RMB254.2 million as at 31 December 2019), interest-bearing bank and other borrowings of RMB196.8 million (as compared to RMB234.9 million as at 31 December 2019) and contract liabilities of RMB18.5 million (as compared to RMB17.0 million as at 31 December 2019). Contract liabilities of the Group mainly arose from the advance payments made by customers while the underlying products or services were yet to be provided.

Non-current Liabilities

As at 31 December 2020, our non-current liabilities, consisting of lease liability only, amounted to RMB28.4 million (As at 31 December 2019: nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2020, the current assets of the Group amounted to RMB653.4 million, including RMB364.5 million in trade and other receivables and RMB125.6 million in bank balances and cash. Current liabilities of the Group amounted to RMB473.6 million, of which RMB243.8 million were trade and other payables and RMB196.8 million were interest-bearing bank and other borrowings. As at 31 December 2020, the interest-bearing bank and other borrowings were denominated in Renminbi bearing fixed and floating interest rates. All of our bank borrowings and other borrowings as at 31 December 2020 were repayable within one year.

The gearing ratio of the Group (calculated as total bank and other borrowings divided by total equity) was 56.8% as at 31 December 2020 (as compared to 55.1% as at 31 December 2019).

During the 2020 Annual Period, we did not employ any financial instrument for hedging purposes.

COMMITMENTS

As at 31 December 2020, we had short-term lease commitments in respect of rented office and various residential properties of approximately RMB0.4 million (As at 31 December 2019: RMB6.0 million).

MATERIAL ACQUISITION AND DISPOSAL

We had no material acquisition and disposal of subsidiaries and affiliated companies during the 2020 Annual Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS AND EXPECTED SOURCE OF FUNDING

We do not have plans for material investments 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 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 either the Company's or our subsidiaries' functional currency. As at 31 December 2020, we did not have significant foreign currency risk from our operations. During the 2020 Annual Period, we did not enter into any arrangements to hedge against any fluctuation in foreign currency.

CHARGE ON ASSETS

As at 31 December 2020, we had restricted and pledged deposit of RMB52.6 million (2019: RMB124.5 million) held in banks for the purpose of contract related deposits or payments, guarantees issued for trade finance facilities and security of bank borrowings.

USE OF PROCEEDS

The net proceeds from the Listing amounted to approximately HK$225.2 million. As at 31 December 2020, the net proceeds from the Listing had been fully utilized in the following manner:

	Application of funds as at 31 December 2020 as a percentage to the total amount of net proceeds
Business expansion and development	46%
Potential strategic investment and acquisition	15%
Enhancing the R&D capabilities and upgrading the information technology systems	15%
Repayment of certain existing bank borrowings	10%
Promotion and marketing	4%
General working capital	10%
Total:	100%

HUMAN RESOURCES

As at 31 December 2020, we had 619 full-time employees and 36 dispatched workers (2019: 701 full-time employees and 34 dispatched workers). The remuneration package of the employees includes salary, sales commission, bonus and other cash subsidies. For the 2020 Annual Period and the 2019 Annual Period, the remuneration expense, including both capitalized and expensed but excluding share-based compensation expense, was approximately RMB113.5 million and RMB132.6 million, respectively. In general, 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.

CONTINGENT LIABILITIES

As at 31 December 2020, we did not have any material contingent liabilities (2019: nil). We are not currently involved in any material legal proceedings, nor are we aware of any proceedings or potential material legal proceedings.

OUTLOOK

Our long-term objective is to become a leading integrated digital video technology, service and media company in China. To achieve this goal, we will continue to (a) gain market share by offering solutions based on latest industry trends and expanding customer base; (b) create recurring and high margin revenue streams by further strengthening and developing our service business; (c) further develop and invest in innovative products and businesses; and (d) selectively pursue strategic investments and acquisitions.

Gain market share by offering solutions based on latest industry trends and expanding customer base

We expect that the next phase of system expansions and upgrades in the post-production market will be driven by (i) transition to a cloud computing platform for digital video content delivery; (ii) media convergence; (iii) continuing upgrades to high definition standard; and (iv) upgrades to a 4K ultra-high definition standard. We plan to capture the opportunities presented by these industry trends through:

- adding new functions to our customized solutions to meet the diverse and growing business requirements and technological sophistication of our customer base;

- assisting our existing customers in system expansions and upgrades to capture a larger portion of their incremental technological capital expenditures as new projects emerge; and

- leveraging existing customer relationships and cross-selling to departments within existing customers who do not currently use our products.

In addition, leveraging our core strengths in high-end post-production technology, we will seek to penetrate the mid-tier market of professional users by developing products that meet their demands.

Create recurring and high margin revenue streams by further strengthening and developing our service business

We plan to increase revenue streams generated from our service business, which represents recurring revenue, by focusing on high margin areas. To that end, we plan to transition our CreaStudio multi-camera recording and editing service from primarily recording and editing video footages for entertainment TV shows to jointly producing and operating entertainment media contents together with media rights holders using the footage captured by our CreaStudio systems, which we believe can generate consistent and high margin revenue. As part of the joint production, we plan to enter into agreements with the relevant media rights holders regarding the use of their media contents. We also strive to further enhance the quality and capabilities of our other services and to further develop new services that generate recurring and high profit margin.

Further develop and invest in innovative products and businesses

We plan to continue to develop and invest in innovative products and businesses by leveraging our core digital video technology. We intend to apply our key technologies to the platforms of telecom operators by strengthening the cooperation with telecom operators. In particular, we will seek cooperation with the first-tier telecom operator such as China Mobile and China Unicom.

Selectively pursue strategic investments and acquisitions

We believe that the TV broadcasting post-production industry in China today is fragmented and ripe for consolidation. We intend to continue to actively explore strategic investment and acquisition opportunities to increase the depth and breadth of our portfolio of solutions, services and products in order to maintain our market leadership. The suitable opportunities we intend to pursue include:

- cutting-edge digital video technologies in international markets to further enhance our core technology, as well as technologies that will help us capture key industry trends, such as big data, cloud computing and 4K ultra-high definition standard;

- smaller domestic competitors with attractive niche customer base to further expand our customer reach; and

- investment opportunities in which we have a significant stake and are able to leverage our core technology.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zheng Fushuang (鄭福雙), aged 55, is the founder of the Group. He is the chairman of the Board, the chief executive officer of the Group and an executive Director. He is the chairman of the nomination committee of the Company. He is primarily responsible for the overall corporate strategies and management of the Group. Mr. Zheng was appointed to the Board on 8 January 2008.

Mr. Zheng has been the chairman of the board of China Digital Video (Beijing) Limited (新奧特(北京)視頻技術有限公司) ("**CDV WFOE**"), our principal operating PRC subsidiary, since December 2008. Prior to that, Mr. Zheng was the chairman of Xin'aote Electronic from December 1990 to November 2005, where he was mainly responsible for the overall management of the company. Before the incorporation of Xin'aote Electronic, Mr. Zheng worked in Beijing Liming Electronic Technology Company Limited (北京黎明電子技術公司) as a general staff who provided technical support to the company from October 1988 to June 1989 and worked in Beijing Aote Electronic Company Limited (北京奧特電子公司) as a manager in the application technology department from January 1990 to November 1990.

Mr. Zheng has over 20 years of experiences in the digital video technology industry. He has received various honors, including the "May Fourth Medal" in Beijing (北京市"五四獎章") in April 2004, "The Bauhinia Cup Outstanding Entrepreneur Award"(香港金紫荊花杯傑出企業家獎) in December 2002, the "Best Technology Entrepreneur of Private Enterprise in China (中國優秀民營科技企業家) in November 2002 and October 2004, and the "Broadcasting Science and Technology Award (廣播電視科學技術大獎)" in January 2010. Mr. Zheng has been the member of the 15th People's Congress of Haidian District, Beijing since 8 November 2011, and was the member of the 6th and the 10th Chinese People's Political Consultative Conference in Beijing in December 1998 and December 2002, respectively.

Mr. Zheng is affiliated with certain social organizations, including as a deputy director of Energy and Resources of Democratic construction committee (民建中央能源與資源環境委員會), a member of the GAPPRFT Professional Committee of Science and Television Technology (國家廣電總局科技委電視專業委員會) and an executive committee member of the Beijing Federation of Industry and Commence (北京工商業聯合會).

Mr. Zheng graduated from the National University of Defense Technology (國防科技大學) with a bachelor's degree in radar and electromagnetic countermeasure in July 1985. Mr. Zheng graduated from the Institute of Electronics, Chinese Academy of Sciences (中國科學院電子學研究所) with a master's degree in engineering in December 1988. Mr. Zheng was awarded an executive master's degree in business administration from Peking University (北京大學) in January 2005.

Since 2006, Mr. Zheng has been the executive director of Peking University Resources (Holdings) Company Limited (北大資源(控股)有限公司), a company listed on the Stock Exchange (stock code: 0618) which is principally engaged in real estate development and commercial real estate operations.

Save as disclosed above, Mr. Zheng did not hold directorship in any listed public company in the last three years.

Mr. Pang Gang (龐剛), aged 41, is an executive Director. He has approximately 20 years of experience in the broadcasting industry. He is currently a director of CDV WFOE, our principal operating PRC subsidiary, a director of ZhengQi (Beijing) Video Technology Co., Ltd. (北京正奇聯訊科技有限公司), a wholly-owned subsidiary of the Company, the chairman and president of Xin' aote Group Co. Ltd. (北京新奧特集團有限公司), the vice-chairman of Beijing International Cloud Broadcasting Technology Co., Ltd. (北京國際雲轉播科技有限公司) and the supervisor of Beijing United Ultra High-Definition Video Technology Collaboration Center Co., Ltd. (北京中聯合超高清協同技術中心有限公司). He had previously served as the general manager of Xin' aote Silicon Valley Video Technology Co., Ltd. (新奧特硅谷視頻技術有限公司) and the executive president of CDV WFOE.

Mr. Pang obtained a bachelor' s degree in engineering at Anshan Normal University (鞍山師範學院), and a master's degree in engineering at Beijing University of Posts and Telecommunications (北京郵電大學). He was awarded the "Outstanding Individual Award in Science and Technology Innovation* (科技創新優秀個人獎)" in the 2019 CRTA Science and Technology Innovation Awards.

Mr. Pang did not hold directorship in any listed public company in the last three years.

Mr. Liu Baodong (劉保東), aged 57, is an executive Director. He is primarily responsible for the overall management and operation of the Group. Mr. Liu was appointed to the Board on 16 February 2007.

From 2004 to 2008, Mr. Liu was the general manager of Xin'aote Silicon Valley Video Technology Co., Ltd., a predecessor company of the Group, where he was responsible for the overall management and operation of the company.

Mr. Liu worked at Sanycom Technology Co., Ltd. (三一通訊技術有限公司) (principally engaged in the communication equipment manufacturing) as the deputy general manager and later the general manager from 2001 to 2004. During the period from 1999 to 2001, Mr. Liu was the project manager and product manager of Nortel Networks Holdings (Canada) (北電網路集團(加拿大)), a multinational telecommunications and data networking equipment manufacturer. Prior to that, Mr. Liu spent two years serving as a senior engineer and project manager for Motorola (Canada) (principally engaged in inventing, building and delivering mobile devices) from 1997 to 1999.

Mr. Liu graduated from Northwestern Polytechnic University (西北工業大學) with a bachelor's degree in automation control in July 1983 and was awarded a master's degree and a Ph.D. degree in applied computer science from University of Brussels (Vrije Universiteit Brussel) (比利時布魯塞爾大學) in September 1996. He also received a master's degree of business administration from China Europe International Business School (中歐國際工商學院) in September 2007.

Mr. Liu did not hold directorship in any listed public company in the last three years.

Mr. Xu Da (徐達), aged 57, is an executive Director. He is primarily responsible for the overall management and operation of the Group. Mr. Xu was appointed to the Board on 14 June 2017. He resigned as an executive Director on 2 February 2021.

Mr. Xu has extensive professional and senior managerial experiences in the fields of communication industry. Prior to joining the Group, Mr. Xu joined China Mobile Communications Corporation (中國移動通信集團公司) ("CMCC") as general manager of marketing department and held positions including director and general manager in Shanghai and Anhui branches of CMCC from 2000 to 2017. Prior to joining CMCC, Mr. Xu worked in Fujian Mobile Communications Company Limited (福建省移動通信有限公司) and held positions including deputy general engineer and marketing general manager from 1999 to 2000. Prior to that, Mr. Xu worked in Fujian Wireless Communications Bureau (福建省無線通信局) and held various positions including general engineer and deputy director from 1994 to 1999.

Mr. Xu graduated from Nanjing Institution of Posts and Telecommunications (南京郵電學院), now known as Nanjing University of Posts and Telecommunications (南京郵電大學), with a bachelor's degree in Electronic Engineering and obtained his executive master' degree of business administration at Peking University (北京大學) in 2006. Mr. Xu also obtained a doctorate degree in management at The Hong Kong Polytechnic University (香港理工大學) in 2007.

Mr. Xu did not hold directorship in any listed public company in the last three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Li Wanshou, aged 57, is an independent non-executive Director of the Company. He was appointed to the Board on 28 June 2018. He is a member of the audit committee, the remuneration committee and the nomination committee of the Company.

Dr. Li is currently the founder and chairman of the board of Synergetic Innovation Fund Management Co., Limited (協同創新基金管理有限公司). Dr. Li has over 18 years' experience in the venture capital industry. He was the former president of the Shenzhen Capital Group Co., Limited (深圳市創新投資集團有限公司). Dr. Li obtained his doctoral degree in economics from the Chinese Academy of Social Sciences Graduate School (中國社會科學院研究生院) and another doctoral degree in management from Xi'an Jiaotong University (西安交通大學). He also obtained a master degree in sociology from Sun Yat-Sen University (中山大學) and a bachelor degree in philosophy from Wuhan University (武漢大學). Dr. Li obtained a number of honors and awards including "Outstanding Achievement Award" issued by the National Development and Reform Commission, 2009-2011 China's top ten venture capitalists issued by Zero2IPO Partners, the Forbes China best venture capitalists, and "the venture capitalists most deserved to be presented to the whole world" jointly issued by the Russian global partner BBS and the National Development and Reform Commission. Dr. Li also serves as the honorary president of Chinese Equity Investors Alliance, the vice director of Huaxia New Supply-side Economics Research Institute, the vice director of China Centre for Promotion of SME Development, the vice director of China Overseas-Educated Scholars Development Foundation, the director of the Equity Investment Center of Sun Yat-Sen University and the Enterprise Tutor of Newhuadu Business School. Dr. Li is also a visiting professor of each of the Chinese Academy of Social Sciences Graduate School, the graduate school of Tsinghua University and the graduate school of Wuhan University. Dr. Li has served as an independent director of Inner Mongolia North Hauler Joint Stock Co., Limited which is listed on the Shanghai Stock Exchange (stock code: 600262) since 2017.

Saved as disclosed above, Dr. Li did not hold any directorships in any public listed companies in the last three years.

Mr. Frank Christiaens, aged 54, is an independent non-executive Director of the Company. He was appointed to the Board on 28 January 2011. He is the chairman of remuneration committee, and a member of the audit committee of the Company.

Mr. Christiaens is currently an Operating Partner with Upperstage Ventures (Canada), a Private Equity firm. Previously Mr. Christiaens was Chief Executive Officer for CLEARink Displays Corporation (USA), which is a company developing reflective displays. Before that Mr. Christiaens was Managing Partner for XPCP Management Corporation (Canada), which is an early stage investment firm. Before that Mr. Christiaens was President for Greater China for Barco N.V. (NYSE Euronext Brussels: BAR), which is a provider of professional display products, from May 2002 to December 2009. From March 1996 to August 2000, Mr. Christiaens worked as regional vice-president, marketing, sales & customer services for Alcatel-Lucent Bell (Euronext ALU) (the "**Alcatel**"), a telecommunications equipment manufacturer, where he was responsible for Alcatel's internet division for Asia Pacific.

Mr. Christiaens graduated from the University of Leuven (Belgium) with bachelor's and master's degrees in electronics engineering in July 1990, and wrote his thesis on digital signal processing and artificial intelligence at the Imperial College of London. Mr. Christiaens obtained a master's degree in business administration from Vlerick School of Business, Belgium which was previously part of the University of Leuven (Belgium) in July 1992.

Mr. Christiaens did not hold directorship in any listed public company in the last three years.

Ms. Cao Qian (曹茜), aged 57, is an independent non-executive Director of the Company. She was appointed to the Board on 23 May 2016. She is the chairlady of the audit committee and a member of nomination committee.

Ms. Cao has extensive experience in auditing, accounting and financial management. Ms. Cao has been appointed as the vice general manager of the supervision and examination department of China Travel Service Ltd (中國旅行社總社監察審計部) which is principally engaged in tourism development, since February 2015. From April 2014 to February 2015, Ms. Cao was the general manager of China Travel Services Meetings, Incentives, Conferences & Exhibitions Services Co., Ltd (中旅國際會議展覽有限公司), a company specialized in providing professional services to business travelers, meeting planners and exhibition organizations. Ms. Cao also served as the vice president of the China Travel Service Head Office Co., Ltd (中國旅行社總社(北京) 有限公司) from December 2009 to April 2014. In addition to these positions, Ms. Cao was the certified public accountant of Jingdu Public Accounting Firm (京都會計事務所) (an accounting firm in China) from early 1994 to April 1998.

Ms. Cao graduated from the Central University of Finance & Economics (中央財經大學) with a bachelor's degree in finance and revenue in July 1986, and received an executive master' degree of business administration from Peking University Guanghua School of Management (北京大學光華管理學院) in January 2005. Ms. Cao is a certified public accountant in the PRC.

Ms. Cao has been an independent non-executive director of Peking University Resources (Holdings) Company Limited (北大資源(控股) 有限公司), a company listed on the Stock Exchange (stock code: 0618), from 31 March 2005 to 10 June 2017.

Save as disclosed above, Ms. Cao did not hold directorships in any listed public companies in the last three years.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed in this section, each of our Directors confirmed that he/she does not have any relationship with other Directors, senior management or controlling shareholders of the Company and none of the Directors is involved in the events mentioned in Rule 17.50(2) of the GEM Listing Rules.

SENIOR MANAGEMENT

Mr. Zheng Fushuang (鄭福雙), aged 55, is the founder of the Group. He is the chairman of the Board, the chief executive officer of the Group and an executive Director. His biographical details are set out under the paragraph headed "Executive Directors" above.

Mr. Pang Gang (龐剛), aged 41, is an executive Director and the president of the Group. His biographical details are set out under the paragraph headed "Executive Directors" above.

Mr. Liu Baodong (劉保東), aged 57, is an executive Director. His biographical details are set out under the paragraph headed "Executive Directors" above. Mr. Liu resigned as the president on 2 February 2021.

Mr. Sun Jichuan (孫季川), aged 52, is the vice president and chief technology officer of the Company. Mr. Sun joined CDV WFOE, our principal operating PRC subsidiary, as a vice president and the chief technology officer in March 2008. Prior to joining the Group, Mr. Sun was a deputy general manager of Xin'aote Video, the predecessor company of the Group, from January 2005 to January 2008, where he was mainly responsible for the overall management and operation. Mr. Sun was a senior software designer of both Canada Matrox Electronic Systems Ltd (加拿大Matrox 電子系統公司) (principally engaged in designing software and hardware solutions for graphics, video, and imaging/machine vision applications) from October 2000 to December 2004 and the Research and Development Centre, Canon Australia Pty Ltd (澳大利亞佳能研發中心) (offering digital cameras speedlites, printers, faxes, scanners, video cameras, and related accessories) from September 1999 to June 2000. He was a senior software engineer in Xin'aote Electronic from September 1992 to May 1997.

