**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)**

# THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

## CHARACTERISTICS OF "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 Main Board. 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 of the Stock Exchange 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.

In this announcement, "we", "us" or "our" refers to the Company and where the context otherwise requires, the Group (as defined below).

## RESULTS

The board of Directors (the "**Board**") of the Company is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the "**Group**") for the nine months ended 30 September 2019, together with the comparative figures for the corresponding period in 2018, as follows.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019*

| | | (Unaudited) Three months ended 30 September | | (Unaudited) Nine months ended 30 September | |
|---|---|---|---|---|---|
| | Notes | **2019** | 2018 | **2019** | 2018 |
| | | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| **Revenue** | 4 | **75,520** | 52,784 | **195,214** | 214,356 |
| Cost of sales | | **(62,289)** | (44,226) | **(151,572)** | (162,673) |
| **Gross profit** | | **13,231** | 8,558 | **43,642** | 51,683 |
| Other income | 5 | **13,366** | 8,451 | **26,854** | 19,824 |
| Selling and marketing expenses | | **(12,830)** | (12,450) | **(38,891)** | (46,597) |
| Administrative expenses | | **(10,899)** | (15,962) | **(29,972)** | (32,798) |
| Share-based compensation expense | | **—** | (2,980) | **(1,800)** | (9,292) |
| Research and development expenses | | **(5,639)** | (4,066) | **(18,975)** | (11,803) |
| Finance costs | 6 | **(3,287)** | (2,812) | **(8,479)** | (8,943) |
| Net impairment loss on trade and other receivables and contract sales | 6 | **(26,836)** | (3,920) | **(44,065)** | (5,867) |
| Share of losses of joint ventures | | **(323)** | 447 | **(907)** | 447 |
| Share of loss of associates | 6 | **(2,055)** | — | **(2,503)** | — |
| **Loss before income tax** | 6 | **(35,272)** | (24,734) | **(75,096)** | (43,346) |
| Income tax credit/(expense) | 7 | **—** | 460 | **—** | 1,254 |
| **Loss for the period** | | **(35,272)** | (24,274) | **(75,096)** | (42,092) |

| | Notes | (Unaudited) Three months ended 30 September | | (Unaudited) Nine months ended 30 September | |
|---|---|---|---|---|---|
| | | **2019** | 2018 | **2019** | 2018 |
| | | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| **Other comprehensive income/(loss)** | | | | | |
| Items that may be subsequently reclassified to profit or loss: | | | | | |
| Exchange difference arising on the translation of foreign operation | | **8,695** | 14,833 | **9,223** | 18,505 |
| **Total comprehensive loss for the period** | | **(26,577)** | (9,441) | **(65,873)** | (23,587) |
| **Loss for the period attributable to:** | | | | | |
| Equity holders of the Company | | **(34,758)** | (24,274) | **(74,355)** | (42,092) |
| Non-controlling interests | | **(514)** | — | **(741)** | — |
| | | **(35,272)** | (24,274) | **(75,096)** | (42,092) |
| **Total comprehensive loss for the period attributable to:** | | | | | |
| Equity holders of the Company | | **(26,063)** | (9,441) | **(65,132)** | (23,587) |
| Non-controlling interests | | **(514)** | — | **(741)** | — |
| | | **(26,577)** | (9,441) | **(65,873)** | (23,587) |
| **Loss per share for loss attributable to equity holders of the Company** | | | | | |
| (expressed in RMB cents per share) | 9 | | | | |
| Basic | | **(5.62)** | (3.94) | **(12.03)** | (6.81) |
| Diluted | | **(5.62)** | (3.94) | **(12.03)** | (6.81) |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019*

