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China Digital Video Holdings Limited

中國數字視頻控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8280)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

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

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

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

INTERIM RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2019, together with the unaudited comparative figures for the corresponding period in 2018, as follows.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2019

		(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	Notes	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	4	48,591	99,727	119,694	161,572
Cost of sales		<u>(36,499)</u>	<u>(73,937)</u>	<u>(89,283)</u>	<u>(118,447)</u>
Gross profit		12,092	25,790	30,411	43,125
Other income	5	5,307	5,629	13,488	11,373
Selling and marketing expenses		(13,717)	(14,259)	(26,061)	(34,147)
Administrative expenses		(6,630)	(11,294)	(19,073)	(16,796)
Share-based compensation expense	18	346	(2,615)	(1,800)	(6,312)
Research and development expenses		(7,041)	(3,599)	(13,336)	(7,737)
Finance costs	6	(2,802)	(3,507)	(5,192)	(6,131)
Net impairment loss on trade and other receivables and contract assets		(9,793)	1,292	(17,229)	(1,987)
Share of loss of joint ventures	12	(584)	(86)	(584)	—
Share of loss of associates	13	(448)	—	(448)	—
Loss before income tax	6	(23,270)	(2,649)	(39,824)	(18,612)
Income tax (expense)/credit	7	(2,635)	315	—	794
Loss for the period		<u>(25,905)</u>	<u>(2,334)</u>	<u>(39,824)</u>	<u>(17,818)</u>
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
Exchange difference arising on the translation of foreign operation		<u>9,564</u>	<u>15,173</u>	<u>528</u>	<u>3,672</u>
Total comprehensive (loss)/income for the period		<u><u>(16,341)</u></u>	<u><u>12,839</u></u>	<u><u>(39,296)</u></u>	<u><u>(14,146)</u></u>

	Note	(Unaudited)		(Unaudited)	
		Three months ended		Six months ended	
		30 June		30 June	
		2019	2018	2019	2018
		RMB'000	RMB'000	RMB'000	RMB'000
Loss for the period attributable to:					
Equity holders of the Company		(25,801)	(2,334)	(39,597)	(17,818)
Non-controlling interests		(104)	—	(227)	—
		<u>(25,905)</u>	<u>(2,334)</u>	<u>(39,824)</u>	<u>(17,818)</u>
Total comprehensive (loss)/income for the period attributable to:					
Equity holders of the Company		(16,237)	12,839	(39,069)	(14,146)
Non-controlling interests		(104)	—	(227)	—
		<u>(16,341)</u>	<u>12,839</u>	<u>(39,296)</u>	<u>(14,146)</u>
Loss per share for loss attributable to equity holders of the Company					
(expressed in RMB cents per share)	9				
Basic		<u>(4.17)</u>	<u>(0.38)</u>	<u>(6.40)</u>	<u>(2.88)</u>
Diluted		<u>(4.17)</u>	<u>(0.38)</u>	<u>(6.40)</u>	<u>(2.88)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

	Notes	(Unaudited) As at 30 June 2019 RMB'000	(Audited) As at 31 December 2018 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	1,393	3,674
Intangible assets	11	170,022	161,766
Goodwill		17,481	17,481
Interests in joint ventures	12	946	1,530
Interests in associates	13	18,600	16,648
Other financial assets		9,868	9,868
Deferred tax assets		7,766	7,766
		<u>226,076</u>	<u>218,733</u>
Current assets			
Inventories		44,591	39,298
Trade and other receivables	14	528,933	566,871
Contract assets	15	54,321	77,761
Restricted bank deposits		5,028	6,518
Pledged bank deposits		118,932	118,733
Bank balances and cash		116,764	137,403
		<u>868,569</u>	<u>946,584</u>
Current liabilities			
Trade and other payables	16	287,280	348,333
Contract liabilities	15	10,077	12,227
Other interest-bearing borrowings		232,983	202,956
Income tax liabilities		4,583	4,583
		<u>534,923</u>	<u>568,099</u>
Net current assets		<u>333,646</u>	<u>378,485</u>
Total assets less current liabilities		<u>559,722</u>	<u>597,218</u>

		(Unaudited)	(Audited)
	Note	As at	As at
		30 June	31 December
		2019	2018
		RMB'000	RMB'000
Non-current liabilities			
Deferred tax liabilities		<u>3,488</u>	<u>3,488</u>
Net assets		<u>556,234</u>	<u>593,730</u>
EQUITY			
Share capital	17	43	43
Reserves		<u>554,403</u>	<u>591,672</u>
Equity attributable to equity holders of the Company		554,446	591,715
Non-controlling interests		<u>1,788</u>	<u>2,015</u>
Total equity		<u>556,234</u>	<u>593,730</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2019

	Equity attributable to equity holders of the Company									
	Share capital	Treasury shares	Share premium	Statutory reserve	Translation reserve	Share option reserve	Other reserve	Accumulated Losses	Sub-total	Non-controlling interests
	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)
Balance at 1 January 2019	43	(1)	597,479	28,982	(2,201)	64,116	34,631	(131,334)	591,715	2,015
Comprehensive (loss)/income for the period										
Loss for the period	—	—	—	—	—	—	—	(39,597)	(39,597)	(227)
Other comprehensive income for the period	—	—	—	—	528	—	—	—	528	—
Total comprehensive income/(loss) for the period	—	—	—	—	528	—	—	(39,597)	(39,069)	(227)
Transactions with owners										
Vesting of shares held under the Share Award Scheme (note 18(c))	—	—	2,795	—	—	—	(2,795)	—	—	—
Share-based compensation (note 18)	—	—	—	—	—	1,580	220	—	1,800	—
Transfer upon forfeiture of share options	—	—	—	—	—	(34)	—	34	—	—
Total transactions with owners	—	—	—	—	—	1,546	(2,575)	34	1,800	—
Balance at 30 June 2019 (Unaudited)	43	(1)	600,274	28,982	(1,673)	65,662	32,056	(170,897)	554,446	1,788