Mr. Sun graduated from National University of Defense Technology (國防科技大學) with a bachelor's degree in image display and identification in June 1989. Mr. Sun received his master's degree in signal and information processing from the Institute of Electronics, Chinese Academy of Science (中國科學院電子學研究所) in June 1992.

Mr. Sun did not hold directorships in any listed public companies in the last three years.

COMPANY SECRETARY

Mr. Au Wai Keung (區偉強), aged 49, is the company secretary of the Company. He was appointed as a joint company secretary on 21 August 2015 and as a company secretary on 24 September 2019. Mr. Au has extensive experience in corporate secretarial practice and has achieved various professional qualifications, including a fellow member of Hong Kong Institute of Certified Public Accountant (香港會計師公會) in May 2015 and a fellow member of The Institute of Charted Accountants in England and Wales (英格蘭及威爾士特許會計師協會) in August 2018. Mr. Au is currently the director of Arion & Associates Limited (亞利安會計事務所有限公司). He is now also the company secretary of Honworld Group Limited (老恒和釀造有限公司) (stock code: 2226), China Shengmu Organic Milk Limited (中國聖牧有機奶業有限公司), Xin Point Holdings Limited (信邦控股有限公司) (stock code: 1571) and SDM Group Holdings Limited (stock code: 8363).

Mr. Au received a bachelor's degree in social science from the Chinese University of Hong Kong (香港中文大學) in December 1993 and a master's degree in business administration from City University of Hong Kong (香港城市大學) in November 1999.

Mr. Au did not hold directorship in any listed public company in the last three years.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

We are committed to achieving and maintaining high standards of corporate governance, as the Board believes that good and effective corporate governance practices are key to obtaining and maintaining the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company.

CORPORATE GOVERNANCE PRACTICE

The Company has applied the principles and code provisions in the Corporate Governance Code (the "**Code**") as set out in Appendix 15 to the GEM Listing Rules as its corporate governance practices.

In the opinion of the Board, save as disclosed on the below, the Company has complied with the Code from 1 January 2020 and up to the date of this annual report.

BOARD OF DIRECTORS

The Board supervises the management of the business and affairs of the Company and ensures that it is managed in the best interests of the shareholders of the Company as a whole while taking into account the interest of other stakeholders. The Board is primarily responsible for formulating the business strategy, reviewing and monitoring the business performance of the Group, approving the financial statements and annual budgets as well as directing and supervising the management of the Company. Execution of operational matters and the powers thereof are delegated to the management by the Board with clear directions. The Board is regularly provided with management update reports, which give a balanced and understandable assessment of the performance, position, recent development and prospect of the Group in sufficient details.

The Board is also responsible for the corporate governance functions under code provision D.3.1 of the Code. The Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with its effectiveness.

Composition

The composition of the Board as at the date of this Corporate Governance Report is set out as follows:

Executive Directors

Mr. ZHENG Fushuang *(Chairman and Chief Executive Officer)*
Mr. PANG Gang *(President) (appointed on 2 February 2021)*
Mr. LIU Baodong *(resigned as President on 2 February 2021)*
Mr. XU Da *(resigned on 2 February 2021)*

Independent non-executive Directors

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

Biographical details of the Directors are set out in the section headed "Biographical Details of the Directors and Senior Management" in this annual report. There is no relationship (including financial, business, family or other material/relevant relationship(s)) among members of the Board.

CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1 of the 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 "**Chief Executive Officer**") with effect from 3 April 2018 and Mr. ZHENG Fushuang now serves as both the Chairman and the Chief Executive Officer. Such practice deviates from code provision A.2.1 of the Corporate Governance Code. The Board believes that vesting the roles of both the Chairman and the Chief Executive Officer 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 code provision A.2.1 of the Corporate Governance Code is appropriate in such circumstance. Save as disclosed above, in the opinion of the Directors, the Company has complied with all the code provisions set out in the Corporate Governance Code from 1 January 2020 up to the date of this annual report.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company has executed an appointment letter with Dr. LI Wanshou for a period of three years commencing from 28 June 2018, and an appointment letter with each of Mr. Frank CHRISTIAENS and Ms. CAO Qian for a period of three years commencing from 22 May 2019. Each of Mr. ZHENG Fushuang and Mr. LIU Baodong has entered into a service contract with the Company for a period of three years commencing from 22 May 2019, which may be terminated by not less than three months' notice in writing served by either party on the other. Mr. PANG Gang has entered into a service contract with the Company for a period of three years commencing from 2 February 2021, which may be terminated by not less than three months' notice in writing served by either party on the other.

In accordance with the Company's articles of association (the "**Articles of Association**"), Mr. ZHENG Fushuang, Mr. PANG Gang and Mr. Frank CHRISTIAENS shall retire from office by rotation at the 2021 annual general meeting and, being eligible, offer themselves for re-election.

Mr. Frank CHRISTIAENS, the independent non-executive director, have served the Company for more than nine years. Pursuant to the Code, the re-election of Mr. Frank CHRISTIAENS will be subject to separate resolutions to be approved at the 2021 annual general meeting.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive Director an annual confirmation of his/her independence, and the Company considers all the independent non-executive Directors' independence in accordance with each and the various guidelines set out in Rule 5.09 of the GEM Listing Rules.

Mr. Frank CHRISTIAENS, one of the independent non-executive Directors, has served as a member of the Board for more than nine years. While this could be relevant to the assessment of independence, the Board is of the view that the independence of Mr. Frank CHRISTIAENS cannot be solely determined by his period of service in the Company. In assessing his independence, the Board has considered his character and judgement with reference to his contribution to the Board. Over the years, Mr. Frank CHRISTIAENS has provided valuable insights to the Board with his experience, expertise and knowledge, and the Company has benefited from his contribution and commitment. The Board is therefore of the view that Mr. Frank CHRISTIAENS meets the independence criteria set out in Rule 5.09 of the GEM Listing Rules and that he is able to continue to fulfil his role as an independent non-executive Director. Save as disclosed hereinabove, none of the independent non-executive Directors has served in the Board for more than nine years.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings regarding Directors' securities transactions as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Among other things, the Company periodically issues notices to the Directors reminding them to the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results of the Group.

Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standards of dealings from 1 January 2020 and up to the date of this annual report.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has arranged appropriate insurance coverage in respect of legal action against the Directors and senior management of the Group in the course of execution of their duties in good faith. The insurance coverage is reviewed on an annual basis.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Every Director keeps abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

The Directors are aware of the requirement under code provision A.6.5 of the Code regarding continuous professional development. The Company encourages and supports all Directors (including the Directors whose term of office falls within the 2020 Annual Period), namely Mr. ZHENG Fushuang, Mr. PANG Gang, Mr. Xu Da, Mr. LIU Baodong, Dr. LI Wanshou, Mr. Frank CHRISTIAENS and Ms. CAO Qian, to receive training and encourages their continuous professional development, so as to develop and keep abreast of their knowledge and skills better and serve the Company more efficiently. The Company offers training opportunities for all the Directors from time to time.

During the 2020 Annual Period, all Directors have participated in continuing professional development by attending training courses organised by the Company and reading relevant materials on topics related to corporate governance and regulatory matters.

BOARD COMMITTEE

The Board has established three Board committees, namely, the remuneration committee (the "**Remuneration Committee**"), the nomination committee (the "**Nomination Committee**") and the audit committee (the "**Audit Committee**"), for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the GEM's website www.hkgem.com and the Company's website at www.cdv.com. All the Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the board meetings set out above.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

The Board is responsible for performing the corporate governance duties set out in the Code which included developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company's compliance with the code provisions in the Code and disclosures in this annual report.

Remuneration Committee

The Remuneration Committee was established on 23 May 2016. The chairman of the Remuneration Committee is Mr. Frank CHRISTIAENS, our independent non-executive Director, and other members includes Dr. LI Wanshou, our independent non-executive Director and Mr. LIU Baodong, our executive Director. The written terms of reference of the Remuneration Committee are posted on the GEM website and the Company's website.

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board on the appropriate policy and structures for all aspects of Directors' and senior management's remuneration. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the 2020 Annual Period.

Nomination Committee

The Nomination Committee was established on 23 May 2016. The chairman of the Nomination Committee is Mr. ZHENG Fushuang, our chairman and executive Director, and other members included Dr. LI Wanshou and Ms. CAO Qian, our independent non-executive Directors. The written terms of reference of the Nomination Committee are posted on the GEM website and on the Company's website.

The primary duties of the Nomination Committee are to review and assess the composition of the Board and the independence of the independent non-executive Directors and makes recommendations to the Board on appointment of new directors of the Company and develop and formulate relevant procedures for the nomination and appointment of Directors. In recommending candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board.

In designing the Board's composition, Board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required. In the selection and nomination for new Directors, the Nomination Committee identifies the key attributes that an incoming Director should have, based on attributes of the existing Board and the requirements of the Group. The Nomination Committee utilizes various methods for identifying potential candidates, including recommendations from the members of the Board, management, and professional search firms. All potential candidates are evaluated by the Nomination Committee based on their qualifications. The potential candidates will go through a shortlisting process. Interviews are then set up with the shortlisted candidates for the Nomination Committee to assess them before a decision is made. New Directors are appointed by way of a board resolution, after the Nomination Committee has approved their nominations.

During the 2020 Annual Period, the Nomination Committee reviewed the policy and procedure for the nomination and appointment of new Directors, reviewed the Board's nomination policy and diversity policy and the measurable objectives that the Board has set for implementing such policy and assessed the independence of the Independent non-executive Directors.

Audit Committee

The Audit Committee was established on 23 May 2016. The chairlady of the Audit Committee is Ms. CAO Qian, our independent non-executive Director, and other members are Dr. LI Wanshou and Mr. Frank CHRISTIAENS, our independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the GEM website and on the Company's website.

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 Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The Group's consolidated financial statements for the 2020 Annual Period have been reviewed by the Audit Committee, and the Audit Committee is of the opinion that such results complied with the applicable standards, the GEM Listing Rules and other applicable legal requirements and that adequate disclosures had been made.

ATTENDANCE RECORDS OF MEETINGS

In 2020, the Board held 4 meetings at which the operating results of the Company were considered and discussed. In 2020, the Audit Committee, the Remuneration Committee and the Nomination Committee held 4, 1 and 1 meeting(s), respectively.

Members	Meetings attended/meetings held during the year ended 31 December 2020				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	2020 Annual General Meeting and Extraordinary General Meeting
Executive Directors					
Mr. ZHENG Fushuang	4/4	—	—	1/1	1/1
Mr. LIU Baodong	4/4	—	1/1	—	1/1
Mr. XU Da *(resigned on 2 February 2021)*	4/4	—	—	—	1/1
Independent non-executive Directors					
Dr. LI Wanshou	4/4	4/4	1/1	1/1	0/1
Mr. Frank CHRISTIAENS	4/4	4/4	1/1	—	0/1
Ms. CAO Qian	4/4	4/4	—	1/1	0/1

The notice of the forthcoming annual general meeting and related circular will be despatched to the shareholders in due course.

REMUNERATION POLICY FOR DIRECTORS AND SENIOR MANAGEMENT MEMBERS

The remunerations of Directors and senior management members are determined based on their working experience, industry expertise, education background and skills as well as the Group's own performance and operating results and with reference to the remuneration policies of other companies in our industry and prevailing market rates. Directors and employees also participate in performance incentive arrangements relating to the performance of the Group and individuals.

Particulars regarding key management personnel, including amounts paid to the Directors as required to be disclosed pursuant to Chapter 18 and Appendix 15 of the GEM Listing Rules are set out in note 31 to the consolidated financial statements in this annual report.

During the 2020 Annual Period, the annual remuneration of the members of the senior management is set out below:

	Number of individuals	
	2020	2019
Nil - HK$1,000,000	3	2
HK$1,000,001 - HK$1,500,000	1	2
HK$1,500,001 - HK$2,000,000	—	—
HK$2,000,001 - HK$2,500,000	—	—

COMPANY SECRETARY

Mr. AU Wai Keung ("**Mr. Au**") is the company secretary of the Company. Mr. Au has informed the Company that his training covering corporate governance and accounting matters satisfied the requirements under Rule 5.15 of the GEM Listing Rules during the 2020 Annual Period. The Company considers that the training of Mr. Au is in compliance with the requirements under Rule 5.15 of the GEM Listing Rules during the 2020 Annual Period.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENT

The Directors acknowledge their responsibility for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the GEM Listing Rules. The Directors have selected appropriate accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis. The Directors' responsibilities in the preparation of the financial statements and the auditors' responsibilities are set out in the Auditors' Report in this annual report.

INDEPENDENT AUDITORS' REMUNERATION

Grant Thornton Hong Kong Limited ("**Grant Thornton**") is appointed as the external auditor of the Company. For the 2020 Annual Period, the emoluments paid or payable for the audit and non-audit services provided by Grant Thornton was as follows:

	Amount (RMB)
Audit services	965,000
Non-audit services	—

RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognises that constant changes taking place in the business environment call for periodic reviews of the system of risk management and internal controls. Well-managed internal controls enable effective and efficient operations, ensure the reliability of internal and external reporting and assist in the compliance with applicable laws and regulations.

The Board recognises that it has overall responsibility for the Group's system of risk management and internal controls and for reviewing its effectiveness. Pursuant to the Group's framework, senior management is primarily responsible for designing and implementing the policies and procedures of risk management internal controls, while the Board and the Audit Committee oversee the actions of senior management and review the effectiveness of the controls previously established on an annual basis in respect of the financial year.

The Company's internal audit function is performed by our finance department, which reports directly to the Chief Executive Officer and has direct access to the chairman of the Audit Committee. Our finance department has unrestricted access to review all aspects of the Group's business activities. The tasks of finance department in respect of its internal audit functions include, (i) review and report on internal and operational controls, (ii) follow-up on the suggestions made by external auditors, and (iii) special review of areas of concern identified by senior management. Throughout the financial year, our finance department continually monitors various operational aspects of the Group's business activities and issues monthly compliance reports to senior management covering those activities. The Company considers the risk management and internal control systems are effective and adequate.

The Company's employees are expected to conduct themselves with honesty, integrity and respect. Each core business division has its own operating manual which specifically outlines the respective division's operating procedures. Failure to comply with these standards or procedures may result in disciplinary action, including dismissal from employment.

CORPORATE GOVERNANCE FUNCTIONS

The Board has adopted the corporate governance functions with written terms of reference to assist the Board to perform the corporate governance functions of the Group. The main responsibility of the Board to perform the corporate governance functions includes:

— To formulate and review the Company's corporate governance policy and practices;

— To review and oversee the training and continuous professional development of the Directors and senior management;

— To review and oversee the policy and practices of the Company in the compliance of law and regulatory requirements;

— To formulate, review and oversee the Codes of Conduct for employees and Directors and Compliance Manual (if any); and

— To review the Company's compliance of the Corporate Governance Code and make disclosure in the Corporate Governance Report.

During the 2020 Annual Period, the Board had fulfilled the duties mentioned above.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

There had been no changes in the constitutional documents of the Company during the 2020 Annual Period.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted a shareholder communication policy with the objective of ensuring that the shareholders of the Company and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

The Company has established several channels to communicate with the shareholders as follows:

(i) corporate communications such as annual reports, interim reports, quarterly reports and circulars are issued in printed form and are available on the GEM website at www.hkgem.com and the Company's website at www.cdv.com;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information is made available on the Company's website;

(iv) annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and

(v) the Hong Kong share registrar of the Company serves the shareholders in respect of share registration, dividend payments and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, shareholders and the public. Enquires to the Board or the Company may be sent by post to the Company Secretary, Mr. AU Wai Keung, at the Company's principal place of business in Hong Kong as follows:

The Company Secretary
China Digital Video Holdings Limited
Unit 1303, 13/F
Hua Fu Commercial Building
111 Queen's Road West
Hong Kong

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interest and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the GEM website and the Company's website after the relevant shareholders' meeting.

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "**Requisitionists**") (as the case may be) pursuant to the Articles of Association. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such article for convening an extraordinary general meeting. Shareholders may put forward proposals with general meeting of the Company by sending the same to the Company at the principal office of the Company in Hong Kong. Shareholders and investors may send written enquiries or requests to the Company (including requests for putting forward proposals at shareholders' meetings) as follows:

Address:	China Digital Video Technical Plaza, No. 131 West Fourth Ring Road N, Haidian District, Beijing, PRC (For the attention of the investor relationship officer)
Phone:	(86 10) 8285 2269/(86 10) 8285 3141
Email:	ir@cdv.com

1. INTRODUCTION

The Group believes that sustainable development is an integral part of its business and the objective of the Group has been seeking to achieve. The Group strives to be a good corporate citizen by carrying out its business in a socially responsible way. The Group aims at creating long-term values for its stakeholders and contributing to make the world a better place. The Group believes that taking adequate and effective measures to fully carry out the environmental, social and governance requirements is necessary for the Group to improve its sustainable development capability. As a socially responsible corporate citizen, the Group is committed to integrating the management policies and strategies of sustainable development into all aspects of its operations. This Environmental, Social and Governance ("**ESG**") Report (the "**ESG Report**") outlines the Group's commitments and strategies to sustainable development and highlights its performance in material areas in which the Group considers critical.

a. Reporting Standard & Scope

This ESG Report has been prepared with reference to Appendix 20 of the GEM Listing Rules. This ESG Report covers the ESG impacts, policies and initiatives for the period from 1 January 2020 to 31 December 2020 (the "**Reporting Period**").

The following entities were selected to be included in this ESG Report due to their significant contributions to the Group, thus making them an ideal proxy for the Group's overall business:

- China Digital Video (Beijing) Limited
- Zhengqi (Beijing) Video Technology Co., Ltd
- Xin'aote Totem Technology Co., Ltd.

Additional ESG performance information including financial data and corporate governance structures can be found in other sections of this annual report.

b. Materiality Assessment

In order to provide a concise, balanced and clear view of the Group's ESG performance, this ESG Report focuses only on the sustainability issues that are material to the Group, as well as highlighting the successes and challenges faced over the Reporting Period.

2. EMPLOYMENT AND LABOUR PRACTICES

The Group values its employees as its greatest asset and believes that human capital is the cornerstone of its operations. By investing in the workplace and in enhancing the skills and qualities of its employees, mutual progression and growth can be achieved.

During the Reporting Period, the Group was not aware of any non-compliance with laws and regulations that have a significant impact to the Group relating to employment and labour practices. The Group did not identify any incidents that have a significant impact to the Group relating to the use of child or forced labour.

2. EMPLOYMENT AND LABOUR PRACTICES – *continued*

a. Healthy and Safe Working Environment

The Group places great emphasis on the occupational health and safety conditions of its employees. The Group abides by the relevant occupational health and safety laws and regulations, including the Law on Work Safety of the PRC, and proactively implements national, provincial and municipal government's requirements on work safety. During the Reporting Period, the Group was not aware of any non-compliance with laws and regulations that have a significant impact to the Group relating to occupational health and workplace safety. There was no work-related fatality or lost day due to work injury during the Reporting Period. The Group seeks to eliminate any potential occupational hazards and health risks by raising the safety awareness of employees.