| | Equity attributable to equity holders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 (Unaudited) | Treasury shares RMB'000 (Unaudited) | Share premium RMB'000 (Unaudited) | Statutory reserve RMB'000 (Unaudited) | Translation reserve RMB'000 (Unaudited) | Share option reserve RMB'000 (Unaudited) | Other reserve RMB'000 (Unaudited) | Retained earnings/ (Accumulated losses) RMB'000 (Unaudited) | Sub-total RMB'000 (Unaudited) | Non-controlling interests RMB'000 (Unaudited) | Total equity RMB'000 (Unaudited) |
| **Balance at 1 January 2019** | **43** | **(1)** | **597,479** | **28,982** | **(2,201)** | **64,116** | **34,631** | **(131,334)** | **591,715** | **2,015** | **593,730** |
| **Comprehensive loss for the period** | – | – | – | – | – | – | – | – | – | – | – |
| Loss for the period | – | – | – | – | – | – | – | (74,356) | (74,356) | (741) | (75,097) |
| Other comprehensive income for the period | – | – | – | – | 9,223 | – | – | – | 9,223 | – | 9,223 |
| **Total comprehensive income/(loss) for the period** | – | – | – | – | 9,223 | – | – | (74,356) | (65,133) | (741) | (65,874) |
| **Transactions with owners** | – | – | – | – | – | – | – | – | – | – | – |
| Share repurchased and cancelled | – | – | 443 | – | – | – | – | – | 443 | – | 443 |
| Share-based compensation | – | – | – | – | – | 1,601 | 183 | – | 1,784 | – | 1,784 |
| Transfer upon forfeiture of share options | – | – | – | – | – | (34) | – | 34 | – | – | – |
| Vesting of shares of share award scheme | – | – | 2,795 | – | – | – | (2,795) | – | – | – | – |
| Capital contribution from a non-controlling shareholder | – | – | – | – | – | – | – | – | – | 445 | 445 |
| **Total transactions with owners** | – | – | 3,238 | – | – | 1,567 | (2,612) | 34 | 2,227 | 445 | 2,672 |
| **Balance at 30 September 2019** | **43** | **(1)** | **600,717** | **28,982** | **7,022** | **65,683** | **32,019** | **(205,656)** | **528,809** | **1,719** | **530,528** |

| | Equity attributable to equity holders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 (Unaudited) | Treasury shares RMB'000 (Unaudited) | Share premium RMB'000 (Unaudited) | Statutory reserve RMB'000 (Unaudited) | Translation reserve RMB'000 (Unaudited) | Share option reserve RMB'000 (Unaudited) | Other reserve RMB'000 (Unaudited) | Retained earnings/ (Accumulated losses) RMB'000 (Unaudited) | Sub-total RMB'000 (Unaudited) | Non-controlling interests RMB'000 (Unaudited) | Total equity RMB'000 (Unaudited) |
| **Balance at 1 January 2018** | 43 | (1) | 588,503 | 28,982 | (12,531) | 55,842 | 41,398 | 49,019 | 751,255 | – | 751,255 |
| IFRS 9 and IFRS 15 adjustments on retained earnings | – | – | – | – | – | – | – | (11,656) | (11,656) | – | (11,656) |
| **Balance as at 1 January 2018 (adjusted)** | 43 | (1) | 588,503 | 28,982 | (12,531) | 55,842 | 41,398 | 37,363 | 739,599 | – | 739,599 |
| **Comprehensive loss for the period** | | | | | | | | | | | |
| Loss for the period | – | – | – | – | – | – | – | (42,092) | (42,092) | – | (42,092) |
| Other comprehensive income for the period | – | – | – | – | 18,505 | – | – | – | 18,505 | – | 18,505 |
| **Total comprehensive income/(loss) for the period** | – | – | – | – | 18,505 | – | – | (42,092) | (23,587) | – | (23,587) |
| **Transactions with owners** | | | | | | | | | | | |
| Share repurchased and cancelled | – | – | (787) | – | – | – | – | – | (787) | – | (787) |
| Share-based compensation | – | – | – | – | – | 6,487 | 2,753 | – | 9,240 | – | 9,240 |
| Transfer upon forfeiture of share options | – | – | – | – | – | (26) | – | 26 | – | – | – |
| **Total transactions with owners** | – | – | (787) | – | – | 6,461 | 2,753 | 26 | 8,453 | – | 8,453 |
| **Balance at 30 September 2018** | 43 | (1) | 587,716 | 28,982 | 5,974 | 62,303 | 44,151 | (4,703) | 724,965 | 2,000 | 726,465 |

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 quarterly financial information for the nine months ended 30 September 2019 (the "**Quarterly Financial Information**") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. The Quarterly Financial Information was authorised for issue by the Company's board of directors (the "**Board**") on 8 November 2019.

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 2018 except for the adoption of a number of amendments to International Financial Reporting Standards ("**IFRSs**") that have become effective for accounting period beginning on 1 January 2019 and are relevant to the Group.

