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)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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 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 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).

For the reasons explained in the paragraph headed "Review of Unaudited Annual Results" in this announcement, the auditing process for the annual results of the Company and its subsidiaries (collectively, the "**Group**") has not been completed. In the meantime, the board of Directors (the "**Board**") of the Company announces the unaudited consolidated financial results of the Group for the year ended 31 December 2019 (the "**2019 Annual Period**"), together with the comparative figures for the year ended 31 December 2018 (the "**2018 Annual Period**").

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**2019 RMB'000 (Unaudited)**	2018 RMB'000 (Audited)
Revenue	3	**303,206**	341,047
Cost of sales		**(235,700)**	(261,347)
Gross profit		**67,506**	79,700
Other income	4	**31,356**	32,962
Selling and marketing expenses		**(57,354)**	(66,583)
Administrative expenses		**(43,601)**	(41,542)
Share-based compensation expense	14	**(1,755)**	(11,308)
Research and development expenses		**(27,904)**	(28,646)
Finance costs	5	**(13,049)**	(12,242)
Net impairment loss on trade and other receivables and contract assets		**(104,338)**	(57,029)
Impairment loss on goodwill	9	**(17,481)**	(56,739)
Share of (loss)/profit of joint ventures		**(1,143)**	1,415
Share of loss of associates		**(1,719)**	—
Loss before income tax		**(169,482)**	(160,012)
Income tax credit/(expense)	6	**769**	(8,808)
Loss for the year	5	**(168,713)**	(168,820)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on the translation of foreign operation		**5,110**	10,330
Total comprehensive loss for the year		**(163,603)**	(158,490)
(Loss)/Profit for the year attributable to:			
Equity holders of the Company		**(169,340)**	(168,735)
Non-controlling interests		**627**	(85)
		(168,713)	(168,820)
Total comprehensive (loss)/income for the year attributable to:			
Equity holders of the Company		**(164,230)**	(158,405)
Non-controlling interests		**627**	(85)
		(163,603)	(158,490)
Loss per share for loss attributable to equity holders of the Company			
(expressed in RMB cents per share)	7		
Basic		**(27.39)**	(27.29)
Diluted		**(27.39)**	(27.29)

Note: The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.1(a).

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	**2019 RMB'000 (Unaudited)**	2018 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**635**	3,674
Intangible assets	8	**139,015**	161,766
Goodwill	9	**—**	17,481
Interests in joint ventures		**387**	1,530
Interests in associates		**17,329**	16,648
Financial assets at fair value through profit or loss		**4,935**	9,868
Deferred tax assets		**5,666**	7,766
		167,967	218,733
Current assets			
Inventories		**60,857**	39,298
Trade and other receivables	10	**397,961**	566,871
Contract assets	11.1	**75,192**	77,761
Restricted bank deposits		**2,173**	6,518
Pledged bank deposits		**122,363**	118,733
Bank balances and cash		**115,229**	137,403
		773,775	946,584
Current liabilities			
Trade and other payables	12	**254,188**	348,333
Contract liabilities	11.2	**17,040**	12,227
Other interest-bearing borrowings		**234,942**	202,956
Income tax liabilities		**5,185**	4,583
		511,355	568,099
Net current assets		**262,420**	378,485
Total assets less current liabilities		**430,387**	597,218
Non-current liabilities			
Deferred tax liabilities		**—**	3,488
Net assets		**430,387**	593,730
EQUITY			
Share capital	13	**43**	43
Reserves		**429,197**	591,672
Equity attributable to equity holders of the Company		**429,240**	591,715
Non-controlling interests		**1,147**	2,015
Total equity		**430,387**	593,730

Note: The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.1(a).

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 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 address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. The Company's shares were listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 27 June 2016 (the "Listing").

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

As at 31 December 2019, the directors regard the immediate and the ultimate holding company of the Company is Wing Success Holdings Limited ("Wing Success"), a company incorporated in the British Virgin Islands and Mr. Zheng Fushuang ("Mr. Zheng") is the ultimate controlling party of the Company.

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

2. BASIS OF PREPARATION

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

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

2.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

In the current year, the Group has applied the following new and amended IFRSs, which have become effective for the accounting period beginning on 1 January 2019 and relevant to the Group:

IFRS 16	Leases
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle
IFRIC – Int 23	Uncertainty over Income Tax Treatments

Except as described below, the application of the new and amended IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these unaudited consolidated financial statements.

IFRS 16 "Leases"

IFRS 16 "Leases" replaces IAS 17 "Leases" along with three Interpretations (IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases-Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"). IFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16, if any, being recognised in equity as an adjustment to the opening balance of accumulated losses for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

As a Lessee

In applying IFRS 16, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term. Accordingly, the initial application of IFRS 16 does not have material impact to the Group's unaudited consolidated financial statements.

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

At the date of this announcement, certain new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group.

IFRS 17	Insurance Contract[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[1]
Amendments to IAS 1 and IAS 8	Definition of Material[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current[5]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 Effective date not yet determined

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

5 Effective for annual periods beginning on or after 1 January 2022

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

Amendments to IAS 1 and IAS 8 "Definition of Material"

The amendments clarify the definition of material and state that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". Materiality depends on nature or magnitude of information or both.