As employees are the most important asset and resource of the Group, the primary goal is to provide a safe and healthy working environment for the employees under reasonable and practicable conditions. The Group is committed to achieving this goal by implementing the following measures:

1. Establishing and maintaining a high standard of healthy and safe environment in each workplace;
2. Providing and maintaining in all workplaces under the Group's control a working environment which is safe and poses no threat to health;
3. Ensuring that all devices and working systems are safe and pose no threat to health;
4. Ensuring that the use, processing, storage and transportation of all items and materials are safe and pose no threat to health;
5. Providing employees with appropriate information, training and supervision when necessary to ensure the health and safety of all employees at work;
6. Providing easy accesses to workplaces which are safe and pose no threat to health;
7. Avoiding overcrowded workplaces;
8. Providing sufficient sanitation facilities and washrooms at workplaces;
9. Providing sufficient drinking water at workplaces;
10. Providing good maintenance for all floors, walls, ceilings, windows and skylights to avoid cracking risk;
11. Conducting assessments for promotion;
12. Providing sufficient first-aid kits at workplaces;

2. EMPLOYMENT AND LABOUR PRACTICES – *continued*

a. Healthy and Safe Working Environment – *continued*

13. Ensuring effective transmission, discussion and consultation of health and safety-related matters; and

14. Supervising the implementation of safety measures.

b. Equal Employment

The Group strives to provide a harmonious, fair and equitable working environment that is conductive to the development and well-being of its employees and where all employees are treated equally and no discrimination or harassment in workplace is tolerated. In recruiting its employees, the Group abides by the relevant laws and regulations, including the Labor Law of the PRC, the Labor Contract Law of the PRC and the Implementation Regulations for the Labor Contract Law of the PRC. Equitable policies and guidelines have been established to ensure there are equal opportunities for employment and career advancement and the Group does not tolerate any form of discrimination based on the employee's sex, age, marriage status, race, religious belief or other factors irrelevant to the job. Fair and structured recruitment guidelines are also in place for talent acquisition. In general, employees' salaries are determined based on individual performance, qualification, position and seniority.

Total workforce by gender, age group and employment type

		Number of employees
Gender	Male	440
	Female	198
Age	Below 30	144
	30-50	450
	Over 50	44
Employment type	Full-time	607
	Dispatch	31

Employee turnover rate by gender and age group

		Turnover rate (both full-time and part-time employees)
Gender	Male	17%
	Female	6%
Age	Below 30	10%
	30-50	16%
	Over 50	1%

2. EMPLOYMENT AND LABOUR PRACTICES – *continued*

c. Development and Training

The professional skills and capabilities of the Group's employees are vital to its long-term success. We always encourage our staff to take ample training so that they can excel at their professional field and gain momentum in their career path. Customised training programmes were arranged for staff members at different levels and from across its divisions. Orientation training and mentoring were offered to new joiners to help them adapt to the new working environment.

d. Labour Standards

The Group strictly prohibits the use of child and forced labour in the Group, and is totally committed to creating a work environment which respects human rights. On the basis of strictly abiding by the Labor Law of the PRC, the Law of Protection of Minors of the PRC and the Provisions on Prohibition Against the Use of Child Labor of the PRC, the Group has established reasonable employment rules to eliminate child labor and forced labor. The Group strictly complies with the relevant regulations of the following anti-discrimination ordinances. In the process of annual appraisal, the Group decides the level of salary increase and promotion opportunities based solely on the work performance, experience and skills of employees. In addition to having well-established recruitment processes requiring background checks on candidates (including examining identity card to ensure applicants are aged 18 or over) and formalised reporting procedures to address any exceptions found, the Group also performs regular reviews and inspections to detect the existence of any child or forced labour in its operations. During the Reporting Period, the Group was not aware of any non-compliance in relation to labour standards law and regulations.

e. Anti-corruption

The Group upholds high standards of business ethics and has strict anti-corruption policies that employees at all levels have to follow to rule out any incidences of bribery, extortion, fraud or money laundering. The Group has anti-corruption rules which the employees must strictly adhere to. Acceptance of any form of benefits from suppliers by staff members is strictly forbidden. During the Reporting Period, the Group fully complied with all local regulations related to the prohibition of bribery, extortion, fraud, money laundering and corruption, including the Anti-unfair Competition Law of the PRC, the Anti-money Laundering Law of the PRC and the Interim Provisions on Prohibiting Commercial Bribery. During the Reporting Period, there were no legal cases regarding corrupt practices brought against the Group or its employees.

f. Whistleblowing System

The Group has established a whistleblowing system whereby employees could report genuine concern about suspected misconduct, suspicious transactions or irregularities regarding financial and compliance matters in strict confidence. The Group also conducts training from time to time to ensure that its employees understand these policies and procedures.

3. ENVIRONMENTAL PROTECTION

Although the daily business of the Group does not have significant adverse effects on the environment or natural resources, the Group seeks to achieve energy efficiency and effective waste management to minimise negative environmental impacts arising from its business operations.

The Group has taken steps to make employees aware of the necessity of reducing consumption of resources such as paper, water and fuel. Staff are also encouraged to mitigate energy consumption and carbon emissions by using energy-efficient electrical appliances. The Group remains committed to providing a safe, healthy and environmentally friendly working environment in compliance with all applicable legal requirements. It also promotes environmental awareness externally, to its business partners and customers and supports corporate social responsibility initiatives in relation to environmental protection and sustainability in general. To minimise pollution and harmful emissions, the Group plans to adopt environmental policy and review the same on a regular basis or as required to ensure its relevancy and effectiveness.

During the Reporting Period, the Group did not experience any cases of non-compliance relating to environmental laws and regulations in the PRC. The Group has complied with all relevant environmental protection laws and regulations, including the Environmental Protection Law of the PRC, the Water Pollution Control Law of the PRC and the Energy Conservation Law of the PRC.

a. Emissions

Air pollutants and GHG emissions

During the Reporting Period, air pollutants were generated from the Group's vehicle usage. The Group will continue to consider using a more environment-friendly fuel type, such as electricity or other biomass sources, in the near future to reduce carbon footprint. During the Reporting Period, the Group's vehicle usage produced 9.1 tonnes of carbon emissions.

The Group believes that its continuous efforts in reducing petrol consumption will reduce its level of GHG emissions. As the Group's emissions are not material to its business operations, the Group has not yet set any emission targets.

Waste management

During the Reporting Period, the Group generated minimal non-hazardous waste, mainly including domestic waste and paper waste. No hazardous waste was produced by the Group during the Reporting Period. As hazardous and non-hazardous wastes are not material to its business operations, the Group has not yet set any reduction targets.

To reduce the usage of paper, the Group's staff generally use double-sided printing. The Group is now considering making use of recycled materials, from both internal and external sources, to produce corporate stationery for internal use and documents published for external consumption, as well as items from non-paper sources, where feasible.

3. ENVIRONMENTAL PROTECTION – *continued*

a. Emissions – *continued*

Waste management – *continued*

As the Group's principal activities involve office administration, the Group's environmental protection work mainly focuses on energy-saving at office and environmental-friendly protection. The Group also encouraged its staff and business partners to consume resources in a responsible manner and reduce waste in daily life.

The Group works towards a goal of reducing its energy consumption in the course of business operation. A number of energy conservation measures such as light zoning and maintaining the indoor temperature between 25° C and 26° C are in place. Energy saving reminder notices are posted at the office, where digital timers have also been installed to ensure more efficient use of energy.

b. Use of Resources

During the Reporting Period, the Group's total electricity consumption was 624,244 MWh.

c. Water Management

The Group's water consumption during the Reporting Period was mainly water used in the offices.

The Group conducts checks and maintenance on water pipes to avoid any water leakage or other issues in the water supply system on a regular basis. As water consumption is not material to its business operations, the Group has not yet set any water efficiency targets.

During the Reporting Period, the Group did not experience any issue in sourcing water.

Packaging material

As a service provider, the Group did not use any packaging material for finished products during the Reporting Year.

Climate change

The Group has identified and assessed the risks of climate change and developed measures to safeguard the safety of its employees, including strictly complying with the relevant extreme weather guidelines issued by the PRC government. The Group has emergency guidelines and measures to reduce damage arising from natural disasters.

4. OPERATING PRACTICES

a. Product Responsibility

The Group strives to achieve a high level of customer satisfaction by providing customers with high-quality products and services. The Group has dedicated staff who monitor and control quality, time and cost to ensure effective planning, design and construction from inception to completion. Feedback and suggestions from customers are sought to actively improve the Group's product and service offerings. Designated hotlines have been established and mechanisms are in place to address any complaints. Any complaint will be thoroughly investigated, and a formal written reply will be issued via email which sets out how the complaint will be resolved. During the Reporting Period, there was no material complaint on the Group's products and/or services. The Group treats each and every complaint seriously and attempts to prevent complaints of a similar nature from arising again. During the Reporting Period, there was no reported incident of non-compliance with laws and regulations governing health and safety or the labeling of products and services.

The Group is always committed to providing high-quality products and/or services to its customers. Its business team maintains close communication with its existing and potential customers. Whenever needed, the Group provides tailor-made integrated value-adding solutions based upon its customers' needs and wants whilst adhering to high-lever safety, safeguarding and environmental protection requirements.

The Group firmly believes that the "honest and faithful" principle is a vital condition for the long-term development of the Group, therefore when producing and installing advertising signs, the Group strictly conforms to the national laws, regulations and other provisions. In the production of advertising signs, the Group firmly complies with the Advertising Law of the PRC, to avoid spreading false and fake information and to accurately, clearly and truthfully present information such as its service content, forms, quality and prices. For advertising release, the Group strictly abides by "Provisions on the Registration Administration of Outdoor Advertisements" and "Regulations on the Administration of City Appearance and Sanitation", and applies for registrations and approvals according to the laws.

4. OPERATING PRACTICES – *continued*

a. Product Responsibility – *continued*

Intellectual Property Rights

The Group respects and protects intellectual property rights. When designing advertising signs and labels, the Group abides by the Copyright Law of the PRC to prevent infringement of the intellectual property rights of others.

The Group currently operates under its core brand "CDV". The Group has taken active steps to protect its trademarks and other intellectual property rights by making the necessary filings and registrations. To enhance the employees' awareness of preserving such intellectual property rights, the Group has implemented a set of internal intellectual property management rules in its employees' manual. The Group's employment contracts with employees also contains confidentiality provisions with respect to handling of its confidential information.

Data Protection

The Group properly manages and protects the data of its customers to ensure their privacy and confidentiality. All personal data are neatly secured and archived. The Group has policies in relation to the collection, disclosure, usage, retention, and storage of data to ensure data integrity and safety.

b. Relationship with Suppliers

The Group has maintained strict control over the quality offered by the suppliers and vendors. The Group evaluates the performance of its major suppliers and vendors in terms of quality, cost, and delivery time and after-sales services. The Group strives to cultivate a mutually beneficial and trusting relationship with its suppliers so that it is able to deliver products and services of the highest standard in an efficient manner.

In view of the increasing environmental concerns in society, the Group is aware of the importance in identifying and managing environmental and social risks of its supply chain. The Group has embedded environmental and social consideration in the procurement process.

During the Reporting Period, the Group engaged approximately 291 suppliers in the PRC.

5. COMMUNITY CARE

The Group seeks to have positive impacts on local communities by focusing its efforts on environmental protection and community care.

The Board has the pleasure in submitting the annual report together with the audited consolidated financial statements of the Group for the 2020 Annual Period.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of a full range of solutions, services and products to TV broadcasters and other digital video contents. There were no material changes in the nature of the Group's principal activities during the year.

PERFORMANCE OF THE GROUP'S BUSINESS

Further discussion and analysis of these activities, including a discussion of the principal risks and uncertainties facing the Group and key performance indicator in the Group's business, can be found in the section headed "Management Discussion and Analysis" in this annual report. These discussions form part of this directors' report.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the GEM Listing Rules.

RESULTS AND APPROPRIATIONS

The results of the Group for the 2020 Annual Period are set out in the consolidated statement of comprehensive income on page 52 of this annual report.

The Board did not recommend the payment of any dividend for the 2020 Annual Period (2019: nil).

POLICY ON PAYMENT OF DIVIDENDS

The Company has adopted a policy on payment of dividends (the "**Dividend Policy**"), which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company. The Company will declare and/or recommend the payment of dividends to the Shareholders after considering the Company's ability to pay dividends, which will depend upon, among other things, its operational results, cash flow situation, financial conditions, general business conditions and strategies.

The Board has complete discretion on whether to pay a dividend, subject to the Shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors affecting the Group. The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends.

The Company shall review and reassess the Dividend Policy and its effectiveness on a regular basis or as required.

PURCHASE, SALE OR REDEMPTION OF THE LISTING 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 2020 Annual Period.

EVENT AFTER THE REPORTING PERIOD

There is no event after the reporting period which would have a material impact on the Group's financial position.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2020, the Company has reserves available for distribution to the shareholders amounted to RMB296,689,000 (2019: RMB310,952,000) calculated under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial party of the business of the Company were entered into or existed during the 2020 Annual Period.

MAJOR CUSTOMERS AND SUPPLIERS

We provide our solutions, services and products to TV broadcasters, new media operators and other digital video content providers. Based on our customers' needs, we design the hardware specifications of the servers and workstations for our solutions, services and products and perform most of the system integration in-house. We procure memory modules, network equipment and third-party software from well-known third-party suppliers.

The percentage of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	21.7%
– five largest suppliers in aggregate	40.4%

Sales	
– the largest customer	7.2%
– five largest customers in aggregate	21.6%

None of the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) has an interest in the major customers.

None of the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) has an interest in the major suppliers.

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 31 December 2020, 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 shareholder	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	2.71%
Mr. Xu Da [4]	Beneficial owner [3]	6,200,000	0.98%
Mr. Frank Christiaens	Beneficial owner [3]	300,000	0.05%
Ms. Cao Qian	Beneficial owner [3]	300,000	0.05%

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, the 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.

4. Mr. Xu Da resigned as an executive Director on 2 February 2021.

Save as disclosed above, as at 31 December 2020, 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 31 December 2020, 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 held	Approximate percentage of interest in the Company
Mr. Zheng Fushuang	Founder of a discretionary trust[1]	214,278,278	33.99%
HSBC International Trustee Limited	Trust 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	Legal owner and beneficial owner[2]	214,278,278	33.99%
Eagle Eyes Investment Limited	Interest of controlled corporation[3]	98,098,000	15.56%
New Horizon Capital IV, L.P.	Interest of controlled corporation[3]	98,098,000	15.56%
New Horizon Capital Partners III, L.P.	Interest of controlled corporation[3]	98,098,000	15.56%
Carvillo Success Limited	Legal owner and beneficial owner[3]	98,098,000	15.56%

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. HSBC International Trustee 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, HSBC International Trustee Limited and ZFS Holdings Limited are each deemed under the SFO to be interested in the Shares held by Wing Success Holdings Limited.

3. New Horizon Capital Partners III Ltd is the controlling shareholder of New Horizon Capital III, L.P., who in turn is a controlling shareholder of Eagle Eyes Investment Limited, which holds 80% interest in Carvillo Success Limited. Therefore, New Horizon Capital Partners III Ltd, New Horizon Capital III, L.P. and Eagle Eyes Investment Limited are deemed to be interested in the Shares held by Carvillo Success Limited.

Save as disclosed above, as at 31 December 2020, 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.

PRE-IPO SHARE OPTION SCHEME

The Company has adopted the Pre-IPO Share Option Scheme on 20 December 2010, the principal terms and conditions of the Pre-IPO share option scheme has been disclosed in the section headed "D. Pre-IPO Share Option Scheme" in appendix IV to the Prospectus. No further options were granted under the Pre-IPO Share Option Scheme during the 2020 Annual Period.

Outstanding Share Options

From 1 January 2020 to 31 December 2020, 690,914 share options lapsed and had been cancelled. As at 31 December 2020, there were a total of 12,391,385 share options outstanding. If all the outstanding options are exercised, there would be a dilution effect on the shareholdings of our Shareholders of 2.0% as at 31 December 2020. Save as set out above, no other share options have been or would be granted by us after the Listing pursuant to the Pre-IPO Share Option Scheme.

Grantees	Date of grant	Exercisable period	Exercise price per share (US$)	Number of Shares represented by options at 1 January 2020	Exercised during the period	Lapsed during the period	Number of unvested option	Number of vested options	Number of Shares represented by options at 31 December 2020	Approximate percentage of issued share capital of the Company
Other participants	01/01/2011	01/01/2015-31/12/2021	1.16	4,265,641	–	690,914	–	3,574,727	3,574,727	0.57%
	01/10/2015	01/01/2016-31/12-2021	0.00001	8,816,658	–	–	–	8,816,658	8,816,658	1.40%
Total				13,082,299	–	690,914	–	12,391,385	12,391,385	1.97%

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 abovesaid 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 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 (5) 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 the Board at its absolute discretion and notified by the 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 (the "**Granted Options**") pursuant to the Share Option Scheme but not yet exercised as at 31 December 2020. No options were cancelled, lapsed or exercised during the year ended 31 December 2020.

Grantee	Date of grant	Number of share options outstanding as at 1 January 2020	Closing Price per Share immediately prior to the date of grant	Exercise Price per Share	Exercise Period	Number of options granted during the year ended 31 December 2020	Number of options exercised during the year ended 31 December 2020	Number of options lapsed during the year ended 31 December 2020	Number of options cancelled during the year ended 31 December 2020	Number of options outstanding as at 31 December 2020	Approximate percentage of shareholding upon exercise of share options
Executive Directors											
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%
XU Da [1]	24 May 2017	6,200,000	HK$1.31	HK$1.33	24 May 2017 to 17 May 2027	–	–	–	–	6,200,000	0.98%
Independent non-executive Directors											
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%
Other participants of the Share Option Scheme	24 May 2017	51,682,700	HK$1.31	HK$1.33	24 May 2017 to 17 May 2027	–	–	–	–	51,682,000	8.20%
Total		**61,482,700**				**–**	**–**	–	**–**	**61,482,700**	**9.76%**

Note:

1. Mr. Xu Da resigned as an executive Director on 2 February 2021.

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.

During the year ended 31 December 2020, 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.

COMPETING BUSINESSES

For the 2020 Annual Period, 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 which competed or might compete with the business of the Group, or had any other conflict of interest with the Group.

NON-COMPETITION DEED

Mr. Zheng and Wing Success Holdings Limited (the "**Covenantors**") entered into a deed of non-competition on 23 May 2016 in favour of the Company and its subsidiaries (the "**Non-competition Deed**").

Pursuant to which each of the Covenantors has irrevocably, jointly and severally undertaken to the Company that he or it would not, and that his or its associates (except any member of the Group, Beijing Hermit Culture & Media Co., Ltd., Beijing Yueying Technology Co, Ltd. and CDW (Beijing) Yun Duan Technology Co., Ltd. (the "**Group Companies**") would not, during the restricted period set out below, directly or indirectly, either by corporate, partnership, joint venture on his or its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise) any business which is or may be in competition with our existing core business of research, development and sales of post-production digital video technology products, solutions and services (the "**Restricted Business**"). Details of the major terms of the Non-competition Deed was disclosed in the section headed "Relationship with Controlling Shareholders" of the Prospectus. Our Independent Board Committee has reviewed that we complied with the Non-competition Deed during the 2020 Annual Period.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

EQUITY-LINKED AGREEMENTS

Save for the Pre-IPO Share Option Scheme, Share Option Scheme and the Share Award Scheme as set out in this annual report, no equity-linked agreements were entered into by the Group, or existed during the 2020 Annual Period.