The Group has applied all the new and amended 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.

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

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

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

The Quarterly Financial Information was unaudited.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing the Quarterly Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 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 sales of products, solutions and services, which are measured in accordance with the Group's accounting policies. However, other than revenue information, no operating results and other discrete financial information is available for the assessment of performance of the respective type of revenue. The CODM reviews the overall results of the Group as a whole to make decisions about resources allocation. Accordingly, no segment information is presented. An analysis of the Group's revenue is as follows:

| | **(Unaudited) Three months ended 30 September** | | **(Unaudited) Nine months ended 30 September** | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Solutions | **46,625** | 35,319 | **111,031** | 129,481 |
| Services | **17,143** | 8,710 | **50,389** | 39,685 |
| Products | **11,752** | 8,755 | **33,794** | 45,190 |
| | **75,520** | 52,784 | **195,214** | 214,356 |

## 5. OTHER INCOME

| | (Unaudited) Three months ended 30 September | | (Unaudited) Nine months ended 30 September | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| **Other revenue** | | | | |
| Interest income | **7,630** | 3,458 | **13,792** | 7,501 |
| Value-added tax ("**VAT**") refunds [1] | **5,577** | 4,258 | **9,473** | 10,301 |
| | **13,207** | 7,716 | **23,265** | 17,802 |
| **Other net income/gain** | | | | |
| Gain on disposal of intangible assets | **—** | — | **2,400** | — |
| Subsidy income from government [2] | **111** | 645 | **1,027** | 1,676 |
| Sundry income | **48** | 90 | **162** | 346 |
| | **159** | 735 | **3,589** | 2,022 |
| | **13,366** | 8,451 | **26,854** | 19,824 |

Notes:

1. 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.

2. 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:

| | (Unaudited) Three months ended 30 September | | (Unaudited) Nine months ended 30 September | |
|---|---|---|---|---|
| | **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 | **3,287** | 2,812 | **8,479** | 8,943 |
| **Employee benefit expenses** | | | | |
| Salaries, bonus and allowances | **19,364** | 21,153 | **66,695** | 64,459 |
| Retirement benefit scheme contributions | **1,091** | 6,099 | **11,877** | 16,396 |
| Severance payments | **374** | 279 | **538** | 394 |
| Share-based compensation expense | **—** | 3,360 | **1,800** | 9,672 |
| | **20,829** | 30,891 | **80,910** | 90,921 |
| **Other items** | | | | |
| Cost of software and hardware equipment recognised as an expense | **34,955** | 40,517 | **88,178** | 109,921 |
| Depreciation of property, plant and equipment | **293** | 1,340 | **3,120** | 3,975 |
| Amortisation of intangible assets | **5,937** | 7,554 | **17,764** | 16,821 |

## 7. INCOME TAX (CREDIT)/EXPENSE

| | (Unaudited) Three months ended 30 September | | (Unaudited) Nine months ended 30 September | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| **Current tax** | | | | |
| **– PRC enterprise income tax** | | | | |
| Current period | **—** | — | **—** | — |
| **Deferred tax** | | | | |
| Origination and reversal of temporary differences | **—** | (460) | **—** | (1,254) |
| **Income tax (credit)/expense** | **—** | (460) | **—** | (1,254) |

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, China Digital Video (Beijing) Limited ("**CDV WFOE**"), a subsidiary of the Company, obtained the "High and New Technology Enterprise" qualification ("**HNTE**") in 2012 and renewed its qualification in 2015. In 2016, CDV WFOE was also accredited as a "Key Software Enterprise under the National Plan" (國家規劃佈局內重點軟體企業) and was therefore retrospectively entitled to a preferential income tax rate of 10% from 2015 and continues to enjoy this preferential income tax rate until it no longer meets the requirements of the qualification. In 2017, CDV WFOE enjoyed preferential income tax rate of 15% and continues to enjoy the preferential income tax rate of 15% until 2019.

Pursuant to the relevant laws and regulations in the PRC, ZhengQi (Beijing) Video Technology Co., Ltd. (北京正奇聯訊科技有限公司, "**Beijing Zhengqi**"), a subsidiary of the Company, obtained the HNTE in 2014. In 2017, Beijing Zhengqi renewed the HNTE and continues to enjoy the preferential income tax rate of 15% for the years from 2017 to 2019.