Equity attributable to equity holders of the Company

	Share capital	Treasury shares	Share premium	Statutory reserve	Translation reserve	Share option reserve	Other reserve	Accumulated Profits/(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 2018	43	(1)	588,503	28,982	(12,531)	55,842	41,398	49,019	751,255	—	751,255
Adjustment from the adoption of IFRS 9 and IFRS 15	—	—	—	—	—	—	—	(11,656)	(11,656)	—	(11,656)
Adjusted balance at 1 January 2018	43	(1)	588,503	28,982	(12,531)	55,842	41,398	37,363	739,599	—	739,599
Comprehensive (loss)/income for the period											
Loss for the period	—	—	—	—	—	—	—	(17,818)	(17,818)	—	(17,818)
Other comprehensive income for the period	—	—	—	—	3,672	—	—	—	3,672	—	3,672
Total comprehensive income/(loss) for the period	—	—	—	—	3,672	—	—	(17,818)	(14,146)	—	(14,146)
Transactions with owners											
Share repurchased and cancelled (note 17(i))	—	—	(787)	—	—	—	—	—	(787)	—	(787)
Share-based compensation (note 18)	—	—	—	—	—	4,148	2,164	—	6,312	—	6,312
Transfer upon forfeiture of share options	—	—	—	—	—	(26)	—	26	—	—	—
Total transactions with owners	—	—	(787)	—	—	4,122	2,164	26	5,525	—	5,525
Balance at 30 June 2018 (Unaudited)	43	(1)	587,716	28,982	(8,859)	59,964	43,562	19,571	730,978	—	730,978

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2019

	(Unaudited)	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Cash flows from operating activities		
Loss before income tax	(39,824)	(18,612)
Adjustments for non-cash items	33,744	22,300
Operating (loss)/profit before working capital changes	(6,080)	3,688
Net changes in working capitals	(67,735)	(64,595)
Net cash used in operating activities	(73,815)	(60,907)
Cash flows from investing activities		
Interest received	6,162	2,122
Purchase of property, plant and equipment	(1,343)	(20)
Addition in development costs through internal development	(20,083)	(27,463)
Increase in time deposits with original maturities exceeding three months	—	(10,000)
Decrease/(Increase) in loans receivable	46,926	(805)
Investments in associates	(2,400)	—
Other investing activities	(628)	17,268
Net cash from/(used in) investing activities	28,634	(18,898)
Cash flows from financing activities		
Other financing activities	24,457	28,640
Net cash from financing activities	24,457	28,640

	(Unaudited)	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Net decrease in cash and cash equivalents	(20,724)	(51,165)
Cash and cash equivalents at beginning of period	37,403	63,344
Effect of foreign exchange rate changes on cash and cash equivalents held	85	1,496
Cash and cash equivalents at end of period	<u>16,764</u>	<u>13,675</u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	116,764	258,675
Less: time deposits with original maturities exceeding three months	<u>(100,000)</u>	<u>(245,000)</u>
Cash and cash equivalents at end of period	<u>16,764</u>	<u>13,675</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 2019

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 Company’s shares were listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 27 June 2016 (the “**Listing**”).

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

2. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2019 (the “**Interim 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, including compliance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “**IASB**”).

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual report for the year ended 31 December 2018.

The Interim Financial Information is presented in Renminbi (“**RMB**”), unless otherwise stated.

The Group has not early adopted any other standard or amendment that has been issued but is not yet effective. The accounting policies and methods of computation used in the preparation of the Interim Financial Information are consistent with those used in the annual financial statements for the year ended 31 December 2018 except for the adoption of the amendments to International Financial Reporting Standards (“**IFRSs**”) that have become effective for accounting period beginning on 1 January 2019.

The Group has applied all the new and amended to standards, which are mandatory for the financial year beginning 1 January 2019. The adoption had no material impact on how the results and financial position for the current and prior periods have been prepared and presented, except the new IFRS as described below:

2.1 Impacts and changes in significant accounting policies

IFRS 16 “Leases”

IFRS 16 “Leases” replaced IAS 17 and three related interpretations. The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparative for the year ended 31 December 2018, as permitted under the specific transitional provisions of IFRS 16.

The Group as a lessee

For any new contracts entered into on or after 1 January 2019, 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 contracts 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 condensed 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).

Depreciation of the right-of-use assets is recognised 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 lease 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.

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. As at 1 January 2019, the Group's future minimum lease payments are all payable within one year or of low-value assets. Accordingly, the Group has used the practical expedients of short-term lease to recognise the rental expenses over the lease term and thus the adoption of IFRS 16 does not have material impact to the Group's condensed interim financial statements on the initial adoption.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

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:

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Solutions	21,190	52,878	64,406	94,162
Services	17,103	15,904	33,246	30,975
Products	10,298	30,945	22,042	36,435
	<u>48,591</u>	<u>99,727</u>	<u>119,694</u>	<u>161,572</u>

An analysis of the Group's timing of revenue recognition within the scope of IFRS 15 is as follows:

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
At a point of time	31,488	83,823	86,448	130,597
Over time	17,103	15,904	33,246	30,975
	48,591	99,727	119,694	161,572

Geographical information

The Group primarily operates in the PRC. As at 30 June 2019 and 31 December 2018, substantially all of the non-current assets (other than financial instruments and deferred tax assets) of the Group were located in the PRC.

