



CHINA DIGITAL VIDEO HOLDINGS LIMITED

中國數字視頻控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8280



2022

THIRD QUARTERLY
REPORT

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

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FINANCIAL HIGHLIGHTS

- Our revenue decreased by 11.6% to RMB220.7 million for 2022 from RMB249.7 million for 2021.
- We recorded a loss of RMB66.7 million for 2022 as compared to a loss of RMB102.8 million for 2021.
- Our Directors did not recommend the payment of dividends for 2022 (2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

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

FINANCIAL REVIEW

We recorded a total revenue of RMB220.7 million for 2022, representing a decrease of 11.6% from RMB249.7 million for 2021. We recorded a loss of RMB66.7 million for 2022 as compared to a loss of RMB102.8 million for 2021. Such loss was primarily due to the decrease in gross profit as a result of (i) the keen competition from new media and the internet; and (ii) delay in bidding of upgrading projects in relation to TV stations.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Revenue

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

	2022 (Unaudited)		2021	
	Amount	% of total	Amount	% of total
	(RMB in thousands, except percentages)			
Solutions	135,635	61.5	120,495	48.3
Services	58,503	26.5	70,202	28.1
Products	26,571	12.0	58,958	23.6
Total	<u>220,709</u>	<u>100.0</u>	<u>249,655</u>	<u>100.0</u>

Our revenue decreased by 11.6% to RMB220.7 million for 2022 from RMB249.7 million for 2021. The decrease in revenue was mainly attributable to TV stations delaying from upgrading its operating system due to the pandemic.

Cost of Sales

Our cost of sales decreased by 11.2% to RMB181.2 million for 2022 from RMB204.0 million for 2021 as a result of decrease in revenue.

Gross Profit and Gross Profit Margin

Our gross profit represents revenue less cost of sales. Our gross profit decreased by 13.4% to RMB39.5 million for 2022 from RMB45.6 million for 2021, and our gross profit margin decreased to 17.9% for 2022 from 18.3% for 2021. The decrease in gross profit was primarily attributable to a decrease in revenue while the fixed cost within the cost of our major business remained relatively stable period-to-period.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Income

Our other income decreased by 22.3% to RMB23.7 million for 2022 from RMB30.5 million for 2021 as a result of the decrease in interest income and value-added tax refunds.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 19.6% to RMB53.8 million for 2022 from RMB66.9 million for 2021 as a result of the decrease in the compensation to of sales personnel.

Administrative Expenses

Our administrative expenses increased by 59.0% to RMB53.9 million for 2022 from RMB33.9 million for 2021, primarily due to the increase in legal service fees and net loss on disposal of wastes and resources.

Research and Development Expenses

Our research and development expenses decreased by 63.0% to RMB11.5 million for 2022 as compared to RMB31.1 million for 2021, primarily due to an increase in capitalized expenditure of research and development expenses.

Finance Costs

Our finance costs decreased by 24.1% to RMB8.5 million for 2022 from RMB11.2 million for 2021, primarily due to the decrease of interest in relation to bank borrowings.

Impairment Loss on Trade and Other Receivables and Contract Assets

Our impairment loss on trade and other receivables and contract assets was RMB0.8 million for 2022 as compared to RMB7.6 million for 2021 primarily due to the recovery of impaired loan and interest receivables.

MANAGEMENT DISCUSSION AND ANALYSIS

Loss before Income Tax

As a result of the foregoing factors, we recorded a loss before income tax of RMB66.7 million for 2022 as compared to a loss before income tax of RMB102.8 million for 2021.

Loss for the Period

As a result of the foregoing factors, we recorded a loss of RMB66.7 million for 2022 as compared to a loss of RMB102.8 million for 2021.

Other Comprehensive Expense

We recorded other comprehensive expense of RMB11.6 million for 2022 as compared to other comprehensive expense of RMB4.1 million for 2021.

Total Comprehensive Expense for the Period

We recorded a total comprehensive expense of RMB78.3 million for 2022 as compared to RMB106.9 million for 2021, primarily due to the impairment loss on intangible assets for 2021 (2022: nil).

Profit Attributable to Non-controlling Interests

We recorded a profit attributable to non-controlling interests of RMB4.4 million for 2022 as compared to a profit attributable to non-controlling interests of RMB2.2 million for 2021.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

Saved as disclosed above, we made no material acquisition or disposal of subsidiaries, associates and joint ventures during 2022.