## 8. DIVIDENDS

The directors did not recommend the payment of dividends for the nine months ended 30 September 2019 (nine months ended 30 September 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) Three months ended 30 September | | (Unaudited) Nine months ended 30 September | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| **Loss** | | | | |
| Loss used to determine basic loss per share | **(34,758)** | (24,274) | **(74,355)** | (42,092) |

| | (Unaudited) Three months ended 30 September | | (Unaudited) Nine months ended 30 September | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| **Number of shares (in thousands)** | | | | |
| Weighted average number of ordinary shares outstanding for basic loss per share | **618,332** | 616,368 | **618,332** | 618,423 |

**(b) Diluted loss per share**

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

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

We are a leading digital video technology solution and service company in the TV broadcasting industry in China. We provide a full range of solutions, services and products to TV broadcasters and other digital video content providers, to effectively assist and enhance digital video technology content in the upgrade and management works on the post-production segment. 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 RMB195.2 million for the nine months ended 30 September 2019, representing a decrease of 8.9% from RMB214.4 million for the nine months ended 30 September 2018. We recorded a loss of RMB75.1 million for the nine months ended 30 September 2019 as compared to a loss of RMB42.1 million for the nine months ended 30 September 2018. Such loss was primarily due to the decrease in revenue from the sale of solutions and products as well as the provision for bad debts.

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

### Revenue

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

| | **Nine months ended 30 September** | | | |
|---|---|---|---|---|
| | **2019** | | 2018 | |
| | **(Unaudited)** | | (Unaudited) | |
| | **Amount** | **% of total** | Amount | % of total |
| | **(RMB in thousands,** except percentages) | | | |
| Solutions | **111,031** | **56.9** | 129,481 | 60.4 |
| Services | **50,389** | **25.8** | 39,685 | 18.5 |
| Products | **33,794** | **17.3** | 45,190 | 21.1 |
| **Total** | **195,214** | **100.0** | 214,356 | 100.0 |

Our revenue decreased by 8.9% to RMB195.2 million for the nine months ended 30 September 2019 from RMB214.4 million for the nine months ended 30 September 2018. The decrease in revenue was mainly attributable to the deteriorating market condition as a result of competition from new media and the Internet.

**Cost of Sales**

Our cost of sales decreased by 6.8% to RMB151.6 million for the nine months ended 30 September 2019 from RMB162.7 million for the nine months ended 30 September 2018 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 15.6% to RMB43.6 million for the nine months ended 30 September 2019 from RMB51.7 million for the nine months ended 30 September 2018, and our gross profit margin decreased to 22.4% for the nine months ended 30 September 2019 from 24.1% for the nine months ended 30 September 2018. The decrease in gross profit was primarily attributable to the lower gross profit margin for projects as a result of intense competition as well as the increase in the amortization of research and development expenses.

**Other Income**

Our other income increased by 35.5% to RMB26.9 million for the nine months ended 30 September 2019 from RMB19.8 million for the nine months ended 30 September 2018 as a result of the increase in interest income.

**Selling and Marketing Expenses**

Our selling and marketing expenses decreased by 16.5% to RMB38.9 million for the nine months ended 30 September 2019 from RMB46.6 million for nine months ended 30 September 2018, primarily due to the decrease in the costs relating to sales and marketing staff.

**Administrative Expenses**

Our administrative expenses decreased by 8.6% to RMB30.0 million for the nine months ended 30 September 2019 from RMB32.8 million for the nine months ended 30 September 2018, primarily due to the decrease in the costs relating to administrative staff.

**Share-Based Compensation Expense**

We recorded a share-based compensation expense of RMB1.8 million during the nine months ended 30 September 2019 and RMB9.3 million for the nine months ended 30 September 2018. The lower share-based compensation expense recorded for the nine months ended 30 September 2019 was mainly due to the lapse of the option period.

**Research and Development Expenses**

Our research and development expenses increased by 60.8% to RMB19.0 million for the nine months ended 30 September 2019 from RMB11.8 million for the nine months ended 30 September 2018, primarily due to the increase in research and development efforts with respect to 4k and 8k ultra-high definition technology as a result of the optimization of staff structure.