PERMITTED INDEMNITY PROVISION

Under the Articles of Association, the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attached to any of them. Such permitted indemnity provision is currently in force and was in force throughout the 2020 Annual Period.

ENVIRONMENTAL POLICY AND PERFORMANCE

Our environmental policy was set out in the section headed "Environmental, Social and Governance Report – Environmental Protection" in this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and the management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the 2020 Annual Period, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

DONATIONS

During the 2020 Annual Period, the Group did not make any charitable and other donations.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognizes that employees, customers and suppliers and business associates are key stakeholders to the Group's success. It strives to achieve corporate sustainability through engaging its employees, providing quality products and services to its customers, collaborating with business partners (including suppliers and contractors) to deliver quality products and services and supporting our community.

DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management of the Company during the 2020 Annual Period and up to the date of this annual report were:

Executive Directors

Mr. ZHENG Fushuang *(Chairman and Chief Executive Officer)*
Mr. PANG Gang *(President) (appointed on 2 February 2021)*
Mr. LIU Baodong *(resigned as President on 2 February 2021)*
Mr. XU Da *(resigned on 2 February 2021)*

Independent non-executive Directors

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors and senior management are set out in the section headed "Biographical Details of the Directors and Senior Management" in this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company and/or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

CONTROLLING SHAREHOLDER AND DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director or controlling shareholder had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during 2020 Annual Period.

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

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

In the opinion of the Directors, except for the code provision A2.1 of the Code, the Company has complied with all the code provisions set out in the Corporate Governance Code from 1 January 2020 and up to the date of this annual report.

FIVE-YEAR FINANCIAL HIGHLIGHTS

A summary of the results, assets and liabilities of the Group for the last five financial years is set out in the section headed "Five-Year Financial Summary" of this annual report.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSET

There was no specific plan for material investment or capital asset as at 31 December 2020.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures of the Group during the 2020 Annual Period.

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 to all the Directors who confirmed their compliance with the required standard of dealings and the code of conduct regarding Directors' securities transactions during the 2020 Annual Period. No incident of non-compliance was noted by the Company during this period.

CONNECTED TRANSACTIONS

The related party transactions entered into by the Group during the 2020 Annual Period are set out in note 31 to the consolidated financial statements. Save as disclosed below, the Directors consider that these significant related party transactions did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the GEM Listing Rules.

Non-exempt Continuing Connected Transactions

On 30 November 2018, CDV WFOE (as the tenant), an indirect wholly-owned subsidiary of the Company, and China Digital Video Investment Group Co., Ltd. (新奥特投資集團有限公司) ("**CDV Investment**") (as the landlord) entered into a property lease agreement for a term of three years commencing from 1 January 2019 and ending 31 December 2021 (the "**New Property Lease Agreement**"), pursuant to which CDV WFOE shall lease certain office and warehouse premises from CDV Investment.

During the 2020 Annual Period, the rental expenses incurred under the New Property Lease Agreement amounted to approximately RMB10.3 million (2019: approximately RMB13.5 million).

On 30 November 2018, CDV WFOE (as the supplier) and Xin'aote Group Co. Ltd. (北京新奥特集團有限公司) ("**Xin'aote Group**") (as the customer) entered into a framework agreement (the "**New Supply Framework Agreement**") for a term of three years commencing from 1 January 2019 and ending 31 December 2021, pursuant to which Xin'aote Group shall purchase the solutions, products and services from CDV WFOE on an exclusive basis.

During the 2020 Annual Period, the revenue recognised under the New Supply Framework Agreement amounted to approximately RMB15.3 million (2019: approximately RMB5.9 million).

The Directors, including the independent non-executive Directors, consider that all the continuing connected transactions disclosed above are conducted on normal commercial terms and are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole and are in the ordinary and usual course of the business. The Directors, including the independent non-executive Directors, are also of the view that the annual caps of all the continuing connected transactions above are fair and reasonable. The Company confirms that the Company has compiled with the disclosure requirements under Chapter 20 of the GEM Listing Rules in respect of the continuing connected transactions disclosed above.

The Company's auditor has been engaged by the Company to report on the non-exempt continuing connected transactions mentioned above. The auditor has issued a letter to the Board confirming, among other things, that nothing has come to their attention that causes them to believe that such transactions:-

(a) have not been approved by the Board;

(b) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;

(c) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and

(d) have exceeded the cap.

A copy of this letter has been provided by the Company to the Stock Exchange.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the audited annual financial statements for the 2020 Annual Period and is of the opinion that the audited financial statements of the Group for the 2020 Annual Period complies with the applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

By order of the Board

China Digital Video Holdings Limited
Zheng Fushuang
Chairman

29 March 2021

Grant Thornton
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To the members of China Digital Video Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Digital Video Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 52 to 143, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

Impairment assessment of intangible assets

Refer to notes 2.19, 3.1(d) and 11 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2020, the Group has intangible assets of RMB110,996,000. The Group's assessment of impairment of these intangible assets requires estimate of the cash flow forecasts associated with the cash generating units ("CGUs"). We identified the impairment assessment of intangible assets as key audit matter because of their significance to the consolidated financial statements and the level of subjectivity associated with the assumptions used in estimating the value-in-use of the CGUs, including cash flows forecast, sales growth rates, operating margins and the rate at which they are discounted.	Our audit procedures in relation to the impairment assessment included: – reviewing the cash flows forecasts of the CGUs prepared by the management; – discussing with the management to understand the management's basis for determining the assumptions of cash flows forecasts; – evaluating the reasonableness of key assumptions (including operating margins, sales growth rates and discount rates) of the forecasts based on our knowledge of the business and industry and taking into account of the historical financial information; and – testing the management's sensitivity calculations by applying our own sensitivity analysis to the forecasts and discount rates to ascertain the extent to which reasonable adverse changes would, either individually or in aggregate, require an impairment on the intangible assets.

Provision for impairment of trade and other receivables and contract assets

Refer to notes 2.9, 2.10, 3.1(a), 17 and 18 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2020, the Group had trade and other receivables and contract assets amounting to RMB282,625,000 and RMB58,530,000, respectively, fall within the scope of expected credit loss model. The Group determines the provision for impairment of trade and other receivables and contract assets based on the Group's past history, existing market conditions and forward-looking information. We identified the provision for impairment of trade and other receivables and contract assets as a key audit matter due to its significance to the consolidated financial statements and considerable amounts of judgement and estimation being applied in the assessment of credit risk under the expected credit loss model. These judgements and assumptions include but not limited to the debtors' payment history and creditworthiness, historical default rates, and forward-looking macroeconomic factors.	Our audit procedures in relation to the provision for impairment included: – understanding the management's impairment provision policy in respect of trade and other receivables and contract assets; – reviewing the payment history of the debtors; – assessing, on a sample basis, the management's forecast of future repayments and understanding of the debtor's financial condition; – assessing the management's judgement on significant increase in credit risk; – reviewing the ageing of the trade receivables and evaluating the parameters in estimating the expected credit loss rate; and – checking, on a sample basis, the accuracy of the provision in accordance with the expected credit loss rate applied by the Group.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the 2020 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors assisted by the audit committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

29 March 2021

Lin Ching Yee Daniel
Practising Certificate No.: P02771

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	4	**312,040**	303,206
Cost of sales		**(258,231)**	(235,700)
Gross profit		**53,809**	67,506
Other income	5	**61,951**	31,356
Selling and marketing expenses		**(43,577)**	(57,354)
Administrative expenses		**(33,075)**	(43,601)
Share-based compensation expense	27	**—**	(1,755)
Research and development expenses		**(43,569)**	(27,904)
Finance costs	6	**(10,289)**	(13,049)
Net impairment loss on trade and other receivables and contract assets		**(49,095)**	(108,338)
Impairment loss on goodwill	12	**—**	(17,481)
Share of loss of joint ventures	14	**(387)**	(1,143)
Share of profit/(loss) of associates	15	**2,603**	(1,719)
Loss before income tax		**(61,629)**	(173,482)
Income tax (expense)/credit	7	**(7,466)**	769
Loss for the year	6	**(69,095)**	(172,713)
Other comprehensive (expense)/income			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on the translation of foreign operation		**(11,009)**	5,077
Total comprehensive expense for the year		**(80,104)**	(167,636)
(Loss)/Profit for the year attributable to:			
Equity holders of the Company		**(71,060)**	(173,340)
Non-controlling interests		**1,965**	627
		(69,095)	(172,713)
Total comprehensive (expense)/profit for the year attributable to:			
Equity holders of the Company		**(82,069)**	(168,263)
Non-controlling interests		**1,965**	627
		(80,104)	(167,636)
Loss per share for loss attributable to equity holders of the Company	8		
(expressed in RMB cents per share)			
Basic		**(11.49)**	(28.03)
Diluted		**(11.49)**	(28.03)

The notes on pages 59 to 143 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	40,590	635
Intangible assets	11	110,996	139,015
Goodwill	12	—	—
Interests in joint ventures	14	—	387
Interests in associates	15	33,968	17,329
Financial assets at fair value through profit or loss	19	9,191	4,935
Deferred tax assets	23	—	5,666
		194,745	167,967
Current assets			
Inventories	16	52,225	60,857
Trade and other receivables	17	364,502	393,928
Contract assets	18	58,530	75,192
Restricted bank deposits	20	372	2,173
Pledged bank deposits	20	52,199	122,363
Bank balances and cash	20	125,594	115,229
		653,422	769,742
Current liabilities			
Trade and other payables	21	243,831	254,188
Contract liabilities	18	18,509	17,040
Interest-bearing borrowings	22	196,810	234,942
Income tax liabilities		6,985	5,185
Lease liability	24	7,429	—
		473,564	511,355
Net current assets		179,858	258,387
Total assets less current liabilities		374,603	426,354
Non-current liabilities			
Lease liability	24	28,353	—
Net assets		346,250	426,354

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
EQUITY			
Share capital	25	**43**	43
Reserves	26	**343,095**	425,164
Equity attributable to equity holders of the Company		**343,138**	425,207
Non-controlling interests		**3,112**	1,147
Total equity		**346,250**	426,354

Zheng Fushuang
Director

Pang Gang
Director

The notes on pages 59 to 143 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Equity attributable to equity holders of the Company										
	Share capital RMB'000	Treasury shares* RMB'000	Share premium* RMB'000	Statutory reserve* RMB'000	Translation reserve* RMB'000	Share option reserve* RMB'000	Other reserve* RMB'000	Accumulated losses* RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019	43	(1)	597,479	28,982	(2,201)	64,116	34,631	(131,334)	591,715	2,015	593,730
Comprehensive (expense)/income for the year											
Loss for the year	–	–	–	–	–	–	–	(173,340)	(173,340)	627	(172,713)
Other comprehensive income for the year	–	–	–	–	5,077	–	–	–	5,077	–	5,077
Total comprehensive expense for the year	–	–	–	–	5,077	–	–	(173,340)	(168,263)	627	(167,636)
Transactions with owners											
Vesting of shares held under the Share Award Scheme (note 27(c))	–	–	2,734	–	–	–	(2,734)	–	–	–	–
Share-based compensation (note 27)	–	–	–	–	–	1,590	165	–	1,755	–	1,755
Distribution to a non-controlling shareholder (note 13(a))	–	–	–	–	–	–	–	–	–	(1,940)	(1,940)
Capital contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	–	445	445
Transfer upon forfeiture of share options and share awards	–	–	–	–	–	(17,792)	(784)	18,576	–	–	–
Total transactions with owners	–	–	2,734	–	–	(16,202)	(3,353)	18,576	1,755	(1,495)	260
Balance at 31 December 2019	43	(1)	600,213	28,982	2,876	47,914	31,278	(286,098)	425,207	1,147	426,354

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Equity attributable to equity holders of the Company										
	Share capital RMB'000	Treasury shares* RMB'000	Share premium* RMB'000	Statutory reserve* RMB'000	Translation reserve* RMB'000	Share option reserve* RMB'000	Other reserve* RMB'000	Accumulated losses* RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2020	43	(1)	600,213	28,982	2,876	47,914	31,278	(286,098)	425,207	1,147	426,354
Comprehensive (expense)/income for the year											
Loss for the year	–	–	–	–	–	–	–	(71,060)	(71,060)	1,965	(69,095)
Other comprehensive expense for the year	–	–	–	–	(11,009)	–	–	–	(11,009)	–	(11,009)
Total comprehensive expense for the year	–	–	–	–	(11,009)	–	–	(71,060)	(82,069)	1,965	(80,104)
Transactions with owners											
Transfer upon forfeiture of share options and share awards	–	–	–	–	–	(78)	–	78	–	–	–
Appropriation for statutory reserve	–	–	–	682	–	–	–	(682)	–	–	–
Total transactions with owners	–	–	–	682	–	(78)	–	(604)	–	–	–
Balance at 31 December 2020	43	(1)	600,213	29,664	(8,133)	47,836	31,278	(357,762)	343,138	3,112	346,250

* These reserves accounts comprise the Group's reserves of RMB343,095,000 (2019: RMB425,164,000) in the consolidated statement of financial position as at 31 December 2020.

The notes on pages 59 to 143 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Loss before income tax		**(61,629)**	(173,482)
Adjustments for:			
Depreciation of property, plant and equipment		**5,439**	2,254
Amortisation of intangible assets		**34,857**	28,239
Interest income		**(13,088)**	(15,528)
Interest expenses		**10,289**	13,049
Bad debt recovered		**—**	(4,271)
Net impairment loss on trade and other receivables and contract assets		**49,095**	108,338
Provision for inventory obsolescence		**3,736**	6,576
Impairment loss on goodwill	12	**—**	17,481
Write-off of property, plant and equipment		**25**	2,893
Write-off of intangible assets		**—**	4,064
Impairment loss on intangible assets		**3,100**	24,730
Share-based compensation expense	27	**—**	1,755
Share of (profit)/loss of associates	15	**(2,603)**	1,719
Share of loss of joint ventures	14	**387**	1,143
Gain on disposal of intangible assets		**—**	(2,400)
Gain on deemed disposal of partial interests in an associate		**(14,036)**	—
Fair value (gain)/loss on financial assets at fair value through profit or loss		**(4,256)**	4,933
Operating profit before working capital changes		**11,316**	21,493
Decrease/(Increase) in inventories		**4,896**	(28,135)
Decrease/(Increase) in trade and other receivables		**13,331**	(5,571)
Decrease in contract assets		**19,284**	2,704
Decrease in trade and other payables		**(18,335)**	(83,866)
Increase in contract liabilities		**1,469**	4,813
Cash generated from/(used in) operations		**31,961**	(88,562)
Income tax paid		**—**	(17)
Net cash from/(used in) operating activities		**31,961**	(88,579)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
Cash flows from investing activities			
Interest received		11,331	19,208
Purchase of property, plant and equipment		(719)	(2,108)
Addition in development costs through internal development		(9,938)	(34,282)
Placement of time deposits with original maturities exceeding three months		(8,500)	(100,000)
Release of time deposits with original maturities exceeding three months		100,000	100,000
(Increase)/Decrease in amounts due from joint ventures		(290)	5,946
Increase in amounts due from related parties		(822)	(690)
Decrease/(Increase) in amounts due from associates		3,834	(7,607)
Loan to an associate		—	(400)
Repayment of loan to an associate		400	—
(Increase)/Decrease in loan receivables		(41,594)	60,736
Decrease in restricted bank deposits		1,801	4,345
Decrease/(Increase) in pledged bank deposits		61,341	(4,812)
Net cash from investing activities		116,844	40,336
Cash flows from financing activities			
Interest paid	30	(10,598)	(11,557)
Increase in amounts due to related parties	30	7,065	1,298
Increase in amounts due to associates	30	1,053	2,257
(Decrease)/Increase in amount due to a joint venture	30	(1,050)	1,050
Proceeds from bank borrowings	30	138,000	225,200
Repayment of bank borrowings	30	(180,200)	(193,000)
Proceeds from other borrowings	30	11,950	7,000
Repayment of other borrowings	30	(7,882)	(6,708)
Payment of lease liability	30	(4,167)	—
Interest paid for lease liability	30	(1,107)	—
Capital contribution from non-controlling shareholders		—	445
Net cash (used in)/from financing activities		(46,936)	25,985
Net increase/(decrease) in cash and cash equivalents		101,869	(22,258)
Cash and cash equivalents at beginning of the year		15,229	37,403
Effect of foreign exchange rate changes on cash and cash equivalents held		(4)	84
Cash and cash equivalents at end of the year	20	117,094	15,229

The notes on pages 59 to 143 are an integral part of these financial statements.

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 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 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 in the People's Republic of China (the "PRC").

As at 31 December 2020, the directors regard the immediate and the ultimate holding company of the Company is Wing Success Holdings Limited ("Wing Success"), a company incorporated in the British Virgin Islands and Mr. Zheng Fushuang ("Mr. Zheng") is the ultimate controlling party of the Company.

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

The consolidated financial statements for the year ended 31 December 2020 were approved for issue by the board of directors (the "Board") on 29 March 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which includes all applicable individual IFRSs, International Accounting Standards ("IASs"), amendments and interpretations issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and include the disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss ("FVTPL") which are measured at fair value. The measurement bases are fully described in the accounting policies below.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3 below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.1 Basis of preparation – *continued*

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

In the current year, the Group has applied the following new and amended IFRSs, which have become effective for the financial year beginning on 1 January 2020 and relevant to the Group:

Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IAS 1 and IAS 8	Definition of Material

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

(b) New and amended standards and interpretations not yet adopted

At the date of authorisation of these consolidated financial statements, certain new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group.

IFRS 17	Insurance Contracts and related amendments[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[6]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 16	Covid-19-Related Rent Concessions[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[4]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[3]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020[3]

[1] Effective for annual periods beginning on or after 1 June 2020
[2] Effective for annual periods beginning on or after 1 January 2021
[3] Effective for annual periods beginning on or after 1 January 2022
[4] Effective for annual periods beginning on or after 1 January 2023
[5] Effective date not yet determined
[6] Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.1 Basis of preparation – *continued*

2.1.1 Changes in accounting policy and disclosures – continued

(b) New and amended standards and interpretations not yet adopted – *continued*

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The adoption of new and amended IFRSs are not expected to have a material impact on the Group's consolidated financial statements.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of subsidiaries in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income or expense for the year between non-controlling interests and the owners of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.2 Basis of consolidation – *continued*

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.3 Associates and joint ventures

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions relating about relevant activities require the unanimous consent of the parties sharing control.

In consolidated financial statements, an investment in an associate or a joint venture is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in the associate or joint venture is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate or joint venture's net assets less any identified impairment loss. The profit or loss for the year includes the Group's share of the post-acquisition, post-tax results of the associate or joint venture for the year, including any impairment loss on the investment in associate or joint venture recognised for the year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.3 Associates and joint ventures – *continued*

Unrealised gains on transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the associate or joint venture. Where unrealised losses on assets sales between the Group and its associate or joint venture are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate or joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate or joint venture's accounting policies to those of the Group when the associate or joint venture's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. For this purpose, the Group's interest in the associate or joint venture is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or joint venture.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate or joint venture. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate or joint venture is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (i.e. higher of value in use and fair value less costs of disposal) of the associate or joint venture and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including cash flows arising from the operations of the associate or joint venture and the proceeds on ultimate disposal of the investment.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate or joint control over a joint venture. If the retained interest in that former associate or joint venture is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with IFRS 9. The difference between (i) the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognised in the profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would have been required if the associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers ("CODM") (i.e. executive directors), who are responsible for allocating resources and assessing performance of the operating segments.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is United States dollars ("USD"). The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the development and operation of the Group during the years are mainly within the PRC, the Group determined to present the consolidated financial statements in RMB, unless otherwise stated.