FUTURE PLANS FOR MATERIAL INVESTMENT IN OR ACQUISITION OF CAPITAL ASSETS

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

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES

As at 31 December 2022, we had 414 full-time employees and 37 dispatched workers (31 December 2021: 530 full-time employees and 40 dispatched workers). The remuneration package of the employees includes salary, sales commission, bonus and other cash subsidies. For 2022 and 2021, the remuneration expense, excluding share-based compensation expense, was approximately RMB67.4 million and RMB92.3 million, respectively. In general, our employees' salaries are determined based on individual performance, qualification, position and seniority. We place a strong emphasis on recruiting skilled personnel. We typically recruit talents from universities and technical schools and conduct an annual review on our employees' performance and determine their salary, bonus and promotion. We also place a strong emphasis on providing training to our employees in order to enhance their technical and product knowledge as well as comprehension of industry quality standards.

We have adopted a share option scheme (the "**Share Option Scheme**") and a share award scheme (the "**Share Award Scheme**"). The purposes of the Share Option Scheme and the Share Award Scheme are to attract, retain and motivate the directors, senior management and employees of the Group and other participants. For further details, please see "Share Option Scheme" and "Share Award Scheme" in this report.

DIVIDEND DISTRIBUTION

The board of directors of the Company (the "**Board**") did not recommend the payment of dividends for 2022 (2021: nil).

ADVANCE TO AN ENTITY PROVIDED BY THE COMPANY

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

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

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

EVENT AFTER THE REPORTING PERIOD

There was no significant event since 31 December 2022 and up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange, were as follows:

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

Name of Director	Capacity	Number of shares or underlying shares	Approximate percentage of interest in the Company
Mr. Zheng Fushuang	Founder of a discretionary trust and beneficial owner ¹	217,212,278	34.36%
Mr. Liu Baodong	Beneficial owner ²	17,118,669	2.72%
Mr. Pang Gang	Beneficial owner ³	405,000	0.06%
Mr. Frank Christiaens	Beneficial owner ³	300,000	0.05%
Ms. Cao Qian ⁴	Beneficial owner ³	300,000	0.05%

Notes:

- Mr. Zheng Fushuang is the settlor and a beneficiary of Future Success Trust. Future Success Trust holds the entire issued share capital of ZFS Holdings Limited, which in turn holds the entire issued share capital of Wing Success Holdings Limited, a controlling shareholder of the Company. Therefore, Mr. Zheng Fushuang is deemed to be interested in the shares of the Company (the "Shares") held by Wing Success Holdings Limited.
- Mr. Liu Baodong held 14,118,669 Shares and the remaining interest is the options representing 3,000,000 underlying shares upon fully exercise of such options.
- Interests in options granted pursuant to the Share Option Scheme.
- Ms. Cao Qian resigned as an independent non-executive Directors with effect from 3 January 2023.

Save as disclosed above, as at 31 December 2022, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 31 December 2022, so far as was known to the Directors, the following persons (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who were directly or indirectly interested in 10% or more of the number of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in the shares of the Company

Name of shareholder	Capacity	Number of shares or underlying shares	Approximate percentage of interest in the Company
Mr. Zheng Fushuang	Founder of a discretionary trust and beneficial owner ¹	217,212,278	34.36%
Wickhams Cay Trust Company Limited	Trustee and interest of controlled corporation ²	214,278,278	33.99%
ZFS Holdings Limited	Interest in controlled corporation ²	214,278,278	33.99%
Wing Success Holdings Limited	Beneficial owner ²	214,278,278	33.99%
Power Side Limited	Interest in controlled corporation ³	98,098,000	15.56%
Mr. Li Peng	Interest in controlled corporation ³	98,098,000	15.56%
Carvillo Success Limited	Beneficial owner ³	98,098,000	15.56%
Mr. Guo Langua	Beneficial owner	39,034,053	6.19%

Notes:

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

Save as disclosed above, as at 31 December 2022, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who was directly or indirectly interested in 10% or more of the number of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE OPTION SCHEME

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

The Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of the Company (and to which the provisions of the GEM Listing Rules are applicable) shall not exceed 10% of the aggregate of the Shares in issue on 18 May 2017, being a total of 62,000,000 Shares.

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets out the details of the options granted pursuant to the Share Option Scheme but not yet exercised as at 31 December 2022. No option were granted, exercised, cancelled or lapsed during the twelve months ended 31 December 2022.