5. OTHER INCOME

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Other revenue				
Interest income	1,132	2,024	6,162	4,044
Value-added tax (“VAT”)				
refunds (note a)	845	2,480	3,896	6,042
	<u>1,977</u>	<u>4,504</u>	<u>10,058</u>	<u>10,086</u>
Other net income				
Gain on disposal of				
intangible assets	2,400	—	2,400	—
Subsidy income from				
government (note b)	916	1,031	916	1,031
Sundry income	14	94	114	256
	<u>3,330</u>	<u>1,125</u>	<u>3,430</u>	<u>1,287</u>
	<u><u>5,307</u></u>	<u><u>5,629</u></u>	<u><u>13,488</u></u>	<u><u>11,373</u></u>

Notes:

- (a) The sales of software products in the PRC are subject to VAT calculated at 13% or 17%. 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 BEFORE INCOME TAX

Loss before income tax has been arrived at after charging/(crediting):

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Finance costs				
Interest on bank and other borrowings, wholly repayable within five years	<u>2,802</u>	<u>3,507</u>	<u>5,192</u>	<u>6,131</u>
Employee benefit expenses				
Salaries, bonus and allowances	29,293	22,141	47,331	43,306
Retirement benefit scheme contributions	5,425	3,892	10,786	10,297
Severance payments	104	—	164	115
Share-based compensation expense	<u>(346)</u>	<u>2,615</u>	<u>1,800</u>	<u>6,312</u>
	<u>34,476</u>	<u>28,648</u>	<u>60,081</u>	<u>60,030</u>
Other items				
Cost of software and hardware equipment recognised as an expense	13,368	42,659	53,223	69,404
Depreciation:				
– Owned assets	1,559	1,695	2,827	2,635
Amortisation of intangible assets	<u>7,069</u>	<u>6,318</u>	<u>11,827</u>	<u>9,267</u>

7. INCOME TAX (EXPENSE)/CREDIT

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax				
Origination and reversal of temporary differences	<u>2,635</u>	<u>(315)</u>	<u>—</u>	<u>(794)</u>
Income tax expense/(credit)	<u>2,635</u>	<u>(315)</u>	<u>—</u>	<u>(794)</u>

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 the period.

(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 period based on the existing legislation, interpretations and practices in respect thereof. The applicable income tax rate for the period 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 six months ended 30 June 2018 and 2019.

According to relevant laws and regulations in the PRC, enterprises engaging in research and development activities are entitled to claim 150% of the research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("**Super Deduction**"). The Group have made its best estimate for the Super Deduction to be claimed in ascertaining their assessable profits for the reporting period.

(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. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

9. LOSS PER SHARE

(a) Basic loss per share

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

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Loss				
Loss used to determine				
basic loss per share	<u>(25,801)</u>	<u>(2,334)</u>	<u>(39,597)</u>	<u>(17,818)</u>

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
Number of shares				
(in thousands)				
Weighted average				
number of ordinary				
shares outstanding for				
basic loss per share	<u>618,332</u>	<u>618,619</u>	<u>618,332</u>	<u>619,041</u>

(b) Diluted loss per share

For the three months and six months ended 30 June 2019 and 2018, the Company has three categories of potential dilutive ordinary shares: the 2010 Share Option Plan, the 2017 Share Option Scheme and the 2017 Share Award Scheme. The diluted loss per share for the three months and six months ended 30 June 2019 and 2018 was the same as the basic loss per share as the potential ordinary shares were anti-dilutive.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment at a cost of RMB1,343,000 (six months ended 30 June 2018: RMB2,043,000). For the six months ended 30 June 2018, property, plant and equipment of RMB2,023,000 were transferred from the inventories.

11. INTANGIBLE ASSETS

During the six months ended 30 June 2019, additions to intangible assets by capitalisation of development costs amounted to RMB20,083,000 (six months ended 30 June 2018: RMB27,463,000).

12. INTERESTS IN JOINT VENTURES

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2019	2018
	RMB'000	RMB'000
Share of net assets	722	1,333
Goodwill	224	197
	<u>946</u>	<u>1,530</u>

The Group's interests in joint ventures, which are accounted using the equity method, represent its investments in Beijing Jingqi Chuangzhi Technology Co., Ltd and CDV (Beijing) Yun Duan Technology Co., Ltd. All of which are unlisted corporate entities whose quoted market price is not available.

During the three months and six months ended 30 June 2019, the share of loss of joint ventures recognised in profit or loss by the Group amounted to RMB584,000 (three months ended 30 June 2018: RMB86,000) and RMB584,000 (six months ended 30 June 2018: nil), respectively.

13. INTERESTS IN ASSOCIATES

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2019	2018
	RMB'000	RMB'000
At 1 January	16,648	—
Addition	2,400	—
Share of loss	(448)	—
Reclassification from interests in joint ventures	—	16,648
At 31 December	<u>18,600</u>	<u>16,648</u>
Share of net assets	9,995	4,774
Goodwill	<u>8,606</u>	<u>11,874</u>
	<u>18,600</u>	<u>16,648</u>

The Group's interests in associates, which are accounted using the equity method, represent its investments in Beijing Yue Ying Technology Co., Ltd, Beijing Meicam Network Technology Co., Ltd and Beijing Xin'aote Smart Sports Innovation Development Co., Ltd. All of which are unlisted corporate entities whose quoted market price is not available.