(b) Transactions and balances

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.5 Foreign currency translation – *continued*

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income and accumulated in "translation reserve" in equity.

2.6 Property, plant and equipment

Property, plant and equipment (other than cost of right-of-use assets as described in note 2.14) is stated at historical cost less accumulated depreciation and impairment loss. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other costs, such as repairs and maintenance, are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, as follows:

Leasehold improvements	Shorter of remaining term of the lease and the estimated useful lives of the assets
Computer equipment	3-5 years
Furniture and office equipment	5 years
Motor vehicle	10 years

Accounting policy for depreciation of right-of-use assets is set out in note 2.14.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and included in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.7 Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any acquirer's previously held equity interest in the acquiree over the fair value of the net identifiable assets acquired. Goodwill is stated at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing (see note 2.19). The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purpose, being the operating segments. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2.8 Intangible assets (other than goodwill)

(a) Video-related and broadcasting intellectual properties, patents, trademarks and licenses

Separately acquired video-related and broadcasting intellectual properties, patents, trademarks and licenses are initially recorded at cost and include internally generated intangible assets (i.e. capitalised development costs as detailed in note 2.8(b) below) that are available-for-use. Video-related and broadcasting intellectual properties, patents, trademarks and licenses acquired in a business combination are recognised at fair value at the acquisition date. These intangible assets have a finite useful life and are subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis over the shorter of their license periods or estimate useful lives (ranged from 2 to 5 years).

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring the software for their intended use. These costs are amortised over their estimated useful lives of 1 to 10 years.

The assets' amortisation methods and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Intangible assets are tested for impairment as described in note 2.19.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.8 Intangible assets (other than goodwill) – *continued*

(b) Research and development costs

Costs associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to development activities are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development activities. The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are recognised as intangible assets. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and are transferred to "Video-related and broadcasting intellectual properties, patents, trademarks and licenses" (note 2.8(a)) once the asset is available for use. Amortisation commences when the intangible assets are available for use and are calculated on a straight-line basis over its estimated useful lives (ranged from 2 to 5 years).

All other development costs are expensed as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.9 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value, in case of a financial asset not at FVTPL, plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets are classified into the following categories:

– amortised cost;

– FVTPL; or

– fair value through other comprehensive income ("FVOCI").

The classification is determined by both:

– the entity's business model for managing the financial asset; and

– the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or interest income, except for expected credit loss ("ECL") of trade and other receivables which is presented as "Net impairment loss on trade and other receivables and contract assets" in the consolidated statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.9 Financial instruments – *continued*

Financial assets – *continued*

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

– they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

– the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in "Other income" in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's restricted bank deposits, pledged bank deposits, bank balances and cash and trade and other receivables fall into this category of financial assets.

Equity instruments

Equity investments are classified as measured at FVTPL unless the equity investments are not held for trading purposes and on initial recognition of the investments the Group makes an election to designate the investments as measured at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective.

Dividends from investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Other income" in the consolidated statement of comprehensive income.

The equity instruments at FVTPL are not subject to impairment assessment. Changes in the fair value of financial assets at FVTPL are recognised in "Other income" in the consolidated statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.9 Financial instruments – *continued*

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and lease liability.

Financial liabilities (other than lease liability) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within "Finance costs" or "Other income" in the consolidated statement of comprehensive income.

Accounting policies of lease liability are set out in note 2.14.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.10 Impairment of financial assets and contract assets

IFRS 9's impairment requirements use forward-looking information to recognise ECL – the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost, trade receivables and contract assets recognised and measured under IFRS 15.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

– financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and

– financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade receivables and contract assets

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. 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 loss rates for the contract assets. In addition, the Group also carried out individual assessment for significant receivables to determine if additional ECL are required.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.10 Impairment of financial assets and contract assets – *continued*

Other financial assets measured at amortised cost

The Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

– an actual or expected significant deterioration in the operating results of the debtor.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.10 Impairment of financial assets and contract assets – *continued*

Other financial assets measured at amortised cost – *continued*

For internal credit risk management, the Group considers an event of default occurs when (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group); or (ii) the financial asset is 90 days past due (unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate).

Detailed analysis of the ECL assessment of trade receivables, contract assets and other financial assets measured at amortised cost are set out in note 32(d).

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.13 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2.17) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 2.10 and are reclassified to receivables when the right to the consideration has become unconditional (see note 2.9).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.17). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.9).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.14 Leases

Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, the Group elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.14 Leases – *continued*

Measurement and recognition of leases as a lessee – continued

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

On the consolidated statement of financial position, right-of-use assets have been included in "Property, plant and equipment", the same line as it presents the underlying assets of the same nature that it owns.

Refundable rental deposits paid are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

2.15 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.16 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.17 Revenue recognition

The Group's revenue includes, separately or in combination, the sale of application solution services with equipments, the provision of consultancy services, professional services, maintenance services, customer support services, extended warranty and other services.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognising revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.17 Revenue recognition – *continued*

Further details of the Group's revenue and other income recognition policies are as follows:

(a) Sales of products

Sale of products, including software and hardware equipments, are recognised when or as the Group transfers control of the assets to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of products.

(b) Solutions sales

Revenue from solution sales contracts are recognised at a point of time when the control of the goods is transferred to the customers and the relevant installation and integration services are fully performed.

The Group generally provides for warranties for repairs to any defects and does not provide extended warranties in its solution contract with customers. As such, some existing warranties in a solution contract are considered as assurance-type warranties under IFRS 15, which are accounted for under IAS 37. Retention receivables, prior to expiration of retention period, are classified as contract assets. The relevant amount of contract asset is reclassified to trade receivables when the retention period expires.

(c) Services

Services, being service-type warranties under IFRS 15, maintenance and other professional services, are provided in the form of fixed-price contracts. Sales are recognised over time by straight-line basis in the period the services are provided.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

(e) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of ECL allowance) of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.18 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

Government grants relating to the purchase of assets are included in other payables as deferred government grants in the consolidated statement of financial position and are recognised in profit or loss on a straight-line basis over the expected lives of the related assets.

Government grants relating to income is presented in gross under "Other income" in the consolidated statement of comprehensive income.

2.19 Impairment of non-financial assets

Goodwill arising on acquisition of a subsidiary, property, plant and equipment (including right-of-use asset), other intangible assets, interests in joint ventures, interests in associates and the Company's interests in subsidiaries are subject to impairment testing. Goodwill and other intangible assets not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.19 Impairment of non-financial assets – *continued*

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2.20 Employee benefits

(a) Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(b) Retirement benefit

Retirement benefits to employees are provided through defined contribution plans.

The group entities established in the PRC make monthly contributions to a state-sponsored defined contribution scheme for the local staff. The contributions are made at a specific percentage on the standard salary pursuant to laws of the PRC and relevant regulation issued by local social security authorities.

Contributions are recognised as an expense in profit or loss as employees rendered services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.20 Employee benefits – *continued*

(c) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(d) Equity-settled share-based compensation transactions

The Group operates a number of equity-settled, share-based compensation plans (including share option schemes and share award scheme), under which the entity receives services from employees as consideration for equity instruments (including share options and awarded shares) of the Group. The fair value of the services received in exchange for the grant of the equity instruments is recognised as expense.

In terms of share options and awarded shares, the total amount to be expensed is determined by reference to the fair value of the equity instruments granted including any market performance conditions; excluding the impact of any service and non-market performance vesting conditions; and including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of share options and awarded shares that are expected to vest. The total expense is recognised over the vesting period over which all of the specified vesting conditions are to be satisfied.

At each reporting date, the Group revises its estimates of the number of options and shares that are expected to vest based on the non-marketing performance and service conditions. The Group recognises the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

When the share options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(e) Share-based payment transactions among group entities

The grant by the Company of share options and awarded shares over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the separate financial statements of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.21 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.21 Accounting for income taxes – *continued*

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

  (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or board of directors, where appropriate.

2.23 Related parties

For the purpose of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.23 Related parties – *continued*

(b) the party is an entity and if any of the following conditions applies:

(i) the entity and the Group are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) the entity and the Group are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Estimation uncertainties

The Group makes accounting estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimation of impairment of trade and other receivables and contract assets

The Group makes ECL allowances on trade and other receivables and contract assets based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period as set out in note 2.10. As at 31 December 2020, the carrying amounts of trade and other receivables and contract assets were RMB282,625,000 (2019: RMB314,284,000) (net of ECL allowance of RMB158,775,000 (2019: RMB187,170,000)) and RMB58,530,000 (2019: RMB75,192,000) (net of ECL allowance of RMB4,050,000 (2019: RMB6,672,000)), respectively.

When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade and other receivables and contract assets and ECL allowance in the periods in which such estimate has been changed.

(b) Allowance for inventories

The management reviews the condition of inventories (note 16) at each reporting date, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use for production or maintenance. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions. If the market condition was to deteriorate, resulting in a lower net realisable value for such inventories, additional allowances may be required. As at 31 December 2020, the carrying amount of inventories was RMB52,225,000 (2019: RMB60,857,000). The Group has made provision for inventory obsolescence of RMB3,736,000 (2019: RMB6,576,000) for the year ended 31 December 2020.

(c) Capitalisation of development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.8(b) to the consolidated financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2020, the carrying amount of capitalised development cost was RMB9,420,000 (2019: RMB13,865,000).

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – *continued*

3.1 Estimation uncertainties – *continued*

(d) Depreciation, amortisation and impairment assessment of property, plant and equipment and intangible assets

Property, plant and equipment (note 10) and intangible assets (note 11) with finite useful lives are depreciated or amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value, if any. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during the reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expense for future periods may adjusted if there are significant changes from previous estimates.

Property, plant and equipment and intangible assets with finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amounts. The recoverable amounts of the assets have been determined based on the higher of fair value less cost of disposal and value-in-use calculations. These calculations require the use of judgement and estimates. As at 31 December 2020, the carrying amount of property, plant and equipment and intangible assets was RMB40,590,000 (2019: RMB635,000) and RMB110,996,000 (2019: RMB139,015,000), respectively.

(e) Current and deferred income taxes

As detailed in note 7, the Group is subject to income taxes in several jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 December 2020, the Group had income tax liabilities of RMB6,985,000 (2019: RMB5,185,000). The details of the deferred tax assets and liabilities are set out in note 23.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – *continued*

3.2 Critical judgement in applying the entity's accounting policies

(a) Classification of an unlisted equity investment

As detailed in note 19, the Group held 27.27% (2019: 27.27%) equity interests in a private equity fund as at 31 December 2020. The Group classified the investment as financial assets at FVTPL, because the directors considered that the Group has no contractual right to appoint representative in the investment committee and concluded that the Group is not in a position to control or exercise any significant influence over the financial and operating policies of the private equity fund or to participate in their operations.

(b) Classification of Beijing Jingqi Chuangzhi Technology Co., Ltd (北京精奇創智科技有限公司, "Beijing Jingqi")

As detailed in note 14, the Group held 38.25% (2019: 38.25%) equity interest in Beijing Jingqi and classified Beijing Jingqi as the joint venture of the Group because the appointment of the sole director of Beijing Jingqi require unanimous consent from the Group and the second largest investor of Beijing Jingqi who sharing the control.

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 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:

	2020 **RMB'000**	2019 RMB'000
Solutions	**213,630**	193,040
Services	**60,303**	70,448
Products	**38,107**	39,718
	312,040	303,206

4. REVENUE AND SEGMENT INFORMATION – *continued*

An analysis of the Group's timing of revenue recognition for the year is as follows:

	2020 RMB'000	2019 RMB'000
At a point of time	251,737	232,758
Over time	60,303	70,448
	312,040	303,206

Geographical information

The Group primarily operates in the PRC. As of 31 December 2020 and 2019, substantially all of the non-current assets (other than financial instruments and deferred tax assets) of the Group were located in the PRC.

Information about major customers

There is no single customer that contributed to over 10% of the Group's revenue for the years ended 31 December 2020 and 2019.

5. OTHER INCOME

	2020 RMB'000	2019 RMB'000
Other revenue		
Interest income	13,088	15,528
Value-added tax ("VAT") refunds (note a)	10,962	11,175
	24,050	26,703
Other net income		
Bad debt recovered	—	4,271
Fair value gain/(loss) on financial assets at FVTPL (note 32(f))	4,256	(4,933)
Gain on disposal of intangible assets (note 15(a))	—	2,400
Subsidy income from government (note b)	10,561	2,486
Net foreign exchange gain	7,288	—
Gain on deemed disposal of partial interests in an associate (note 15(d))	14,036	—
Reversal of accruals	1,234	—
Sundry income	526	429
	37,901	4,653
	61,951	31,356

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.

(b) 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.

6. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting):

	2020 RMB'000	2019 RMB'000
Finance costs		
Interest on bank and other borrowings, wholly repayable within five years	9,182	13,049
Interest on lease liability	1,107	—
	10,289	13,049
Employee benefit expenses		
Salaries, bonus and allowances	89,844	77,601
Retirement benefit scheme contributions (note)	12,712	19,942
Severance payments	1,004	775
Share-based compensation expense	—	1,755
	103,560	100,073
Other items		
Auditors' remuneration	965	965
Cost of software and hardware equipments recognised as an expense, including	164,417	141,711
– Provision for inventory obsolescence	3,736	6,576
Amortisation of intangible assets	34,857	28,239
Depreciation of property, plant and equipment		
– Owned assets	778	2,254
– Right-of-use asset	4,661	—
Lease charges for short-term leases (2019: Lease charges for short-term leases with lease term shorter than 12 months as at initial application of IFRS 16)	7,713	16,379
Write-off of property, plant and equipment	25	2,893
Impairment loss on intangible assets	3,100	24,730
Write-off of intangible assets	—	4,064
Net foreign exchange (gain)/loss	(7,288)	2,802

Note: Due to the impact of COVID-19, a number of policies including the relief of social insurance have been promulgated by the government since February 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions to retirement benefit scheme contributions during the year ended 31 December 2020.

7. INCOME TAX EXPENSE/(CREDIT)

	Note	2020 RMB'000	2019 RMB'000
Current tax - PRC enterprise income tax			
Current year		1,800	618
Under-provision in respect of prior years		—	1
		1,800	619
Deferred tax	23		
Origination and reversal of temporary differences		5,666	(1,388)
Income tax expense/(credit)		7,466	(769)

The difference between the actual income tax charge in the consolidated statement of comprehensive income and the amounts which would result from applying the enacted tax rate to loss before income tax can be reconciled as follows:

	2020 RMB'000	2019 RMB'000
Loss before income tax	(61,629)	(173,482)
Tax on loss before income tax, calculated at the statutory rates applicable to profits in the tax jurisdiction concerned	(11,023)	(39,355)
Tax effect on non-deductible expenses	10,437	22,341
Tax effect on preferential income tax rates applicable to certain subsidiaries	5,252	15,733
Tax effect on tax loss and deductible temporary differences not recognised	10,376	3,269
Tax effect on super deduction in research and development activities	(7,576)	(2,752)
Under-provision in respect of prior years	—	1
Others	—	(6)
Income tax expense/(credit)	7,466	(769)

7. INCOME TAX EXPENSE/(CREDIT) – *continued*

Notes:

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong profits tax

Hong Kong profits tax rate is 16.5%. Hong Kong profits tax has not been provided as the companies within the Group had no estimated assessable profits in Hong Kong for both years.

(c) PRC enterprise income tax

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year based on the existing legislation, interpretations and practices in respect thereof. The applicable income tax rate is 25%.

Pursuant to the relevant laws and regulations in the PRC, certain of the Company's subsidiaries in the PRC obtained the "High and New Technology Enterprise" qualification and enjoyed preferential income tax rate of 15% for the years ended 31 December 2020 and 2019.

According to relevant laws and regulations in the PRC, enterprises engaging in research and development activities are entitled to claim 175% (2019: 175%) of the research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). The Group has made its best estimate for the Super Deduction to be claimed in ascertaining their assessable profits for years ended 31 December 2020 and 2019.

(d) 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-invested enterprises in the PRC in respect of its profits generated from 1 January 2008. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

8. LOSS PER SHARE

(a) Loss per share

Basic loss per share is calculated based on the loss attributable to equity holders of the Company of RMB71,060,000 (2019: RMB173,340,000) and the weighted average number of shares of 618,332,000 shares (2019: 618,332,000 shares) outstanding during the year, excluding the treasury shares held by the Company (note 25).

(b) Diluted loss per share

For the years ended 31 December 2020 and 2019, the Company has two categories of potential dilutive ordinary shares: the 2010 Share Option Plan and the 2017 Share Option Scheme. The diluted loss per share for the years ended 31 December 2020 and 2019 was the same as the basic loss per share as all the potential ordinary shares were anti-dilutive.

9. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors' remuneration

The remuneration of each director disclosed pursuant to the GEM Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulations, are set out below:

Name of director	Fees RMB'000	Basic salaries and allowances RMB'000	Retirement benefit contribution RMB'000	Share-based compensation expense RMB'000	Total RMB'000
Year ended 31 December 2020					
Executive directors:					
Mr. Liu Baodong	863	—	32	—	895
Mr. Zheng Fushuang	604	—	—	—	604
Mr. Xu Da[1]	—	—	—	—	—
Independent non-executive directors:					
Mr. Frank Christiaens	203	—	—	—	203
Ms. Cao Qian	203	—	—	—	203
Dr. Li Wanshou	203	—	—	—	203
	2,076	—	32	—	2,108
Year ended 31 December 2019					
Executive directors:					
Mr. Liu Baodong	886	—	55	89	1,030
Mr. Zheng Fushuang	740	—	—	—	740
Mr. Xu Da[1]	—	—	—	185	185
Independent non-executive directors:					
Mr. Frank Christiaens	208	—	—	—	208
Ms. Cao Qian	208	—	—	—	208
Dr. Li Wanshou	208	—	—	—	208
	2,250	—	55	274	2,579

Note:

1) Mr. Xu Da was resigned from the executive director on 2 February 2021.

There were no arrangements under which a director of the Company waived or agreed to waive any remuneration during the years ended 31 December 2020 and 2019.

9. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS – *continued*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2019: one) director whose emoluments are reflected in the analysis presented above. The emoluments paid/payable to the remaining four (2019: four) individuals during the year are as follows:

	2020 RMB'000	2019 RMB'000
Basic salaries and allowances	2,973	2,792
Bonus	—	62
Retirement benefit scheme contributions	238	362
Share-based compensation expense	—	256
	3,211	3,472

The emoluments fell within the following bands:

	2020	2019
	Number of individuals	
Emolument bands		
Less than HK$1,000,000	3	3
HK$1,000,001 - HK$2,000,000	1	1

No emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2020 and 2019.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Computer equipment RMB'000	Furniture and office equipment RMB'000	Motor vehicle RMB'000	Office premise RMB'000	Total RMB'000
At 1 January 2019						
Cost	11,822	51,591	2,336	2,602	—	68,351
Accumulated depreciation	(11,121)	(49,330)	(2,313)	(1,913)	—	(64,677)
Net book amount	701	2,261	23	689	—	3,674
Year ended 31 December 2019						
Opening net book amount	701	2,261	23	689	—	3,674
Additions	—	2,079	29	—	—	2,108
Write-off	—	(2,891)	(2)	—	—	(2,893)
Depreciation	(676)	(1,331)	(27)	(220)	—	(2,254)
Closing net book amount	25	118	23	469	—	635
At 31 December 2019						
Cost	11,822	40,157	1,760	2,585	—	56,324
Accumulated depreciation	(11,797)	(40,039)	(1,737)	(2,116)	—	(55,689)
Net book amount	25	118	23	469	—	635
Year ended 31 December 2020						
Opening net book amount	**25**	**118**	**23**	**469**	**—**	**635**
Additions	**4,751**	**711**	**8**	**—**	**39,949**	**45,419**
Write-off	**(25)**	**—**	**—**	**—**	**—**	**(25)**
Depreciation	**(554)**	**(80)**	**(17)**	**(127)**	**(4,661)**	**(5,439)**
Closing net book amount	**4,197**	**749**	**14**	**342**	**35,288**	**40,590**
At 31 December 2020						
Cost	**5,356**	**26,407**	**1,701**	**2,585**	**39,949**	**75,998**
Accumulated depreciation	**(1,159)**	**(25,658)**	**(1,687)**	**(2,243)**	**(4,661)**	**(35,408)**
Net book amount	**4,197**	**749**	**14**	**342**	**35,288**	**40,590**

10. PROPERTY, PLANT AND EQUIPMENT – *continued*

Depreciation charges recognised is analysed as follows:

	2020 RMB'000	2019 RMB'000
Selling and marketing expenses	2,422	1,140
Administrative expenses	452	231
Research and development expenses	2,565	883
	5,439	2,254

At the reporting date, included in the net carrying amount of property, plant and equipment is right-of-use asset as follows:

	2020 RMB'000	2019 RMB'000
Office premise	35,288	—

The total addition to right-of-use asset included in property, plant and equipment amounting to RMB39,949,000 (2019: nil) for the year ended 31 December 2020. The details in relation to the lease are set out in note 24.

11. INTANGIBLE ASSETS

	Video-related and broadcasting intellectual properties, patents, trademarks and licenses RMB'000	Development costs RMB'000	Total RMB'000
At 1 January 2019			
Cost	188,019	66,094	254,113
Accumulated amortisation	(92,347)	—	(92,347)
Net book amount	95,672	66,094	161,766
Year ended 31 December 2019			
Opening net book amount	95,672	66,094	161,766
Transfers	86,511	(86,511)	—
Write-off	(4,064)	—	(4,064)
Impairment loss	(24,730)	—	(24,730)
Additions	—	34,282	34,282
Amortisation	(28,239)	—	(28,239)
Closing net book amount	125,150	13,865	139,015
At 31 December 2019			
Cost	268,722	13,865	282,587
Accumulated amortisation	(118,842)	—	(118,842)
Provision for impairment	(24,730)	—	(24,730)
Net book amount	125,150	13,865	139,015
Year ended 31 December 2020			
Opening net book amount	125,150	13,865	139,015
Transfers	14,383	(14,383)	—
Impairment loss	(3,100)	—	(3,100)
Additions	—	9,938	9,938
Amortisation	(34,857)	—	(34,857)
Closing net book amount	101,576	9,420	110,996
At 31 December 2020			
Cost	283,105	9,420	292,525
Accumulated amortisation	(153,699)	—	(153,699)
Provision for impairment	(27,830)	—	(27,830)
Net book amount	101,576	9,420	110,996

11. INTANGIBLE ASSETS – *continued*

The development costs represented all direct costs incurred in the development of software products. Amortisation charges recognised is analysed as follows:

	2020 RMB'000	2019 RMB'000
Cost of sales	34,645	28,013
Selling and marketing expenses	37	37
Administrative expenses	35	35
Research and development expenses	140	154
	34,857	28,239

For the purpose of impairment assessment, certain intangible assets in respect of video-related and broadcasting intellectual properties, patents, trademarks and licenses have been allocated to cash-generating unit of broadcasting business, which was acquired in 2013. As at 31 December 2019, the directors conducted a review of the recoverable amount of the cash-generating unit containing the intangible assets, and determined that an impairment loss of RMB18,264,000 is recorded in profit or loss for the year ended 31 December 2019. Further details on impairment assessment of the cash-generating unit of broadcasting business are set out in note 12. No impairment loss in respect of the broadcasting business was made for the year ended 31 December 2020 as the relevant intangible assets were fully impaired in 2019.

In addition to the impairment loss of the intangible assets allocated to the cash-generating unit of broadcasting business, due to the increased market competition resulting in the decrease in revenue, the Group has made impairment loss of RMB3,100,000 (2019: RMB6,466,000) on other video-related and broadcasting intellectual properties, patents, trademarks and licenses during the year ended 31 December 2020. The recoverable amounts of these intangible assets of RMB8,977,000 (2019: RMB11,960,000) were determined based on value-in-use calculations, using cash flows projections covering the useful life of the intangible assets, with a discount factor of 25% (2019: 22%) for the year ended 31 December 2020.

12. GOODWILL

The net carrying amount of goodwill can be analysed as follows:

	2020 RMB'000	2019 RMB'000
Net carrying amount:		
As at 1 January	—	17,481
Impairment loss for the year	—	(17,481)
As at 31 December	—	—

The carrying amount of the cash generating unit of which the goodwill is allocated, being the research and sales of video-related and broadcasting equipment and software and provision of related technical services business conducted by a subsidiary, ZhengQi (Beijing) Video Technology Co., Ltd. (北京正奇聯訊有限公司, "Beijing Zhengqi"), which was acquired by the Group in 2013. As at 31 December 2019, the recoverable amount of RMB14,731,000 was determined based on value-in-use calculations, using an annual cash flow budget plan covering a 5-year period with estimated long-term growth rate of 3.0% per annum (for cash flows beyond the five-year period) for the operation, which does not exceed the long-term growth rate for the industry in the PRC. A discount factor of 21.9% for the year ended 31 December 2019 was applied in the value in use model.

During the year ended 31 December 2019, due to the fierce market competition, the revenue of Beijing Zhengqi was adversely affected and it cannot achieve the revenue target previously projected. This had an adverse impact on the estimated value in use of the cash generating unit and an impairment loss on goodwill of RMB17,481,000 and intangible assets of RMB18,264,000 (note 11) were recognised in profit or loss for the year ended 31 December 2019.

As at 31 December 2020 and 2019, the Group's goodwill was fully impaired.

13. SUBSIDIARIES

Particulars of the Company's principal subsidiaries, each of which is a limited liability company, as at 31 December 2020 and 2019, were as follows:

Name of company	Country/ Place and date of establishment	Issued and paid-up capital	Equity interest held	Principal activities and place of operation
Directly held by the Company				
China Digital Video (Beijing) Limited [1] ("CDV WFOE")	PRC/ 21 June 2007	US$50,000,000 (2019: US$50,000,000)	100% (2019: 100%)	Research, development and sales of video-related and broadcasting equipment and software and provision of related technical service, in PRC
Indirectly held by the Company				
Beijing Zhengqi [2]	PRC/ 23 October 2012	RMB20,000,000 (2019: RMB20,000,000)	100% (2019: 100%)	Research, development and sales of video-related and broadcasting equipment and software and provision of related technical service, in PRC
Guangdong Xin'aote Video Technology Company Limited [2] (廣東新奧特視頻技術有限公司, "Guangdong Xin'aote")	PRC/ 29 October 2018	RMB10,000,000 (2019: RMB10,000,000)	80%* (2019: 80%)	Research, development and sales of video-related and broadcasting equipment and software and provision of related technical service, in PRC
Beijing ZhengQi Network Technology Co., Ltd. [2] (北京正奇網訊科技有限公司, "Zhengqi Network")	PRC/ 13 September 2018	RMB8,000,000 (2019: RMB8,000,000)	100% (2019: 100%) (note a)	Research, development and sales of video-related and broadcasting equipment and software and provision of related technical service, in PRC
Beijing Tianmei Global Technology Company Limited [2] (北京天美環球科技有限公司, "Tianmei Technology")	PRC/ 16 August 2012	RMB1,000,000 (2019: RMB1,000,000)	100%# (2019: 100%)	Investments holding, in PRC
Xin'aote Totem Technology Co., Ltd. [2] (新奧特圖騰科技有限公司, "Totem Technology")	PRC/ 15 April 2019	RMB5,000,000 (2019: RMB5,000,000)	60%* (2019: 60%)	Research, development and sales of video-related and broadcasting equipment and software and provision of related technical service, in PRC

13. SUBSIDIARIES – *continued*

[1] Registered as a wholly foreign-owned enterprise under the PRC law

[2] Registered as a limited liability company under the PRC law

* The directors of the Company consider that the non-controlling interests in these subsidiaries during the years ended 31 December 2020 and 2019 were not material to the Group and thus no separate financial information of these non-wholly owned subsidiaries are presented.

Obtained control through contractual arrangements (note b).

The English name of certain companies referred here in represent management's best effort at translating the Chinese names of these companies as no English name has been registered.

Notes:

a) On 16 October 2019, Zhengqi Network completed the industrial and commercial registration for the change of registered capital from RMB10,000,000 to RMB8,000,000 after the death of the non-controlling shareholder. Accordingly, the balance of the non-controlling interests of approximately RMB1,940,000 was distributed to the spouse of the non-controlling shareholder during the year ended 31 December 2019.

b) Pursuant to the applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in an entity conducting radio and television program production business. In order to enable investments to be made into the restricted businesses, CDV WFOE entered into a series of contractual arrangements (the "Contractual Arrangements") with Tianmei Technology and its owner, which enable CDV WFOE and the Group to:

– exercise effective financial and operational control over Tianmei Technology;

– exercise equity holder's voting right of Tianmei Technology;

– receive substantially all of the economic interest returns generated by Tianmei Technology in consideration for the business support, technical and consulting services provided by CDV WFOE, at CDV WFOE's discretion;

– obtain an irrevocable and exclusive right to purchase all or part of equity interest in and/or assets of Tianmei Technology from its owner at a minimum purchase price permitted under the PRC laws and regulations;

– obtain a pledge over the entire equity interest of Tianmei Technology from its owner as collateral security for all of Tianmei Technology's payments due to CDV WFOE and to secure performance of Tianmei Technology's obligations under the Contractual Arrangements.

The details of the Contractual Arrangements are set out in the announcement issued by the Company dated 13 June 2018.

The Group does not have any equity interest in Tianmei Technology. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with Tianmei Technology and has the ability to affect those returns through its power over Tianmei Technology and is considered to control Tianmei Technology. Consequently, the Company regards Tianmei Technology as consolidated structured entity under IFRSs. The Group has consolidated the financial position and results of Tianmei Technology in the Group's consolidated financial statements.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Tianmei Technology and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Tianmei Technology. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements are in compliance with relevant PRC laws and regulations and are legally enforceable.

14. INTERESTS IN JOINT VENTURES

	2020 RMB'000	2019 RMB'000
At 1 January	387	1,530
Share of loss	(387)	(1,143)
At 31 December	—	387
Share of net assets	—	190
Goodwill	—	197
	—	387

At the reporting dates, the Group had interests in the following joint ventures, all of which are unlisted corporate entities whose quoted market price is not available and considered not individually material to the Group:

Name of company	Country/ Place of establishment	Registered/ Paid in capital	Equity interest held by the Group 2020	Equity interest held by the Group 2019	Principal activities and place of operation
CDV (Beijing) Yun Duan Technology Co., Ltd 新奧特(北京)雲端科技有限公司 ("Xin'aote Cloud") (note b & c)	PRC	RMB25,000,000 (2019: RMB25,000,000)	—	40%	Mobile application development and operation, in PRC
Beijing Jingqi (note a)	PRC	RMB4,000,000 (2019: RMB4,000,000)	38.25%	38.25%	Research, development and sales of video-related and broadcasting equipment and software and provision of related technical service, in PRC

14. INTERESTS IN JOINT VENTURES – *continued*

Notes:

(a) In 2018, the Group has established Beijing Jingqi with other investors and obtained 38.25% equity interest in Beijing Jingqi. The Group has classified Beijing Jingqi as a joint venture of the Group because the appointment of the sole director of the company require unanimous consent from the Group and the second largest investor of Beijing Jingqi who sharing the control. The share of loss of Beijing Jingqi for the year ended 31 December 2020 was amounted to RMB387,000 (2019: RMB1,143,000).

(b) The Group disposed 40% equity interest in Xin'aote Cloud during the year ended 31 December 2020 with nil consideration. No gain or loss was recognised for the disposal for the year ended 31 December 2020.

(c) The Group has discontinued recognising its share of loss of the joint ventures. The amounts of unrecognised share of loss of the joint ventures, extracted from the management accounts of the joint ventures, both for the year and cumulatively, are as follows:

	2020 **RMB'000**	2019 RMB'000
Unrecognised share of loss of joint ventures for the year	679	—#
Accumulated unrecognised share of loss of joint ventures*	679	1,832

* The amount of accumulated unrecognised share of loss of Xin'aote Cloud as at 31 December 2020 was excluded as Xin'aote Cloud was disposed during the year ended 31 December 2020 (note 14(b)).

The share of loss represents amount less than RMB1,000.

15. INTERESTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
At 1 January	17,329	16,648
Addition	—	2,400
Share of profit/(loss)	2,603	(1,719)
Gain on deemed disposal of partial interests in an associate (note d)	14,036	—
At 31 December	33,968	17,329
Share of net assets	26,462	8,061
Goodwill	7,506	9,268
	33,968	17,329

As at 31 December 2020 and 2019, the Group had interests in the following associates, all of which are unlisted corporate entities whose quoted market price is not available:

Name of company	Country/ Place of establishment	Registered/ Paid in capital	Equity interest held by the Group 2020	Equity interest held by the Group 2019	Principal activities and place of operation
Beijing Yue Ying Technology Co., Ltd. 北京悅影科技有限公司 ("Beijing Yueying") (note c)	PRC	RMB11,363,636 (2019: RMB11,363,636)	29.92%	29.92%	Development and provision of video related application, in PRC
Beijing Meicam Network Technology Co., Ltd. 北京美攝網絡科技有限公司 ("Beijing Meicam") (note d)	PRC	RMB33,561,000 (2019: RMB30,000,000)	29.80%	33.33%	Mobile application development and operation, in PRC
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("Smart Sport") (note a)	PRC	RMB12,000,000 (2019: RMB12,000,000)	33.33%	33.33%	Research, development and sales of video-related and broadcasting equipment and software and provision of related technical service, in PRC
Xin'aote (Fujian) Culture Technology Co., Ltd.新奧特 (福建) 文化科技有限公司 ("Xin'aote Fujian Culture") (note b)	PRC	RMB10,000,000 (2019: RMB10,000,000)	49.00%	49.00%	Development of software and provision of information system integration services, in PRC

15. INTERESTS IN ASSOCIATES – *continued*

Notes:

(a) During the year ended 31 December 2019, the Group has invested in Smart Sport by contributing the Group's intangible assets with nil carrying amount at date of transfer. A gain on disposal of intangible assets of RMB2,400,000 was recognised in profit or loss of the Group, after eliminating the unrealised profit to extent of the Group's interest in the associate (note 5). The share of loss of Smart Sport was amounted to RMB792,000 (2019: RMB2,954,000) for the year ended 31 December 2020.

(b) During the year ended 31 December 2019, the Group has established Xin'aote Fujian Culture with other investors and obtained 49.00% equity interest in Xin'aote Fujian Culture. As at 31 December 2020, the Group has not paid up the share capital of RMB4,900,000 (2019: RMB4,900,000) to Xin'aote Fujian Culture (note 29.2). The share of loss of Fujian Culture is considered to be immaterial for the years ended 31 December 2020 and 2019.

(c) The Group has discontinued recognising its share of loss of Beijing Yueying as the Group has no legal or constructive obligations on behalf of Beijing Yueying. The amount of unrecognised share of loss for the year and the accumulated unrecognised share of loss of Beijing Yueying was amounted to RMB1,352,000 (2019: RMB1,995,000) and RMB4,801,000 (2019: RMB3,449,000), respectively.

(d) During the year ended 31 December 2020, the Group's interest in Beijing Meicam was diluted from 33.33% to 29.80% upon the contributions by the new investors and accordingly, a gain on deemed disposal of partial interests in an associate of RMB14,036,000 (2019: nil) (note 5) was recognised in profit or loss for the year ended 31 December 2020. The share of profit of Beijing Meicam was amounted RMB3,395,000 (2019: RMB1,402,000) for the year ended 31 December 2020.

Aggregate financial information of associates that are not individually material:

	2020 **RMB'000**	2019 RMB'000
Aggregate amounts of the Group's share of loss for the year	**792**	2,954
Aggregate amounts of the Group's other comprehensive loss for the year	—	—
Aggregate carrying amount of the Group's interests in these associates	—	—

15. INTERESTS IN ASSOCIATES – *continued*

Summarised financial information of Beijing Meicam, a material associate of the Group, as at 31 December 2020 and for the year ended 31 December 2020, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2020 RMB'000	2019 RMB'000
Current assets	76,682	20,068
Non-current assets	19,485	9,593
Current liabilities	(7,370)	(6,456)
Net assets	88,797	23,205
Included in the above assets and liabilities:		
Cash and cash equivalents	63,471	8,199
Revenue	42,574	37,198
Profit and other comprehensive income for the year	10,835	3,866
Included in the above profit:		
Depreciation and amortisation	804	—
Interest income	409	293
Reconciled to the Group's interest in Beijing Meicam		
Net assets	88,797	23,205
The Group's effective interest held	29.80%	33.33%
The Group's effective interest in Beijing Meicam	26,462	7,734
Goodwill	7,506	7,506
Carrying amount of interest in Beijing Meicam	33,968	15,240

16. INVENTORIES

	2020 RMB'000	2019 RMB'000
Equipments and parts	43,602	42,931
Work-in-progress	8,623	17,926
	52,225	60,857

17. TRADE AND OTHER RECEIVABLES

	Notes	2020 RMB'000	2019 RMB'000
Trade receivables	(a)		
– From third parties		221,257	308,096
– From related parties	31(d)	7,852	12,900
		229,109	320,996
Less: ECL allowance	32(d)	(119,197)	(160,495)
		109,912	160,501
Other receivables	(b)		
Deposits, prepayments and other receivables		6,243	9,663
Deposit for guarantee certificate over tendering and performance		22,133	23,472
Loan receivables		163,683	123,527
Interest receivables		5,944	4,187
Advances to suppliers		72,040	69,830
Amounts due from related parties	31(d)	8,839	8,017
Amounts due from joint ventures		2,116	1,826
Amounts due from associates		3,773	7,607
Loan to an associate		—	400
Advances to employees		9,397	11,573
		294,168	260,102
Less: ECL allowance	32(d)	(39,578)	(26,675)
		254,590	233,427
		364,502	393,928

The directors of the Group 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.

17. TRADE AND OTHER RECEIVABLES – *continued*

Included in other receivables are the following amounts that are expected to be recovered after more than one year:

	2020 RMB'000	2019 RMB'000
Deposit for guarantee certificate over tender and performance	**2,949**	10,324

The fair values of trade and other receivables which are expected to be recovered after more than one year are not materially different from their carrying amounts.