Grantee	Date of grant	Number of share options outstanding as at 1 January 2022	Closing price per Share immediately prior to the date of grant	Exercise price per Share	Exercise Period	Number of options granted during the twelve months ended 31 December 2022	Number of options lapsed during the twelve months ended 31 December 2022	Number of options outstanding as at 31 December 2022	Approximate percentage of shareholding upon full 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 ²	–	–	3,000,000	0.48%
Pang Gang	24 May 2017	405,000	HK\$1.31	HK\$1.33	24 May 2017 to 17 May 2027 ²	–	–	405,000	0.06%
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 employees and consultants of the Group	24 May 2017	57,477,700	HK\$1.31	HK\$1.33	24 May 2017 to 17 May 2027	–	–	57,477,700	9.12%
Total		61,482,700						61,482,700	9.76%

Notes:

- The options were granted on 24 May 2017. For full details of the Share Option Scheme, please refer to the circular of the Company dated 11 April 2017 regarding, among others, the adoption of the Share Option Scheme.
- The option under the Share Option Scheme were vested as follows:
 - On the date of grant: 40% vested
 - On the first anniversary of the date of grant (i.e. 24 May 2018): 30% vested
 - On the second anniversary of the date of grant (i.e. 24 May 2019): 30% vested

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE AWARD SCHEME

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

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

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

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

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

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

During the twelve months ended 31 December 2022, the Company neither issued new Shares nor arranged any funds to be paid to the Trustee for purchasing of Shares from the market.

COMPETING BUSINESSES

For the twelve months ended 31 December 2022, none of the Directors or controlling shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in a business that competes or may compete with the business of the Group, or had any other conflict of interest with the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

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

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

Upon resignation of Ms. Cao Qian as an independent non-executive Director with effect from 3 January 2023, the number of independent non-executive Directors and the members of Audit Committee falls below the minimum number required under Rule 5.05(1) and Rule 5.28 of the GEM Listing Rules and the terms of reference of the Audit Committee. In addition, none of the remaining independent non-executive Directors have appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules following the resignation of Ms. Cao Qian.

The Company is in the process of identifying suitable candidate to fill the vacancies as soon as practicable in any event within three months from 3 January 2023 in order to ensure compliance by the Company with the requirements under the Rules Governing the Listing of Securities on GEM of the Stock Exchange. The Company will make further announcement as and when appropriate.

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has made specific enquiries with all the Directors, who confirmed their compliance with the required standard of dealings and the code of conduct regarding Directors’ securities transactions during the twelve months ended 31 December 2022 and up to the date of this report. No incident of non-compliance was noted by the Company during this period.

MANAGEMENT DISCUSSION AND ANALYSIS

AUDIT COMMITTEE AND REVIEW OF QUARTERLY RESULTS

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules on 23 May 2016. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group, and oversee the audit process and the audits of the financial statements of the Group.

The audit committee now comprises two independent non-executive Directors, namely Dr. Li Wanshou and Mr. Frank Christiaens. The audit committee has reviewed this report including the unaudited financial statements for the twelve months ended 31 December 2022 and is of the opinion that (i) the unaudited financial statements of the Group for the twelve months ended 31 December 2022 comply with the applicable accounting standards and the GEM Listing Rules; and (ii) adequate disclosure has been made in such unaudited financial statements.