During the three months and six months ended 30 June 2019, the share of loss of associates recognised in profit or loss by the Group amounted to RMB448,000 (three months ended 30 June 2018: nil) and RMB448,000 (six months ended 30 June 2018: nil), respectively.

14. TRADE AND OTHER RECEIVABLES

	Notes	(Unaudited) As at 30 June 2019 RMB'000	(Audited) As at 31 December 2018 RMB'000
Trade and bills receivables			
From third parties		339,675	328,622
From related parties		16,965	19,603
		<u>356,640</u>	<u>348,225</u>
Less: ECL allowance of trade receivables		<u>(85,015)</u>	<u>(92,886)</u>
	(a)	<u>271,625</u>	<u>255,339</u>
Other receivables			
	(b)		
Deposits, prepayments and other receivables		24,294	8,441
Deposit for guarantee certificate over tendering and performance		19,807	32,225
Loans receivable		129,193	176,119
Interest receivables		4,749	10,309
Advances to suppliers		65,906	67,800
Amounts due from associates		50	—
Amounts due from related parties		4,307	7,327
Amounts due from joint ventures		9,800	7,772
VAT receivables		929	1,610
Advances to employees		13,650	15,306
		<u>272,685</u>	<u>326,909</u>
Less: ECL allowance of other receivables		<u>(15,377)</u>	<u>(15,377)</u>
		<u>257,308</u>	<u>311,532</u>
		<u><u>528,933</u></u>	<u><u>566,871</u></u>

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.

(a) Trade and bills 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 and bills receivables and net of ECL allowance at the respective reporting dates is as follows:

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2019	2018
	RMB'000	RMB'000
0 to 90 days	33,270	84,233
91 to 180 days	62,443	32,596
181 to 365 days	62,947	43,634
1 to 2 years	112,965	94,876
	<u>271,625</u>	<u>255,339</u>

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.

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

(b) Other receivables

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.

Loans receivable

As at 30 June 2019, the Group has loans receivable of approximately RMB129,193,000 (31 December 2018: RMB176,119,000) from independent third parties. Loan receivable of RMB20,493,000 (31 December 2018: RMB20,459,000) is secured by a property, carrying fixed interest of 6% per annum and wholly repayable within one year. As at 30 June 2019, the market value of the property is approximately RMB22,932,000 (31 December 2018: RMB20,908,000).

Loans receivable of approximately RMB108,700,000 (31 December 2018: RMB155,660,000) are unsecured, carrying fixed interest of 6% per annum and 1.8% per month, and wholly repayable within one year.

Amounts due from associates, joint ventures/related parties

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

Advances to employees

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

15. CONTRACT ASSETS AND CONTRACT LIABILITIES

15.1 Contract assets

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2019	2018
	RMB'000	RMB'000
Contract assets	58,453	84,568
Less: ECL allowance for contract assets	(4,132)	(6,807)
	<u>54,321</u>	<u>77,761</u>

The contract assets represent the Group's entitlement to the consideration which was conditional on achieving the payment milestones. 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.

15.2 Contract liabilities

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

16. TRADE AND OTHER PAYABLES

	Note	(Unaudited) As at 30 June 2019 RMB'000	(Audited) As at 31 December 2018 RMB'000
Trade and note payables			
Trade payables			
– third parties	(a)	155,744	168,883
Note payables		—	35,000
		<u>155,744</u>	<u>203,883</u>
Other payables			
Other payables and accrued charges		28,216	42,131
Other tax liabilities		64,740	77,363
Staff costs and welfare accruals		22,283	15,252
Amounts due to associates		2,470	—
Amounts due to joint ventures		2,430	—
Amounts due to related parties		7,894	8,191
Deferred income related to government grants		3,503	1,513
		<u>131,536</u>	<u>144,450</u>
		<u><u>287,280</u></u>	<u><u>348,333</u></u>

All amounts are short-term and hence the carrying values of the Group's trade and other payables as at 30 June 2019 and 31 December 2018 were considered to be a reasonable approximation of its fair value.

(a) Trade payables

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

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2019	2018
	RMB'000	RMB'000
0 to 90 days	52,854	89,145
91 to 180 days	33,444	12,775
181 to 365 days	28,389	21,042
1 to 2 years	15,472	18,362
2 to 3 years	11,020	16,245
Over 3 years	14,565	11,314
	<u>155,744</u>	<u>168,883</u>

17. SHARE CAPITAL AND TREASURY SHARES

	Number of shares	Nominal value of shares US\$
<u>Authorised:</u>		
<i>Ordinary shares of the Company:</i>		
As at 1 January 2018, 31 December 2018 (audited) and 30 June 2019 (unaudited), at US\$0.00001 each	<u>5,000,000,000</u>	<u>50,000</u>

	Number of shares	Nominal value of shares US\$	Equivalent nominal value of shares RMB'000
<u>Issued and fully paid:</u>			
<i>Ordinary shares of the</i>			
<i>Company:</i>			
At 1 January 2018	632,000,000	6,320	43
Repurchased shares cancelled	<u>(1,668,000)</u>	<u>(17)</u>	<u>—</u>
As at 31 December 2018			
(audited) and 30 June 2019			
(unaudited)	<u>630,332,000</u>	<u>6,303</u>	<u>43</u>

	Number of treasury shares	Nominal value of shares US\$	Equivalent nominal value of shares RMB'000
<i>Treasury shares of the Company:</i>			
At 1 January 2018	12,532,000	125	1
Share repurchased	1,136,000	12	—
Repurchased shares cancelled	<u>(i) (1,668,000)</u>	<u>(17)</u>	<u>—</u>
As at 31 December 2018			
(audited) and 30 June 2019			
(unaudited)	<u>12,000,000</u>	<u>120</u>	<u>1</u>

Note:

(i) Repurchase of shares

During the year ended 31 December 2018, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month of repurchase	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate consideration paid HK\$'000	Equivalent aggregate consideration paid RMB'000
January 2018	806,000	0.90	0.83	696	577
February 2018	330,000	0.82	0.72	258	210
	<u>1,136,000</u>			<u>954</u>	<u>787</u>

The 1,136,000 and 532,000 shares repurchased in 2018 and 2017 were cancelled during the year ended 31 December 2018.