(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 after issuance of invoices. Ageing analysis based on invoiced date of the trade receivables and net of ECL allowance at the respective reporting dates is as follows:

	2020 RMB'000	2019 RMB'000
0 to 90 days	**25,287**	38,757
91 to 180 days	**4,390**	18,705
181 to 365 days	**41,345**	40,829
1 to 2 years	**31,781**	46,355
Over 2 years	**7,109**	15,855
	109,912	160,501

The Group applies the simplified approach to provide for ECL prescribed by IFRS 9, which permits the use of the lifetime ECL provision for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the ageing.

During the year ended 31 December 2019, the Group entered an agreement with an independent third party to repurchase certain trade receivables of RMB40,878,000 of which were factored by the Group in the prior years, for a cash consideration of RMB31,480,000.

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.

As at 31 December 2020, 5% and 18% (2019: 3% and 13%) of trade receivables are due from the largest and 5 major customers respectively in cooperation with the Group's business.

17. TRADE AND OTHER RECEIVABLES – *continued*

(b) Other receivables

Deposit for guarantee certificate

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

Loan receivables

As at 31 December 2020, the Group has loan receivables of approximately RMB163,683,000 (2019: RMB123,527,000) from independent third parties.

As at 31 December 2020, a credit impaired loan receivable of approximately RMB23,845,000 is secured by a property, carrying fixed interest of 6% per annum and should be wholly repayable on 30 May 2020. As at 31 December 2020, the market value of the property is approximately RMB17,925,000 (2019: RMB19,637,000).

As at 31 December 2020, loan receivables of approximately RMB139,838,000 (2019: RMB100,481,000) are unsecured, carrying fixed interest of 6% per annum, and wholly repayable within one year. These loan receivables were fully settled subsequent to the year ended 31 December 2020.

Subsequent to the year ended 31 December 2020, the Group has further granted loans to one of the third parties of approximately RMB38,000,000.

Amounts due from joint ventures, associates and related parties

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

Loan to an associate

As at 31 December 2019, loan to an associate of RMB400,000 is unsecured, carried interest at 8.0% per annum and repayable within one year. The loan was fully settled during the year ended 31 December 2020.

Advances to employees

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

Details of the credit risk and impairment assessment of trade and other receivables are set out in note 32(d).

18. CONTRACT ASSETS AND CONTRACT LIABILITIES

18.1 Contract assets

	2020 RMB'000	2019 RMB'000
Contract assets	62,580	81,864
Less: ECL allowance for contract assets	(4,050)	(6,672)
	58,530	75,192

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 retention period for 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 to provide for ECL prescribed by IFRS 9, which permits the use of the lifetime ECL provision for all contract assets. To measure the ECL, 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 expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Except for the following amount of contract assets that are expected to be recovered after more than one year, all other contract assets will be recognised as trade receivables within one year:

	2020 RMB'000	2019 RMB'000
Contract assets	13,379	14,734
Less: ECL allowance for contract assets	(730)	(1,201)
	12,649	13,533

18. CONTRACT ASSETS AND CONTRACT LIABILITIES – *continued*

18.2 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.

Contract liabilities outstanding at the beginning of the year amounting to RMB10,508,000 (2019: RMB10,893,000) have been recognised as revenue during the year.

Unsatisfied performance obligations

The Group has elected the practical expedient for not to disclose the remaining performance obligation because the unsatisfied performance obligations as part of the contracts has original expected duration of one year or less.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	RMB'000	RMB'000
Unlisted equity investments, at fair value	9,191	4,935

The Group held 27.27% equity interests in the private equity fund. The fair value of the Group's investments in unlisted securities has been measured as described in note 32(f).

20. RESTRICTED BANK DEPOSITS, PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

	2020 RMB'000	2019 RMB'000
Cash at bank and on hand	117,466	17,402
Short-term time deposits	60,699	222,363
	178,165	239,765
Restricted bank deposits	(372)	(2,173)
Pledged bank deposits	(52,199)	(122,363)
Bank balances and cash per the consolidated statement of financial position	125,594	115,229
Time deposits with banks with original maturities exceeding 3 months	(8,500)	(100,000)
Cash and cash equivalents per the consolidated statement of cash flows	117,094	15,229

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between 3 months to 12 months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates.

As at 31 December 2020, included in bank balances and cash of RMB52,199,000 (2019: RMB122,363,000) are pledged deposits held at bank for security of the Group's bank borrowing (note 22).

As at 31 December 2020, included in bank balances and cash of RMB372,000 (2019: RMB2,173,000) are restricted bank deposits for the purpose of contract related deposits or payments and guarantees issued for trade finance facilities.

The Group's major subsidiaries are based in the PRC and majority of their transactions are denominated in RMB. As at 31 December 2020, included in bank balances and cash and pledged bank deposits of the Group is RMB125,345,000 (2019: RMB117,324,000) of bank balances denominated in Renminbi placed with banks in the PRC. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. As at 31 December 2020 and 2019, other than the restriction from exchange control regulations, there is no significant restriction on the Group.

20. RESTRICTED BANK DEPOSITS, PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH – *continued*

The carrying amount of the bank balances and cash and short-term time deposits are denominated in the following currencies:

	2020 **RMB'000**	2019 RMB'000
RMB	**125,345**	117,324
USD	**52,782**	122,396
Others	**38**	45
	178,165	239,765

21. TRADE AND OTHER PAYABLES

	Notes	**2020** **RMB'000**	2019 RMB'000
Trade payables	(a)		
– Third parties		**120,976**	134,362
– A related party	31(e)	**391**	—
		121,367	134,362
Other payables	(b)		
Other payables and accrued charges		**30,709**	39,137
Other tax liabilities		**42,100**	49,985
Staff costs and welfare accruals		**18,338**	13,433
Amounts due to related parties	31(e)	**21,305**	9,489
Amount due to a joint venture		**—**	1,050
Amounts due to associates		**3,310**	2,257
Deferred income related to government grants		**6,702**	4,475
		122,464	119,826
		243,831	254,188

All amounts are short-term and hence the carrying values of the Group's trade and other payables as at 31 December 2020 and 2019 were considered to be a reasonable approximation of its fair value.

21. TRADE AND OTHER PAYABLES – *continued*

(a) Trade payables

The Group was granted by its suppliers credit periods ranging from 30-180 days. The ageing analysis of trade payables based on recognition date is as follows:

	2020	2019
	RMB'000	RMB'000
0 to 90 days	**64,378**	51,584
91 to 180 days	**12,234**	9,718
181 to 365 days	**9,963**	10,443
1 to 2 years	**13,569**	29,519
2 to 3 years	**6,403**	12,478
Over 3 years	**14,820**	20,620
	121,367	134,362

(b) Other payables

Amounts due to a joint venture, associates and related parties

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

22. INTEREST-BEARING BORROWINGS

	Notes	**2020**	2019
		RMB'000	RMB'000
Short-term bank borrowings, secured	(a)	**47,000**	105,200
Short-term bank borrowings, unsecured	(b)	**136,000**	120,000
Other borrowings, unsecured	(c)	**13,810**	9,742
		196,810	234,942

The carrying amounts of interest-bearing borrowings are considered to be a reasonable approximate of their fair values.

22. INTEREST-BEARING BORROWINGS – *continued*

(a) Short-term bank borrowings, secured

As at 31 December 2020, the secured bank borrowings of RMB47,000,000 (2019: RMB105,200,000) were secured by pledge of the Group's bank deposits of approximately RMB52,199,000 (2019: RMB122,363,000).

(b) Short-term bank borrowings, unsecured

The Group's unsecured bank borrowings were guaranteed by the followings:

	2020	2019
	RMB'000	RMB'000
Cross-guarantee by Mr. Zheng and Xinxin Holding Co., Limited ("**Xinxin Holding**")	**—**	25,000
Cross-guarantee by Mr. Zheng and Xin'aote Investment Group Co., Ltd ("**CDV Investment**")	**53,000**	60,000
Cross-guarantee by Mr. Zheng and CDV WFOE	**10,000**	10,000
Cross-guarantee by Mr. Zheng and third parties	**31,000**	—
Guarantee by Mr. Zheng	**10,000**	—
Guarantee by third parties	**32,000**	25,000
	136,000	120,000

All of the Group's banking facilities are subject to the fulfillment of certain financial and non-financial covenants relating to certain of the Group's subsidiaries, as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become payable on demand.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the loans and does not consider it probable that the banks will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 32(e).

(c) Other borrowings, unsecured

As at 31 December 2020 and 2019, the unsecured other borrowings included short-term borrowings entered with independent third parties, which are repayable within one year or on demand.

As at 31 December 2020, an other borrowing of RMB9,950,000 (2019: nil) was guaranteed by Mr. Zheng.

22. INTEREST-BEARING BORROWINGS – *continued*

(d) Effective interest rates

	Original currency	2020	2019
Short-term bank borrowings, secured	RMB	**4.35%**	4.57%
Short-term bank borrowings, unsecured	RMB	**3.58%-6.00%**	3.90%-6.09%
Other borrowings, unsecured	RMB	**4.39%-30.42%**	4.39%-24.00%

23. DEFERRED TAXATION

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets

	Tax losses RMB'000	Provision for impairment loss on trade and other receivables and contract assets RMB'000	Provision for Inventories obsolescence RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019	2,100	2,310	2,267	1,089	7,766
Recognised in profit or loss	(2,100)	—	—	—	(2,100)
At 31 December 2019	—	2,310	2,267	1,089	5,666
Recognised in profit or loss	—	(2,310)	(2,267)	(1,089)	(5,666)
At 31 December 2020	—	—	—	—	—

23. DEFERRED TAXATION – *continued*

Deferred tax liabilities

	Fair value adjustment on business combination RMB'000
At 1 January 2019	3,488
Credited to profit or loss	(3,488)
At 31 December 2019, 1 January 2020 and 31 December 2020	—

As at 31 December 2020, the Group had deductible temporary difference primarily in respect of its provision for impairment of assets, no deferred tax asset has been recognised in relation to such temporary difference as it is not probable that taxable profit will be available against which the temporary difference can be utilised. In addition, as at 31 December 2020, the Group had unused tax losses of approximately RMB97,847,000 (2019: RMB75,339,000) to carry forward against future taxable income. Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the end of the reporting period will expire in the following years:

	2020 RMB'000	2019 RMB'000
2022	**29,769**	29,769
2023	**41,993**	42,088
2024	**3,482**	3,482
2025	**22,603**	—
	97,847	75,339

24. LEASE LIABILITY

The following table shows the remaining contractual maturities of the Group's lease liability:

	2020 **RMB'000**	2019 RMB'000
Total minimum lease payments:		
Due within one year	**9,040**	—
Due in the second to fifth years	**30,887**	—
	39,927	—
Future finance charges on lease liability	**(4,145)**	—
Present value of lease liability	**35,782**	—
Present value of minimum lease payments:		
Due within one year	**7,429**	—
Due in the second to fifth years	**28,353**	—
	35,782	—
Less: Portion due within one year included under current liabilities	**(7,429)**	—
Portion due after one year included under non-current liabilities	**28,353**	—

During the year ended 31 December 2020, the total cash outflows for the leases (including short-term leases) are RMB12,987,000 (2019: RMB16,379,000).

As at 31 December 2020, the Group has entered into a lease for its office premise with CDV Investment. The lease has a remaining lease term of 4.4 years (2019: nil) and subject to fixed rental payment.

25. SHARE CAPITAL

A summary of the movements in the Company's issued share capital and treasury shares during the year is as follows:

	Number of shares	Nominal value of shares US$
Authorised:		
Ordinary shares of the Company:		
As at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020, at US$0.00001 each	5,000,000,000	50,000

	Number of shares	Nominal value of shares US$	Equivalent nominal value of shares RMB'000
Issued and fully paid:			
Ordinary shares of the Company:			
As at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	630,332,000	6,303	43

	Number of treasury shares	Nominal value of shares US$	Equivalent nominal value of shares RMB'000
Treasury shares of the Company:			
As at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	12,000,000	120	1

26. RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

(a) Share premium

Share premium represents the excess of the net proceeds from issuance of the Company's shares over its par value and any premium paid for the repurchase of shares of the Company.

(b) Statutory reserve

In accordance with the relevant laws and regulations for the companies incorporated in the PRC now comprising the Group, it is required to appropriate 10% of its annual net profit determined in accordance with China Accounting Standards for Enterprises issued by the Ministry of Finance of PRC, after offsetting any prior years' losses, to the statutory reserve. When the balance of such a reserve reaches 50% of the registered capital of the respective company, any further appropriation is at the discretion of shareholders. The statutory reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the reserve after such an issue is not less than 25% of registered capital. The statutory reserve is non-distributable.

(c) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. The reserve is dealt with in accordance with the accounting policy set out in note 2.5. The translation reserve is non-distributable.

(d) Share option reserve

Share option reserve represents the fair value of share options granted by the Company to employees recognised and is dealt with in accordance with the accounting policy set out in note 2.20. The share option reserve is non-distributable.

(e) Other reserve

Other reserve represents (i) capital contribution from the Company's ultimate holding company by way of transferring shares to the Group's employees and (ii) share based compensation arising from the share award scheme adopted by the Company (note 27(c)). The other reserve is non-distributable.

27. 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 identity 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 ("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 not to 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.

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.

27. SHARE-BASED COMPENSATION TRANSACTIONS – *continued*

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

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 approximately US$3,129,000 (approximately 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, (i) 25,700,000 options 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 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 approximately US$3,129,000 (approximately 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 estimated total fair value of approximately US$3,000,000 (equivalent to approximately 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, 1,435,000 options granted were vested on 1 October 2017, and the remaining 1,500,000 options 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.

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.

27. SHARE-BASED COMPENSATION TRANSACTIONS – *continued*

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

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

	2020		2019	
	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
Directors				
At beginning and end of year	—	—	1.16	14,569,265
Forfeited during the year	—	—	1.16	(14,569,265)
At end of year	—	—	—	—
Employees				
At beginning of year	0.40	13,082,299	1.00	61,656,531
Forfeited during the year	1.16	(690,914)	1.16	(48,574,232)
At end of year	0.33	12,391,385	0.40	13,082,299
Total				
At beginning of year	0.40	13,082,299	1.03	76,225,796
Forfeited during the year	1.16	(690,914)	1.16	(63,143,497)
At end of year	0.33	12,391,385	0.40	13,082,299
Excisable at the end of year	0.33	12,391,385	0.40	13,082,299

27. SHARE-BASED COMPENSATION TRANSACTIONS – *continued*

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

As at 31 December 2020, the Group had 12,391,385 (2019: 13,082,299) share options outstanding under the 2010 Share Option Plan, which represented approximately 1.96% (2019: 2.08%) of the issued ordinary shares of the Company as at 31 December 2020. The exercise in full of the outstanding share options would, under the present capital structure of the Group, result in the issue of 12,391,385 (2019: 13,082,299) additional ordinary shares of the Company and additional share capital and share premium of approximately RMB1,000 (2019: RMB1,000) and RMB28,456,000 (2019: RMB34,234,000) (before issue expenses), respectively.

None of the above share options were exercised during the years ended 31 December 2020 and 2019. The weighted average remaining contractual life of options outstanding at 31 December 2020 was 1.0 year (2019: 2.0 years).

No expenses were recognised in relation to the 2010 Share Option Plan for the year ended 31 December 2020 (2019: nil) as the share options had been fully vested.

(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 24 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.

27. SHARE-BASED COMPENSATION TRANSACTIONS – *continued*

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

The Company may seek approval by 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 by 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.

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 approximately RMB29,510,000.

The exercise price of the share options granted is HK$1.33 per share. The share options are valid for a period of 10 years from 24 May 2017. 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.

27. SHARE-BASED COMPENSATION TRANSACTIONS – *continued*

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

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

	2020		2019	
	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 beginning and end of year	1.33	9,800,000	1.33	9,800,000
Employees				
At beginning of year	1.33	51,682,700	1.33	51,859,700
Forfeited during the year	—	—	1.33	(177,000)
At end of year	1.33	51,682,700	1.33	51,682,700
Total				
At beginning of year	1.33	61,482,700	1.33	61,659,700
Forfeited during the year	—	—	1.33	(177,000)
At end of year	1.33	61,482,700	1.33	61,482,700
Exercisable at the end of year	1.33	61,482,700	1.33	61,482,700

As at 31 December 2020, the Group had 61,482,700 (2019: 61,482,700) share options outstanding under the 2017 Share Option Scheme, which represented approximately 9.75% (2019: 9.75%) of the issued ordinary shares of the Company as at 31 December 2020. The exercise in full of the outstanding share options would, under the present capital structure of the Group, result in the issue of 61,482,700 (2019: 61,482,700) additional ordinary shares of the Company and additional share capital and share premium of approximately RMB4,000 (2019: RMB4,000) and RMB68,819,000 (2019: RMB73,350,000) (before issue expenses), respectively.

None of the above share options were exercised during the year. The weighted average remaining contractual life of options outstanding at 31 December 2020 was 6.4 years (2019: 7.4 years).

The Group recognised an expense of nil (2019: RMB1,590,000) for the year ended 31 December 2020 in relation to the 2017 Share Option Scheme.

27. SHARE-BASED COMPENSATION TRANSACTIONS – *continued*

(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.

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 a participant 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.

27. SHARE-BASED COMPENSATION TRANSACTIONS – *continued*

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

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 approximately 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. The Group had 10,607,207 (2019: 10,675,997) share awards outstanding under the 2017 Share Award Scheme, which represented approximately 1.68% (2019: 1.69%) of the issued ordinary shares of the Company as at 31 December 2020. No shares were purchased or granted by the Company under the 2017 Share Award Scheme during the years ended 31 December 2020 and 2019.

During the year ended 31 December 2020, no awarded shares (2019: 2,275,997 awarded shares) were vested under the 2017 Share Award Scheme.

Movements in the number of the Company's share awards under the 2017 Share Award Scheme during the year are as follows:

	Number of share awards
Employees	
At 1 January 2019	11,085,448
Forfeited during the year	(409,451)
At 31 December 2019 and 1 January 2020	10,675,997
Forfeited during the year	(68,790)
At 31 December 2020	**10,607,207**

The Group recognised an expense of nil (2019: RMB165,000) for the year ended 31 December 2020 in relation to the 2017 Share Award Scheme.

(d) The Group recognised a total expense of nil (2019: RMB1,755,000) for the year ended 31 December 2020 in relation to the above share options and share awards. The share-based compensation expense was shown as a separate item on the face of the consolidated statement of comprehensive income.