COMPOSITION OF THE BOARD

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

By order of the Board

China Digital Video Holdings Limited

ZHENG Fushuang

Chairman and Chief Executive Officer

Hong Kong, 9 February 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2022

	Notes	Three months ended 31 December		Twelve months ended 31 December	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
Revenue	4	74,000	46,027	220,709	249,655
Cost of sales		(54,827)	(44,199)	(181,239)	(204,017)
Gross profit		19,173	1,828	39,470	45,638
Other income	5	2,366	13,687	23,692	30,460
Selling and marketing expenses		(13,816)	(26,992)	(53,829)	(66,886)
Administrative expenses		(21,148)	(5,641)	(53,949)	(33,939)
Research and development expenses		6,224	(10,423)	(11,525)	(31,058)
Finance costs		(1,330)	(3,489)	(8,461)	(11,175)
(Impairment loss)/Reversal of impairment loss on trade and other receivables and contract sales, net		(3,706)	10,471	(831)	(7,560)
Impairment loss on intangible assets		–	(24,175)	–	(24,175)
Share of results of joint ventures		–	3,699	–	–
Share of results of associates		(823)	(4,070)	(1,242)	(4,070)
Loss before income tax	6	(13,060)	(45,105)	(66,675)	(102,765)
Income tax		–	–	–	–
Loss for the period		(13,060)	(45,105)	(66,675)	(102,765)
Other comprehensive income/(expense) for the period					
<i>Item that may be subsequently reclassified to profit or loss:</i>					
Exchange difference arising on the translation of a foreign operation		3,378	(3,819)	(11,648)	(4,111)
Total comprehensive expense for the period		(9,682)	(48,924)	(78,323)	(106,876)
(Loss)/Profit for the period attributable to:					
Owners of the Company		(17,872)	(48,667)	(71,047)	(104,972)
Non-controlling interests		4,812	3,562	4,372	2,207
		(13,060)	(45,105)	(66,675)	(102,765)
Total comprehensive (expense)/income for the period attributable to:					
Owners of the Company		(14,494)	(52,486)	(82,695)	(109,083)
Non-controlling interests		4,812	3,562	4,372	2,207
		(9,682)	(48,924)	(78,323)	(106,876)
LOSS PER SHARE (expressed in RMB cents per share)	8				
Basic		(2.89)	(7.87)	(11.49)	(16.98)
Diluted		(2.89)	(7.87)	(11.49)	(16.98)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR 31 DECEMBER 2022

	Equity attributable to owners of the Company										
	Share capital	Treasury shares [†]	Share premium [†]	Statutory reserve [†]	Translation reserve [†]	Share option reserve [†]	Other reserve [†]	Accumulated losses [†]	Sub-total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at 1 January 2022	43	(1)	600,213	30,215	(12,244)	27,165	31,278	(442,614)	234,055	4,912	238,967
Comprehensive (expense)/income for the period											
(Loss)/Profit for the period	-	-	-	-	-	-	-	(71,047)	(71,047)	4,372	(66,675)
Other comprehensive expense for the period											
<i>Item that may be subsequently reclassified to profit or loss:</i>											
Exchange difference arising on the translation of a foreign operation	-	-	-	-	(11,648)	-	-	-	(11,648)	-	(11,648)
Total comprehensive (expense)/income for the period	-	-	-	-	(11,648)	-	-	(71,047)	(82,695)	4,372	(78,323)
Balance at 31 December 2022	43	(1)	600,213	30,215	(23,892)	27,165	31,278	(513,661)	151,360	9,284	160,644

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR 31 DECEMBER 2022

	Equity attributable to owners of the Company										Total equity RMB'000 (Audited)
	Share capital	Treasury shares ^o	Share premium ^o	Statutory reserve ^o	Translation reserve ^o	Share option reserve ^o	Other reserve ^o	Accumulated losses ^o	Sub-total	Non-controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	
Balance at 1 January 2021	43	(1)	600,213	29,664	(8,133)	47,836	31,278	(357,762)	343,138	3,112	346,250
Comprehensive (expense)/income for the period											
Loss for the period	–	–	–	–	–	–	–	(104,972)	(104,972)	2,207	(102,765)
Other comprehensive expense for the period											
<i>Item that may be subsequently reclassified to profit or loss:</i>											
Exchange difference arising on translation of a foreign operation	–	–	–	–	(4,111)	–	–	–	(4,111)	–	(4,111)
Total comprehensive (expense)/income for the period	–	–	–	–	(4,111)	–	–	(104,972)	(109,083)	2,207	(106,876)
Transactions with owners											
Transfer upon forfeiture/lapse of share options	–	–	–	–	–	(20,671)	–	20,671	–	–	–
Disposal of a non-wholly owned subsidiary	–	–	–	–	–	–	–	–	–	(407)	(407)
Appropriation for statutory reserve	–	–	–	551	–	–	–	(551)	–	–	–
Total transactions with owners	–	–	–	551	–	(20,671)	–	20,120	–	(407)	(407)
Balance at 31 December 2021	43	(1)	600,213	30,215	(12,244)	27,165	31,278	(442,614)	234,055	4,912	238,967

* These reserves comprise the Group's reserves of RMB151,317,000 (2021: RMB234,012,000) in the condensed consolidated statement of financial position as at 31 December 2022.

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

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

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

The 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"**).