18. 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 with the opportunity to acquire and maintain share ownership, thereby strengthening their commitment to the welfare of the Group and promoting and identify of interest between shareholders and these eligible participants. All directors, employees, consultant or advisor to the Group who, in the sole discretion of the remuneration committee of the Board (“**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.

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 will vest on the 1 October 2016, 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 of director 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 the capitalization issue completed on 27 June 2016. Upon completion of such grant and adjustment, no further options will be granted under the 2010 Share Option Plan.

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

	(Unaudited) Six months ended 30 June 2019		(Unaudited) Six months ended 30 June 2018	
	Average exercise price in US\$ per share option	Number of share options	Average exercise price in US\$ per share option	Number of share options
Directors				
At beginning of period	1.16	14,569,265	1.16	30,940,914
Re-designated to employees	—	—	1.16	(14,569,265)
At end of period	<u>1.16</u>	<u>14,569,265</u>	<u>1.16</u>	<u>16,371,649</u>
Employees				
At beginning of period	1.00	61,656,531	0.94	45,465,119
Re-designated from directors	—	—	1.16	14,569,265
Forfeited during the period	1.16	(150,199)	1.16	(60,079)
At end of period	<u>0.94</u>	<u>61,506,332</u>	<u>1.00</u>	<u>59,974,305</u>
Total				
At beginning of period	1.03	76,225,796	1.03	76,406,033
Forfeited during the period	1.16	(150,199)	1.16	(60,079)
At end of period	<u>1.03</u>	<u>76,075,597</u>	<u>1.03</u>	<u>76,345,954</u>
Exercisable at the end of period	<u>1.03</u>	<u>76,075,597</u>	<u>1.05</u>	<u>74,994,167</u>

None of the above share options were exercised during the period. The weighted average remaining contractual life of options outstanding at 30 June 2019 was 3.5 years (30 June 2018: 4.5 years).

The Group recognised an expense of nil (six months ended 30 June 2018: RMB377,000) for the six months ended 30 June 2019 in relation to the 2010 Share Option Plan.

(b) 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 Option Scheme will not be counted for the purpose of calculating the Mandate Limit of Option Scheme.

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 2017 Share Option Scheme specifically identified by the Company before such approval is sought.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under, the 2017 Share Option Scheme and any other schemes of the Company must not exceed 30% of the relevant class of the shares in issue from time to time. No options may be granted under the 2017 Share Option Scheme or any other schemes of the Company if this will result in this limit being exceeded.

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.

During the year ended 31 December 2017, 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.

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

	(Unaudited) Six months ended 30 June 2019		(Unaudited) Six months ended 30 June 2018	
	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 of period	1.33	9,800,000	1.33	13,100,000
Re-designated to employees	—	—	1.33	(3,300,000)
At end of period	<u>1.33</u>	<u>9,800,000</u>	<u>1.33</u>	<u>9,800,000</u>
Employees				
At beginning of period	1.33	51,859,700	1.33	48,870,000
Re-designated from directors	—	—	1.33	3,300,000
Forfeited during the period	1.33	(177,000)	1.33	(187,600)
At end of period	<u>1.33</u>	<u>51,682,700</u>	<u>1.33</u>	<u>51,982,400</u>
Total				
At beginning of period	1.33	61,659,700	1.33	61,970,000
Forfeited during the period	1.33	(177,000)	1.33	(187,600)
At end of period	<u>1.33</u>	<u>61,482,700</u>	<u>1.33</u>	<u>61,782,400</u>
Exercisable at the end of period	<u>1.33</u>	<u>43,183,500</u>	<u>1.33</u>	<u>43,582,000</u>

Save as the 177,000 options (30 June 2018: 187,600) were lapsed, none of the above share options were lapsed or exercised during the period. The weighted average remaining contractual life of options outstanding at 30 June 2019 was 7.9 years (30 June 2018: 8.9 years).

The Group recognised an expense of RMB1,580,000 (six months ended 30 June 2018: RMB3,771,000) for the six months ended 30 June 2019 in relation to the 2017 Share Option Scheme.

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

The Board approved the adoption of the 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 (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 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.

The administrator of the 2017 Share Award Scheme, may, from time to time, at their absolute discretion, select any participant, for participation in the 2017 Share Award Scheme as a selected participant.

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 from 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.

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 awarded shares were granted by the Company to the key employees of the Group under the 2017 Share Award Scheme with estimated totally fair value of approximately RMB14,325,000. The fair value of the awarded shares was calculated based on the market price of the Company's shares at the grant date. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares. 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.

During the six months ended 30 June 2019, 2,344,786 awarded shares (31 December 2018: 8,400,000) were vested and transferred to the participants of the Share Award Scheme.

	Number of share awards
Employees	
At 1 January 2018	12,000,000
Forfeited during the year	(914,552)
Awarded during the year	<u>(8,400,000)</u>
At 31 December 2018 (audited) and 1 January 2019	2,685,448
Forfeited during the period	(340,662)
Awarded during the period	<u>(2,344,786)</u>
At 30 June 2019 (unaudited)	<u><u>—</u></u>

The Group recognised an expense of RMB220,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB2,164,000) in relation to the 2017 Share Award Scheme.