**Finance Costs**

Our finance costs remained relatively stable at RMB8.5 million for the nine months ended 30 September 2019 as compared to RMB8.9 million for the nine months ended 30 September 2018.

**Net Impairment Loss on Trade and Other Receivables and Contract Assets**

Our net impairment loss on trade and other receivables and contract assets increased by 651.1% to RMB44.1 million for the nine months ended 30 September 2019 from RMB5.9 million for the nine months ended 30 September 2018, primarily due to the provision for bad debts as some of the trade receivables had matured.

**Loss before Income Tax**

As a result of the foregoing factors, we recorded a loss before income tax of RMB75.1 million for the nine months ended 30 September 2019 as compared to a loss before income tax of RMB43.3 million for the nine months ended 30 September 2018.

### Income Tax Credit/(Expense)

We recorded no income tax expense for the nine months ended 30 September 2019 as compared to an income tax credit of RMB1.3 million for the nine months ended 30 September 2018, primarily due to losses.

### Loss for the Period

As a result of the foregoing factors, we recorded a loss of RMB75.1 million for the nine months ended 30 September 2019 as compared to a loss of RMB42.1 million for the nine months ended 30 September 2018.

### Other Comprehensive Income

We recorded other comprehensive income of RMB9.2 million for the nine months ended 30 September 2019 as compared to other comprehensive income of RMB18.5 million for the nine months ended 30 September 2018, primarily due to exchange rate conversion difference.

### Total Comprehensive Loss for the Period

We recorded a total comprehensive loss of RMB65.9 million for the nine months ended 30 September 2019 as compared to a total comprehensive loss of RMB23.6 million for the nine months ended 30 September 2018, primarily due to the decrease in revenue.

### Loss Attributable to Non-controlling Interests

We had a loss attributable to non-controlling interests of RMB0.7 million for the nine months ended 30 September 2019. We did not have any income or loss attributable to non-controlling interests for the nine months ended 30 September 2018.

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

We made no material acquisition or disposal of subsidiaries, associates and joint ventures during the nine months ended 30 September 2019.

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

During the nine months ended 30 September 2019, we did not have any plans for material investment in or acquisition of capital assets.

## HUMAN RESOURCES

As at 30 September 2019, we had 587 full-time employees and 38 dispatched workers (30 September 2018: 820 full-time employees and 44 dispatched workers). The remuneration package of the employees includes salary, sales commission, bonus and other cash subsidies. For the nine months ended 30 September 2019 and 30 September 2018, the remuneration expense, excluding share-based compensation expense, was approximately RMB111.1 million and RMB112.0 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 annual review to assess our employees' performance and determine their salary, bonus and promotion. We also place a strong emphasis on providing training to our employees in order to enhance their technical and product knowledge as well as comprehension of industry quality standards.

## DIVIDEND DISTRIBUTION

The Board did not recommend the payment of dividends for the nine months ended 30 September 2019 (nine months ended 30 September 2018: 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 nine months ended 30 September 2019.

## EVENT AFTER THE REPORTING PERIOD

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

## COMPETING BUSINESSES

For the nine months ended 30 September 2019, 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 as set forth in 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.

Save as disclosed, in the opinion 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 nine months ended 30 September 2019 and to the date of this announcement. No incident of non-compliance was noted by the Company during this period.

## AUDIT COMMITTEE AND REVIEW OF QUARTERLY RESULTS

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

The audit committee comprises three independent non-executive Directors, namely, Ms. Cao Qian, Dr. Li Wanshou and Mr. Frank Christiaens and is chaired by Ms. Cao Qian. The audit committee has reviewed the unaudited financial statements for the nine months ended 30 September 2019 and is of the opinion that (i) the unaudited financial statements of the Group for the nine months ended 30 September 2019 comply with the applicable accounting standards and the GEM Listing Rules; and (ii) adequate disclosure has been made in such unaudited financial statements.

## PUBLICATION OF THE THIRD QUARTERLY REPORT

The 2019 third quarterly report of the Company containing all the information required by the GEM Listing Rules will be despatched to the shareholders of the Company and will also be published on the website of the Company at www.cdv.com. and the website of the Stock Exchange at www.hkexnews.hk in due course.

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

Hong Kong, 8 November 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, Dr. LI Wanshou and Ms. CAO Qian.*

*This announcement, for which the Directors 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 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 GEM 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.*