Effective from 30 December 2022, the financial year end date of the Company was changed from 31 December to 31 March.

2. BASIS OF PREPARATION

This unaudited condensed consolidated quarterly financial information for the twelve months ended 31 December 2022 (the **"Quarterly Financial Information"**) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. The Quarterly Financial Information was authorised for issue by the Company's board of directors (the **"Board"**) on 9 February 2023.

The accounting policies and methods of computation used in the preparation of the Quarterly Financial Information are consistent with those used in the annual financial statements for the year ended 31 December 2021 except for the adoption of amendments to International Financial Reporting Standards (**"IFRSs"**) that have become effective on the accounting period on or after 1 January 2022 and are relevant to the Group.

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

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

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

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

The Quarterly Financial Information was unaudited.

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

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2022

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

4. REVENUE AND SEGMENT INFORMATION

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

	Three months ended		Twelve months ended	
	31 December		31 December	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Solutions	72,446	23,471	135,635	120,495
Services	13,434	(6,259)	58,503	70,202
Products	(11,880)	28,815	26,571	58,958
	<u>74,000</u>	<u>46,027</u>	<u>220,709</u>	<u>249,655</u>

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

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2022

5. OTHER INCOME

	Three months ended		Twelve months ended	
	31 December		31 December	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Other revenue				
Interest income	1	2,440	5,860	9,226
Value-added tax ("VAT") refunds (note (a))	431	1,948	4,842	6,940
	<u>432</u>	<u>4,388</u>	<u>10,702</u>	<u>16,166</u>
Other net income/(expenses)				
Gain on disposal of intangible assets	–	–	6,300	–
Government grants (note (b))	1,073	3,121	3,748	7,725
Bad debt recovered	–	1,184	–	1,184
Divided income from financial assets at fair value through profit or loss ("FVTPL")	–	3,340	–	3,340
Fair value loss on financial assets at FVTPL	–	(1,719)	–	(1,719)
Gain on disposal of property, plant and equipment	11	7	11	7
Gain on disposal of a subsidiary	–	151	–	151
Net foreign exchange gains	–	2,926	–	2,926
Others	850	289	2,931	680
	<u>1,934</u>	<u>9,299</u>	<u>12,990</u>	<u>14,294</u>
	<u>2,366</u>	<u>13,687</u>	<u>23,692</u>	<u>30,460</u>

Notes:

- (a) The sales of software products in the PRC are subject to VAT calculated at 13%. Companies which develop their own software products and have the software products registered with the relevant authorities in the PRC are entitled to a refund of VAT equivalent to the excess over 3% of the sales invoice amount paid in the month when output VAT exceeds input VAT.
- (b) Others mainly relates to cash subsidies in respect of operating and development activities from governments which are either unconditional grants or grants with conditions having been satisfied.

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

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2022

6. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

	Three months ended 31 December		Twelve months ended 31 December	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
Employee benefit expenses				
Salaries, bonus and allowances	1,828	7,199	49,709	66,602
Retirement benefit scheme contributions	4,051	11,183	17,388	25,433
Severance payments	110	122	325	264
	<u>5,989</u>	<u>18,504</u>	<u>67,422</u>	<u>92,299</u>
Other items				
Cost of inventories recognised as an expense	30,295	35,241	114,656	144,409
Depreciation of property, plant and equipment	204	1,866	5,285	9,435
Amortisation of intangible assets	5,912	10,266	31,904	36,838

7. DIVIDENDS

The directors did not recommend the payment of dividends for 2022 (2021: nil).

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

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2022

8. LOSS PER SHARE

(a) Basic loss per share

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

	Three months ended 31 December		Twelve months ended 31 December	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Loss				
Loss attributable to owners of the Company for the purpose of calculating the basic loss per share	<u>(17,872)</u>	<u>(48,667)</u>	<u>(71,047)</u>	<u>(104,972)</u>

	Three months ended 31 December		Twelve months ended 31 December	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Number of shares (in thousands)				
Weighted average number of ordinary shares outstanding for calculating the basic loss per share	<u>618,332</u>	<u>618,332</u>	<u>618,332</u>	<u>618,332</u>

(b) Diluted loss per share

For the three months and twelve months ended 31 December 2022 and 2021, the Company had 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 three months and twelve months ended 31 December 2022 and 2021 was the same as the basic loss per share as the potential ordinary shares were anti-dilutive.