- (d) The Group recognised a total expense of RMB1,800,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB6,312,000) and credited RMB346,000 for the three months ended 30 June 2019 (three months ended 30 June 2018: RMB2,615,000) in relation to the above share options and share awards granted by the Company. The share-based compensation expense was shown as a separate item on the face of the condensed consolidated statement of comprehensive income.

19. LEASE COMMITMENTS

At leasee

The Group leases its office and various residential properties under non-cancellable operating lease agreements. The leases have varying lease terms and renewal rights. At the reporting date, the total future minimum lease payments payable by the Group under non-cancellable operating leases are as follows:

	(Unaudited) As at 30 June 2019 RMB'000	(Audited) As at 31 December 2018 RMB'000
Other assets		
– Within one year	13,339	8,895
– In the second to fifth year inclusive	53	116
	<u>13,392</u>	<u>9,011</u>

20. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

Name of related parties	Relationship with the Group
Mr. Zheng Fushuang (“ Mr. Zheng ”)	Substantial shareholder of the Company and director of the Company
China Digital Video Cloud (Beijing) Technology Co., Ltd (“ CDV Cloud ”)	Company in which Mr. Zheng can exercise significant influence
Xin’aote Digital Media Technology Business Incubator Co., Ltd. (“ Xin’aote Digital Media ”)	Controlled by Mr. Zheng
Xin’aote Group Co. Ltd. 北京新奥特集團有限公司 (“ Xin’aote Group ”)	Controlled by Mr. Zheng
Xin’aote Investment Group Co., Ltd (“ Xin’aote Investment ”)	Controlled by Mr. Zheng

a) Transactions with related parties

		(Unaudited)	
		Six months ended 30 June	
		2019	2018
		RMB'000	RMB'000
Xin'aote Digital Media	Rental expenses and property management fee*	7,484	7,286
Xin'aote Investment	Rental expenses and property management fee*	655	—
Xin'aote Group	Sales of goods and provision of service*	4,785	332
CDV Cloud	Sales of goods and provision of service	132	—
CDV Cloud	Purchase of goods	<u>—</u>	<u>20</u>

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

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

b) Key management personnel remuneration

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

	(Unaudited)	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Basic salaries and allowances	2,236	3,055
Discretionary bonus	—	—
Retirement benefit scheme contributions	116	56
Share-based compensation expense	336	907
	<u>2,688</u>	<u>4,018</u>

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2019	2018
	Level 3	Level 3
	RMB'000	RMB'000
Financial asset at fair value through profit or loss		
Unlisted equity investments	<u>9,868</u>	<u>9,868</u>

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 (weighted average)	
			As at	As at
			30 June	31 December
			2019	2018
Unlisted equity investments	Market approach and net assets approach	Discount of lack of marketability	<u>15.8%</u>	<u>15.8%</u>

For the six months ended 30 June 2019 and years ended 31 December 2018, there were no transfers amongst level 1, level 2 and level 3 in the fair value hierarchy. In the opinion of the directors, the fair value change on the unlisted equity investments is considered to be insignificant for the six months ended 30 June 2019 because there is no significant change in the financial projections of the investment, unobservable input and assumptions.

MANAGEMENT DISCUSSION 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. We have been at the forefront of digital video technology innovation in China. Our emphasis on developing a demand-driven and highly responsive R&D is particularly critical for us because of our focus on the solutions and services business, where the customers demand customized services. Our solutions, services and products businesses facilitate the processing, enhancement and management of digital video content at the post-production stage between the ingestion of raw content and the output of finished content.

We have established business relationship 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 23 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 our existing principal business, we will conduct a review of our business activities for the purpose of formulating business plans and strategies for our future business development. We may explore other business opportunities and consider whether any asset disposal, asset acquisition, business rationalisation, business divestment, fund raising, restructuring of the existing business and/or business diversification will be appropriate in order to enhance our long-term growth potential.

FINANCIAL REVIEW

We recorded a total revenue of RMB119.7 million for the six months ended 30 June 2019 (the “**2019 Interim Period**”), representing a decrease of 25.9% from RMB161.6 million for the six months ended 30 June 2018 (the “**2018 Interim Period**”). We recorded a loss of RMB39.8 million for the 2019 Interim Period as compared to a loss of RMB17.8 million in the 2018 Interim Period, primarily due to the decrease in revenue.

Our cost of sales decreased by 24.6% to RMB89.3 million for the 2019 Interim Period as compared to RMB118.4 million for the 2018 Interim Period. Our gross profit margin decreased from 26.7% for the 2018 Interim Period to 25.4% for the 2019 Interim Period. Such decrease was mainly attributable to the decrease in revenue.

ANALYSIS ON INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME ITEMS

Revenue

We derived revenue primarily from (i) sale of solutions, (ii) provision of services and (iii) sale of products. Our revenue decreased by 25.9% to RMB119.7 million for the 2019 Interim Period from RMB161.6 million for the 2018 Interim Period. The decrease in revenue was mainly attributable to the delay in the reconstruction and upgrading of the ultra-high definition equipment of certain major customers.

Cost of Sales

Our cost of sales decreased by 24.6% to RMB89.3 million for the 2019 Interim Period from RMB118.4 million for the 2018 Interim Period as a result of the decrease in revenue.