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 RMB'000	2019 RMB'000
Non-current assets		
Interests in subsidiaries	224,526	240,056
Current assets		
Other receivables	225	13,546
Amount due from a subsidiary	104,230	47,856
Pledged bank deposits	52,199	122,363
Bank balances	607	70
	157,261	183,835
Current liabilities		
Other payables	3,729	4,862
Net current assets	153,532	178,973
Net assets	378,058	419,029
EQUITY		
Share capital	43	43
Reserves (note)	378,015	418,986
Total equity	378,058	419,029

Zheng Fushuang
Director

Pang Gang
Director

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – *continued*

Note:

The movements of the Company's reserves are as follows:

	Treasury shares RMB'000	Share premium RMB'000	Translation reserve RMB'000	Share option reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total reserves RMB'000
As at 1 January 2019	(1)	597,479	23,342	62,316	34,631	(243,141)	474,626
Loss for the year	—	—	—	—	—	(64,696)	(64,696)
Currency translation differences	—	—	7,301	—	—	—	7,301
Vesting of shares held by the share award scheme (note 27(c))	—	2,734	—	—	(2,734)	—	—
Share-based compensation (note 27)	—	—	—	1,590	165	—	1,755
Transfer upon forfeiture of share options and share awards	—	—	—	(17,792)	(784)	18,576	—
As at 31 December 2019 and 1 January 2020	(1)	600,213	30,643	46,114	31,278	(289,261)	418,986
Loss for the year	—	—	—	—	—	(14,341)	(14,341)
Currency translation differences	—	—	(26,630)	—	—	—	(26,630)
Transfer upon forfeiture of share options and share awards	—	—	—	(78)	—	78	—
As at 31 December 2020	**(1)**	**600,213**	**4,013**	**46,036**	**31,278**	**(303,524)**	**378,015**

As at 31 December 2020, the aggregate amount of reserves available for distribution to equity holders of the Company was RMB296,689,000 (2019: RMB310,952,000).

29. COMMITMENTS

29.1 Lease commitments

At the reporting date, the lease commitments for short-term leases are as follows:

	2020 RMB'000	2019 RMB'000
Premises		
Within one year	**408**	5,950

29.2 Capital commitments

	2020 RMB'000	2019 RMB'000
Contracted but not provided for		
– Investment in an associate (note 15(b))	**4,900**	4,900

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

The table below set out the reconciliation of liabilities arising from financing activities for the year.

	Bank borrowings RMB'000	Other borrowings RMB'000	Interest payables RMB'000	Amounts due to related parties RMB'000	Amount due to a joint venture RMB'000	Amounts due to associates RMB'000	Lease liability RMB'000	Total RMB'000
At 1 January 2019	193,000	9,956	377	8,191	—	—	—	211,524
Financing cash inflow	225,200	7,000	—	2,040	3,162	2,746	—	240,148
Financing cash outflow	(193,000)	(6,708)	—	(742)	(2,112)	(489)	—	(203,051)
Interest paid	—	—	13,049	—	—	—	—	13,049
Non-cash charges:								
Interest accrued	—	—	(11,557)	—	—	—	—	(11,557)
Other non-cash changes	—	(506)	—	—	—	—	—	(506)
At 31 December 2019 and 1 January 2020	225,200	9,742	1,869	9,489	1,050	2,257	—	249,607
Financing cash inflow	138,000	11,950	—	23,635	—	8,498	—	182,083
Financing cash outflow	(180,200)	(7,882)	—	(16,570)	(1,050)	(7,445)	—	(213,147)
Capital element of lease rental paid	—	—	—	—	—	—	(4,167)	(4,167)
Interest element of lease rental paid	—	—	—	—	—	—	(1,107)	(1,107)
Interest paid	—	—	(10,598)	—	—	—	—	(10,598)
Non-cash charges:								
– Purchase of property, plant and equipment	—	—	—	4,751	—	—	—	4,751
– Entering into new lease	—	—	—	—	—	—	39,949	39,949
– Interest accrued	—	—	9,182	—	—	—	1,107	10,289
At 31 December 2020	**183,000**	**13,810**	**453**	**21,305**	**—**	**3,310**	**35,782**	**257,660**

(b) Significant non-cash transactions

i) As detailed in note 15(a), the Group has invested in an associate by contributing the Group's intangible assets with nil carrying amount at date of transfer during the year ended 31 December 2019.

ii) During the year ended 31 December 2019, the distribution to a non-controlling shareholder of Zhengqi Network of RMB1,940,000 (note 13(a)) was offset against the amount due from a non-controlling shareholder included in other receivables.

iii) During the year ended 31 December 2020, the Group entered into a lease contract in which addition to right-of-use asset and lease liability amounting to RMB39,949,000 (note 10) was recognised at the lease commencement date.

31. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group's accounting policies on related parties are disclosed in note 2.23. In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with related parties:

(a) During the year, the related parties that had transactions with the Group were as follows:

Name of related parties	Relationship with the Group
Mr. Zheng	Substantial shareholder of the Company and director of the Company
Beijing Sunshine Cloud Technology Co., Ltd. ("Beijing Cloud")	Company in which Mr. Zheng can exercise significant influence
Xinxin Holding	Company in which Mr. Zheng can exercise significant influence
Xin'aote Group Co. Ltd. ("Xin'aote Group")	Controlled by Mr. Zheng
CDV Investment	Controlled by Mr. Zheng
Xin'aote (Nanjing) Video Technology Co., Ltd. ("Xin'aote Nanjing")	Company in which Mr. Zheng has joint control
Beijing Xin'aote Technology Group Co., Ltd. ("Xin'aote Technology")	Controlled by Mr. Zheng
Beijing Xin'aote Yun Chuang Technology Co., Ltd. ("Xin'aote Yunchuang")	Controlled by Mr. Zheng
Beijing Xin'aote Digital Media Technology Business Incubator Co., Ltd. ("Xin'aote Incubator")	Controlled by Mr. Zheng
Ze Hui (Beijing) Technology Co., Ltd. ("Ze Hui")	Company in which Mr. Zheng can exercise significant influence
Beijing Xiaoshuju Media Technology Co., Ltd. ("Xiaoshuju Media")	Company in which Mr. Zheng can exercise significant influence
Beijing Rong Shi Media Co., Ltd. ("Rong Shi Media")	Company in which Mr. Zheng can exercise significant influence
Beijing Meicam	Associate
Smart Sport	Associate
Beijing Yueying	Associate
Xin'aote Fujian Culture	Associate
Beijing Jingqi	Joint venture

31. SIGNIFICANT RELATED PARTY TRANSACTIONS – *continued*

(b) During the year, the transactions with related parties of the Group were as follows:

		2020 RMB'000	2019 RMB'000
CDV Investment	Rental expenses and property management fee*	10,254	13,525
CDV Investment	Interest on lease liability*	1,107	—
Xin'aote Group	Sales of goods and provision of services*	15,289	5,933
Xin'aote Yunchuang	Sales of goods and provision of services	—	132
Xin'aote Incubator	Purchase of property, plant and equipment	4,751	—
Xin'aote Fujian Culture	Purchase of services	8,141	—

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

(c) Guarantee provided by related parties

As at 31 December 2020, Mr. Zheng has provided personal guarantee in respect of the bank borrowings of RMB10,000,000 (2019: nil) granted to the Group.

As at 31 December 2020, Mr. Zheng and Xinxin Holding have provided cross-guarantee in respect of the bank borrowings of nil (2019: RMB25,000,000) granted to the Group.

As at 31 December 2020, Mr. Zheng and CDV Investment have provided cross-guarantee in respect of the bank borrowings of RMB53,000,000 (2019: RMB60,000,000) granted to the Group.

As at 31 December 2020, Mr. Zheng and CDV WFOE have provided cross-guarantee in respect of a bank borrowing of RMB10,000,000 (2019: RMB10,000,000) granted to the Group.

As at 31 December 2020, Mr. Zheng and third parties have provided cross-guarantee in respect of the bank borrowings of RMB31,000,000 (2019: nil) granted to the Group.

As at 31 December 2020, Mr. Zheng has provided personal guarantee in respect of an other borrowing of RMB9,950,000 (2019: nil) granted to the Group.

31. SIGNIFICANT RELATED PARTY TRANSACTIONS – *continued*

(d) Trade and other receivables from related parties

	2020 RMB'000	2019 RMB'000
Trade receivables		
Xin'aote Group	7,416	11,377
Beijing Cloud	436	1,372
Xin'aote Yunchuang	—	151
	7,852	12,900
Other receivables*		
Xinxin Holding	392	2,572
CDV Investment	5,469	5,355
Xin'aote Nanjing	—	90
Beijing Cloud	268	—
Xin'aote Technology	20	—
Xin'aote Yunchuang	33	—
Xiaoshuju Media	657	—
Rong Shi Media	2,000	—
	8,839	8,017
	16,691	20,917

The maximum outstanding of trade and other receivables from related parties during the year is as follows:

	2020 RMB'000	2019 RMB'000
Xinxin Holding	2,572	2,572
Xin'aote Group	11,377	17,671
Xin'aote Yunchuang	184	616
Beijing Cloud	1,372	1,372
CDV Investment	5,469	5,355
Xin'aote Nanjing	90	90
Xin'aote Technology	20	—
Xiaoshuju Media	657	—
Rong Shi Media	2,000	—

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

31. SIGNIFICANT RELATED PARTY TRANSACTIONS – *continued*

(e) Trade and other payables to related parties

	2020 RMB'000	2019 RMB'000
Trade payable		
Beijing Cloud	391	—
Other payables*		
Xin'aote Group	—	7,148
Xin'aote Digital Media	687	679
CDV Investment	6,648	477
Beijing Cloud	—	905
Xin'aote Technology	—	280
Xin'aote Incubator	6,970	—
Ze Hui	7,000	—
	21,305	9,489
	21,696	9,489

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

(f) Lease liability to a related party

As at 31 December 2020, the Group has lease liability of RMB35,782,000 (2019: nil) to CDV Investment.

(g) 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:

	2020 RMB'000	2019 RMB'000
Fee, salaries and allowances	3,476	2,887
Retirement benefit scheme contributions	158	146
Share-based compensation expense	—	306
	3,634	3,339

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the Board.

(a) Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities.

	2020 RMB'000	2019 RMB'000
Financial assets		
Financial assets at amortised cost		
Trade and other receivables	282,625	314,284
Restricted bank deposits	372	2,173
Pledged bank deposits	52,199	122,363
Bank balances and cash	125,594	115,229
Financial assets at FVTPL	9,191	4,935
	469,981	558,984
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	195,029	199,728
Interest-bearing borrowings	196,810	234,942
Lease liability	35,782	—
	427,621	434,670

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS – *continued*

(b) Foreign currency risk

The transactions of the Company are denominated and settled in its functional currency, USD. The majority of the assets and liabilities of the Company, were denominated in USD. The Group's subsidiaries mainly operate in the PRC and majority of the transactions are settled in RMB. Accordingly, the Group did not have significant foreign currency risk from its operations.

The Group does not hedge its foreign currency risk. However, management monitors the foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

(c) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from its fixed-rate loan receivables, bank deposits which carry interest at effective market rates and interest-bearing borrowings. Borrowings bearing variable rates expose the Group to cash flow interest rate risk. As at 31 December 2020, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's loss after income tax and decreased/increased the accumulated losses by approximately RMB401,000 (2019: RMB743,000) and RMB401,000 (2019: RMB743,000), respectively.

(d) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group is exposed to credit risk in relation to its cash and bank deposits, trade and other receivables and contract assets.

Trade receivables and contract assets

The Group's policy is to deal only with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment by the credit control team. When considered appropriate, customers may be requested to provide proof as to their financial position. Where available at reasonable cost, external credit ratings and/or reports on customers are obtained and used. Customers who are not considered creditworthy are required to pay in advance or on delivery of goods. Payment record of customers is closely monitored. It is not the Group's policy to request collateral from its customers.

As set out in note 2.10, the Group assesses ECL on trade receivables and contract assets based on provision matrix by customers sharing on similar credit risk characteristics (i.e. state-owned enterprises and non state-owned enterprises), the expected loss rates are based on the payment profile of the sales in the past 36 months as well as the corresponding historical credit losses. The historical rates are adjusted to reflect current and forward-looking macroeconomic factors (including the change in the economic environment arising from the COVID-19) affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed. In addition, the Group also carried out individual assessment for significant receivables to determine if additional ECL are required.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS – *continued*

(d) Credit risk – *continued*

Trade receivables and contract assets – *continued*

Trade receivables and contract assets are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make contractual payments greater than 3 years past due from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery. Where applicable, VAT payable in respect of these trade receivables and contract assets were derecognised and recorded against "Net impairment loss on trade and other receivables and contract assets" in the consolidated statement of comprehensive income for the year.

The Group's revenue were mainly generated from state-owned TV broadcasters and other distributors in the PRC. As at 31 December 2020 and 2019, all of the Group's trade receivables and contract assets were from customers located in the PRC. The Group has closely monitored the market trend of TV broadcasting industry and the business performance of these customers to ensure timely collection of the receivables and will consider to diversify its customers base as appropriate.

The Group has no significant concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

On the above basis, the ECL for trade receivables and contract assets as at 31 December 2020 and 2019 was determined as follows:

		Gross carrying amount		
	Expected loss rate	Contract assets RMB'000	Trade receivables RMB'000	Total loss allowance provision RMB'000
As at 31 December 2020				
Current to 1 year past due	**4.6%-22.8%**	**62,580**	**85,526**	**18,554**
1 to 2 years past due	**23.5%-80.7%**	**—**	**44,594**	**12,813**
More than 2 years past due	**19.0%-98.4%**	**—**	**98,989**	**91,880**
		62,580	**229,109**	**123,247**
As at 31 December 2019				
Current to 1 year past due	8.1%-8.2%	81,864	106,103	14,484
1 to 2 years past due	4.7%-63.6%	—	109,152	62,797
More than 2 years past due	62.3%-85.4%	—	105,741	89,886
		81,864	320,996	167,167

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS – *continued*

(d) Credit risk – *continued*

Trade receivables and contract assets – *continued*

The movement in the ECL allowance of trade receivables is as follows:

	2020 RMB'000	2019 RMB'000
Balance at the beginning of the year	160,495	92,886
ECL allowance recognised	36,033	93,118
Written off as uncollectible	(77,331)	(25,509)
Balance at the end of the year	119,197	160,495

The movement in the ECL allowance of contract assets is as follows:

	2020 RMB'000	2019 RMB'000
Balance at the beginning of the year	6,672	6,807
Reversal and transfer of ECL allowance	(2,622)	(135)
Balance at the end of the year	4,050	6,672

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables, restricted bank deposits, pledged bank deposits and bank balances and cash. In order to minimise the credit risk of other receivables, the management of the Group has designated a team responsible for determination of credit limits and credit approvals. The management would make periodic collective and individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as current external information. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS – *continued*

(d) Credit risk – *continued*

Other financial assets at amortised cost – *continued*

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Stage 1: Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Stage 2: Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
Stage 3: In default	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

ECL on other receivables (excluding prepayments and advances to suppliers and employees) are assessed individually and measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period.

The movements in the gross amount of other receivables are as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
At 1 January 2019	232,455	—	9,583	242,038
Net changes on the gross amount	(57,412)	—	—	(57,412)
Written off as uncollectible	—	—	(4,168)	(4,168)
Transfer from stage 1 to stage 3	(23,845)	—	23,845	—
At 31 December 2019 and 1 January 2020	151,198	—	29,260	180,458
Net changes on the gross amount	(104,732)	141,980	—	37,248
Written off as uncollectible	—	—	(5,415)	(5,415)
At 31 December 2020	**46,466**	**141,980**	**23,845**	**212,291**

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS – *continued*

(d) Credit risk – *continued*

Other financial assets at amortised cost – *continued*

During the year ended 31 December 2020, there were no transfers (2019: RMB23,845,000 transferred from Stage 1 to Stage 3) between stages in the ECL assessment.

The movements in the ECL allowance of other receivables are as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at 1 January 2019	5,794	—	9,583	15,377
ECL allowance recognised during the year	1,637	—	13,718	15,355
Written off as uncollectible	—	—	(4,168)	(4,168)
Translation difference	111	—	—	111
At 31 December 2019 and 1 January 2020	7,542	—	19,133	26,675
ECL allowance recognised during the year	37	8,154	9,800	17,991
Written off as uncollectible	—	—	(5,415)	(5,415)
Translation difference	—	—	327	327
At 31 December 2020	**7,579**	**8,154**	**23,845**	**39,578**

To manage the credit risk arising from bank balances and cash, the Group only transacts with state-owned financial institutions and reputable commercial banks which are all high-credit-quality financial institutions. The Group does not expect that there will be any significant losses from non-performance by these counterparties.

(e) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants and its relationship with its bankers and related parties to ensure that the Group maintain sufficient reserves of cash and cash equivalents and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Analysed below is the Group's remaining contractual maturities for its non-derivative financial liabilities as at 31 December 2020 and 2019. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS – *continued*

(e) Liquidity risk – *continued*

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	Within 1 year or on demand RMB'000	Between 1 and 5 years RMB'000	Total contractual undiscounted amount RMB'000	Carrying amount RMB'000
At 31 December 2020				
Trade and other payables	195,029	—	195,029	195,029
Interest-bearing borrowings	202,437	—	202,437	196,810
Lease liability	9,040	30,887	39,927	35,782
	406,506	30,887	437,393	427,621
At 31 December 2019				
Trade and other payables	199,728	—	199,728	199,728
Interest-bearing borrowings	241,441	—	241,441	234,942
	441,169	—	441,169	434,670

(f) Fair value measurements recognised in the consolidated statement of financial position

The following table presents financial assets measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets. 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 not using significant unobservable inputs.

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

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS – *continued*

(f) Fair value measurements recognised in the consolidated statement of financial position – *continued*

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

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

	Level 3	
	2020	2019
	RMB'000	RMB'000
Financial assets at FVTPL		
– Unlisted equity investments	**9,191**	4,935

For the years ended 31 December 2020 and 2019, there were no transfers amongst level 1, level 2 and level 3 in the fair value hierarchy.

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)	
			2020	2019
– Unlisted equity investments (note)	Market approach and net assets approach	Discount of lack of marketability	**15.8%**	15.8%

Note:

With the assistance of independent professional valuer, the fair value of unlisted equity investments is determined using the market approach and net asset values adjusted for lack of marketability discount. An increase in the discount for lack of marketability would decrease the fair value of the equity investments.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS – *continued*

(f) Fair value measurements recognised in the consolidated statement of financial position – *continued*

The reconciliation of the carrying amounts of the Group's financial assets at FVTPL classified within Level 3 of the fair value hierarchy is as follows:

	2020 RMB'000	2019 RMB'000
Unlisted equity investments		
Fair value at 1 January	4,935	9,868
Fair value gain/(loss) recognised in profit or loss	4,256	(4,933)
Fair value at 31 December	9,191	4,935

Fair value change on unlisted equity investments is recognised in the consolidated statement of comprehensive income and included under "Other income".

There have been no transfers into or out of Level 3 during the year ended 31 December 2020 (2019: nil).

33. CAPITAL MANAGEMENT

The objectives of the Group when managing capital are to safeguard the ability of the Group in continuing as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Group monitors capital by regularly reviewing the capital structure. As part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts.

FIVE-YEAR FINANCIAL SUMMARY

Below is the summary of audited financial statement for the relevant years:

RMB'000	For the year ended 31 December				
	2020	2019	2018	2017	2016
Revenue	**312,040**	303,206	341,047	398,307	651,976
(Loss)/Profit for the year	**(61,629)**	(173,482)	(160,012)	(92,593)	333,262
Total comprehensive (expenses)/income for the year	**(80,104)**	(167,636)	(158,490)	(107,601)	332,874
(Loss)/Profit for the year attributable to:					
Equity holders of the Company	**(71,060)**	(173,340)	(168,735)	(90,339)	338,706
Non-controlling interests	**1,965**	627	(85)	(2,254)	(5,444)

RMB'000	As at 31 December				
	2020	2019	2018	2017	2016
Total assets	**848,167**	937,709	1,165,317	1,310,392	1,295,240
Total liabilities	**501,917**	511,355	571,587	554,902	510,487
Net assets	**346,250**	426,354	593,730	755,490	784,753