Gross Profit and Gross Profit Margin

Our gross profit represents revenue less cost of sales. Our gross profit decreased by 29.5% to RMB30.4 million for the 2019 Interim Period from RMB43.1 million for the 2018 Interim Period, primarily due to the decrease in revenue. Our gross profit margin remained relatively stable at 25.4% for the 2019 Interim Period as compared to 26.7% for the 2018 Interim Period.

Other Income

Our other income increased by 18.6% to RMB13.5 million for the 2019 Interim Period from RMB11.4 million for the 2018 Interim Period as a result of the increase in interest income.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 23.7% to RMB26.1 million for the 2019 Interim Period from RMB34.1 million for 2018 Interim Period, primarily due to the decrease in sales and marketing staff costs.

Administrative Expenses

Our administrative expenses increased by 13.6% to RMB19.1 million for the 2019 Interim Period from RMB16.8 million for the 2018 Interim Period, primarily due to the increase in the administrative staff costs and payment made to a former employee.

Share-Based Compensation Expense

During the 2019 Interim Period, we recorded a share-based compensation expense of RMB1.8 million in connection with the operation of the pre-IPO share option scheme of the Company adopted in 2010 (the “**Pre-IPO Share Option Scheme**”), the share option scheme of the Company adopted in 2017 (the “**Share Option Scheme**”) and the share award scheme of the Company adopted in 2017 (the “**Share Award Scheme**”). During the 2018 Interim Period, we recognized a share-based compensation expense of RMB6.3 million.

Research and Development Expenses

Our research and development expenses increased by 72.4% to RMB13.3 million for the 2019 Interim Period from RMB7.7 million for the 2018 Interim Period, primarily due to the decrease in research and development capitalization as compared to that for the 2018 Interim Period.

Finance Costs

Our finance costs decreased by 15.3% to RMB5.2 million for the 2019 Interim Period from RMB6.1 million for the 2018 Interim Period, primarily due to the decrease in the effective interest rates on our bank loans.

Net impairment loss on trade and other receivables and contract assets

Based on the operating track record of the Group, current market condition and the outlook in the future, we made net impairment loss on trade and other receivables and contract assets of RMB17.2 million for the 2019 Interim Period as compared to approximately RMB2.0 million for the 2018 Interim Period.

Loss before Income Tax

As a result of the foregoing factors, we recorded a loss before income tax of RMB39.8 million for the 2019 Interim Period as compared to a loss before income tax of RMB18.6 million for the 2018 Interim Period.

Income Tax Expense/Credit

We recorded no income tax expense for the 2019 Interim Period as compared to an income tax credit of RMB0.8 million for the 2018 Interim Period, primarily due to losses.

Loss for the Period

As a result of the foregoing factors, we recorded a loss of RMB39.8 million for the 2019 Interim Period as compared to a loss of RMB17.8 million for the 2018 Interim Period.

Other Comprehensive Income

We recorded other comprehensive income of RMB0.5 million for the 2019 Interim Period as compared to other comprehensive income of RMB3.7 million for the 2018 Interim Period, primarily due to translation difference.

Total Comprehensive Loss for the Period

We recorded a total comprehensive loss of RMB39.3 million for the 2019 Interim Period as compared to a total comprehensive loss of RMB14.1 million for the 2018 Interim Period, primarily due to the decrease in revenue.

Loss Attributable to Equity Holders and Non-controlling Interests

We recorded a loss attributable to equity holders and non-controlling interests of the Company of RMB39.8 million for the 2019 Interim Period as compared to RMB17.8 million for the 2018 Interim Period.

ANALYSIS ON INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS

Non-current Assets

As at 30 June 2019, our non-current assets were RMB226.1 million (as compared to RMB218.7 million as at 31 December 2018), primarily consisting of intangible assets of RMB170.0 million (as compared to RMB161.8 million as at 31 December 2018), goodwill of RMB17.5 million (as compared to RMB17.5 million as at 31 December 2018) and interests in associates of RMB18.6 million (as compared to RMB16.6 million as at 31 December 2018).

Current Assets

As at 30 June 2019, our current assets were RMB868.6 million (as compared to RMB946.6 million as at 31 December 2018), primarily consisting of trade and other receivables of RMB528.9 million (as compared to RMB566.9 million as at 31 December 2018), bank

balances and cash of RMB116.8 million (as compared to RMB137.4 million as at 31 December 2018), pledged bank deposits of RMB118.9 million (as compared to RMB118.7 million as at 31 December 2018) and inventories of RMB44.6 million (as compared to RMB39.3 million as at 31 December 2018).

Current Liabilities

As at 30 June 2019, our current liabilities amounted to RMB534.9 million (as compared to RMB568.1 million as at 31 December 2018), primarily consisting of trade and other payables of RMB287.3 million (as compared to RMB348.3 million as at 31 December 2018), contract liabilities of RMB10.1 million (as compared to RMB12.2 million as at 31 December 2018), income tax liabilities of RMB4.6 million (as compared to RMB4.6 million as at 31 December 2018) and other interest-bearing borrowings of RMB233.0 million (as compared to RMB203.0 million as at 31 December 2018).

Non-current Liabilities

As at 30 June 2019, our non-current liabilities, consisting of deferred tax liabilities only, amounted to RMB3.5 million (as compared to RMB3.5 million as at 31 December 2018).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the 2019 Interim Period, we financed our operations primarily through cash generated from our operating activities. We had cash used in operating activities in the amount of RMB73.8 million during the 2019 Interim Period as compared to cash used in operating activities in the amount of RMB60.9 million during the 2018 Interim Period. As at 30 June 2019, we had (i) bank balances and cash of RMB116.8 million (as compared to RMB137.4 million as at 31 December 2018); and (ii) interest-bearing bank and other borrowings of RMB233.0 million (as compared to RMB203.0 million as at 31 December 2018), which were denominated in Renminbi and U.S. dollars bearing fixed and floating interest rates. All of our bank borrowings and other borrowings as at 30 June 2019 are repayable within one year.

Our gearing ratio (calculated as total borrowings divided by total equity) was 41.9% as at 30 June 2019 (31 December 2018: 34.2%).

During the 2019 Interim Period, we did not enter into any financial instrument for hedging purposes.

COMMITMENTS

As at 30 June 2019, we had operating lease commitments in respect of rented office and various residential properties of approximately RMB13.4 million (as at 31 December 2018: RMB9.0 million).

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

We made no significant investment in or material acquisition or disposal of subsidiaries, associates and joint ventures during the 2019 Interim Period.

INTERESTS IN JOINT VENTURES

As at 30 June 2019, we had interests in joint venture of RMB0.9 million (as at 31 December 2018: RMB1.5 million). The Group's interests in the joint ventures, which are accounted for using the equity method, represent its investments in CDV (Beijing) Yun Duan Technology Co., Ltd. (新奥特(北京)雲端科技有限公司) (“**Xin’aote Cloud**”) and Beijing Jingqi Chuangzhi Technology Co., Ltd (北京精奇創智科技有限公司) (“**Beijing Jingqi**”) (collectively, the “**Joint Ventures**”). The Joint Ventures are unlisted corporate entities. As at 30 June 2019 and 31 December 2018, the Group's share of losses exceeds its interests in Xin’aote Cloud, and the Group's interest was reduced to nil and the recognition of further losses is discontinued as the Group has no legal or constructive obligations on behalf of Xin’aote Cloud. The Group recognised share of loss from Beijing Jingqi for the 2019 Interim Period, which amounted to RMB0.6 million.

FUTURE PLANS FOR MATERIAL INVESTMENT IN OR ACQUISITION OF CAPITAL ASSETS

During the 2019 Interim Period, we did not have any plans for material investment in or acquisition of capital assets.

FOREIGN CURRENCY RISK

Our subsidiaries mainly operate in the PRC and the majority of the transactions are settled in Renminbi except for certain bank balances and bank borrowings which are denominated in U.S. dollar. Foreign currency risk arises when commercial transactions and recognized assets and liabilities are denominated in a currency that is not the functional currency of the Company or our subsidiaries. As at 30 June 2019, we did not have any significant foreign currency risk from our operations. During the 2019 Interim Period, we did not enter into any arrangements to hedge against any fluctuation in foreign currency.

CHARGE ON ASSETS

As at 30 June 2019, we had restricted and pledged deposits of RMB124.0 million (as at 31 December 2018: RMB125.3 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 Global Offering amounted to approximately HK\$225.2 million. After the Listing, the proceeds are intended to be or have been used in accordance with the future plans and use of proceeds as set out in the Prospectus.

HUMAN RESOURCES

As at 30 June 2019, we had 673 full-time employees and 43 dispatched workers (30 June 2018: 852 full-time employees and 39 dispatched workers). The remuneration package of the employees includes salary, sales commission, bonus and other cash subsidies. For the six months ended 30 June 2019 and 30 June 2018, the remuneration expense, excluding share-based compensation expense, were approximately RMB66.1 million and RMB68.7 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 the employees' performance and determine their salary, bonus and promotion. We also place a strong emphasis on providing training to its employees in order to enhance their technical and product knowledge as well as comprehension of industry quality standards.

We have adopted the Pre-IPO Share Option Scheme, the Share Option Scheme and the Share Award Scheme. The purpose of the Pre-IPO Share Option Scheme, the Share Option Scheme and the Share Award Scheme is to attract, retain and motivate the directors, senior management and employees of the Group and other participants.

CONTINGENT LIABILITIES

As at 30 June 2019, we did not have any material contingent liabilities (31 December 2018: nil).

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 the 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 the 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) omnimedia 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.

OTHER INFORMATION

DIVIDEND DISTRIBUTION

The Board did not recommend the payment of interim dividends for the 2019 Interim Period (2018 Interim Period: nil).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the 2019 Interim Period.

EVENT AFTER THE REPORTING PERIOD

There was no significant event since 30 June 2019 and up to the date of this announcement.

COMPETING BUSINESSES

For the 2019 Interim 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 that competes or may compete with the business of the Group, or had any other conflict of interest with the Group.

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (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 and the CEO of the Company. 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 CEO in the same person can facilitate the execution of the Group’s business strategies and boost the effectiveness of its operation. The Board is comprised of three executive Directors and three independent non-executive Directors, which is appropriately structured to ensure that there is a balance of power to provide sufficient checks to protect the interests of the Company and its shareholders. Therefore, the Board considers that the deviation from the code provision A.2.1 of the Corporate Governance Code is appropriate in such circumstance.

Saved as disclosed above, in the opinion of the Directors, the Company had complied with all the code provisions set out in the Corporate Governance Code from 1 January 2019 and up to the date of this announcement.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company 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 2019 Interim Period and up to the date of this announcement. No incident of non-compliance was noted by the Company during this period.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Company's audit committee has reviewed the unaudited interim financial statements for the 2019 Interim Period and is of the opinion that (i) the unaudited financial statements of the Group for the 2019 Interim Period comply with the applicable accounting standards and the GEM Listing Rules; and (ii) adequate disclosures have been made in such unaudited financial statements.

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

Hong Kong, 8 August 2019

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

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

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