The amendments also:

– introduce the concept of obscuring information when considering materiality and provide some examples of circumstances that may result in material information being obscured;

– clarify that materiality assessment will need to take into account how primary users could reasonably be expected to be influenced in making economic decisions by replacing the threshold "could influence" with "could reasonably be expected to influence" in the definition of material; and

– clarify that materiality assessment will need to take into account of information provided to primary users of general purpose financial statements (i.e. existing and potential investors, lenders and other creditors that rely on general purpose financial statements for much of the financial information they need).

Amendments to IAS 1 and IAS 8 are effective for annual reporting period beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The directors expect that the amendments have no material impact on the Group's unaudited consolidated financial statements.

3. 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:

	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Solutions	**193,040**	223,360
Services	**70,448**	64,824
Products	**39,718**	52,863
	303,206	341,047

An analysis of the Group's timing of revenue recognition within the scope of IFRS 15 "Revenue from Contracts with Customers" for the year ended 31 December 2019 is as follows:

	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
At a point of time	**232,758**	276,223
Over time	**70,448**	64,824
	303,206	341,047

Geographical information

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

Information about major customers

There is no single customer that contributed to over 10% of the Group's revenue for the years ended 31 December 2019 and 2018.

4. OTHER INCOME

	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Other revenue		
Interest income	**15,528**	18,172
Value-added tax ("VAT") refunds (note a)	**11,175**	12,041
	26,703	30,213
Other net (loss)/income		
Bad debt recovered	**4,271**	—
Gain on disposal of intangible assets (note c)	**2,400**	—
Net fair value loss on financial assets at fair value through profit or loss	**(4,933)**	(5,132)
Subsidy income from government (note b)	**2,486**	6,617
Sundry income	**429**	1,264
	4,653	2,749
	31,356	32,962

Notes:

(a) The sales of software products in the PRC are subject to VAT calculated at 13% (2018: 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.

(c) During the year ended 31 December 2019, the Group has invested in an associate by contributing the Group's intangible assets with nil carrying amount at date of transfer. A gain on disposal of intangible assets of RMB2,400,000 was recognised in profit or loss of the Group, after eliminating the unrealised profit to extent of the Group's interest in the associate.

5. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Finance costs		
Interest on bank and other borrowings, wholly repayable within five years	**13,049**	12,242
Employee benefit expenses		
Salaries, bonus and allowances	**77,601**	91,181
Retirement benefit scheme contributions	**19,942**	20,866
Severance payments	**775**	897
Share-based compensation expense	**1,755**	11,308
	100,073	124,252

	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Other items		
Auditors' remuneration	**965**	930
Cost of software and hardware equipments recognised as an expense, including	**141,711**	168,876
– Provision for inventory obsolescence	**6,576**	639
Amortisation of intangible assets	**28,239**	27,565
Depreciation of property, plant and equipment	**2,254**	4,990
Lease charges:		
– Premises held under operating leases	**—**	18,431
– Short term leases and leases with lease term shorter than 12 months as at initial application of IFRS 16	**16,379**	—
Loss on deemed disposal of a joint venture	**—**	1,002
Written off/Loss on disposal of property, plant and equipment	**2,893**	209
Impairment loss on intangible assets	**24,730**	—
Write-off of intangible assets	**4,064**	1,854
Net foreign exchange loss	**2,803**	2,773

6. INCOME TAX (CREDIT)/EXPENSE

	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current tax - PRC enterprise income tax		
Current year	**618**	—
Under/(over)-provision in respect of prior years	**1**	(3,242)
	619	(3,242)
Deferred tax		
Origination and reversal of temporary differences	**(1,388)**	12,050
Income tax (credit)/expense	**(769)**	8,808

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 year.

(c) PRC enterprise income tax

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

Pursuant to the relevant laws and regulations in the PRC, certain of the Company's subsidiaries in the PRC obtained the "High and New Technology Enterprise" qualification and enjoyed preferential income tax rate of 15% for the years ended 31 December 2019 and 2018.

According to relevant laws and regulations in the PRC, enterprises engaging in research and development activities are entitled to claim 175% (2018: 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 years ended 31 December 2019 and 2018.

(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%.

7. LOSS PER SHARE

(a) Loss per share

Basic loss per share is calculated based on the loss attributable to equity holders of the Company of RMB169,340,000 (2018: RMB168,735,000) and the weighted average number of shares of 618,332,000 shares (2018: 618,400,000 shares) outstanding during the year, excluding the ordinary shares purchased by the Company and held as treasury shares.

(b) Diluted loss per share

For the years ended 31 December 2019 and 2018, the Company has two categories of potential dilutive ordinary shares: the 2010 Share Option Plan and the 2017 Share Option Scheme. The diluted loss per share for the years ended 31 December 2019 and 2018 was the same as the basic loss per share as all the potential ordinary shares were anti-dilutive.

8. INTANGIBLE ASSETS

	Video-related and broadcasting intellectual properties, patents, trademarks and licenses RMB'000	Development costs RMB'000	Total RMB'000
At 1 January 2018			
Cost	142,688	66,092	208,780
Accumulated amortisation	(64,782)	-	(64,782)
Net book amount	77,906	66,092	143,998
Year ended 31 December 2018			
Opening net book amount	77,906	66,092	143,998
Transfers	45,331	(45,331)	—
Write-off	—	(1,854)	(1,854)
Additions	—	47,187	47,187
Amortisation	(27,565)	—	(27,565)
Closing net book amount	95,672	66,094	161,766
At 31 December 2018			
Cost	188,019	66,094	254,113
Accumulated amortisation	(92,347)	-	(92,347)
Net book amount	95,672	66,094	161,766

	Video-related and broadcasting intellectual properties, patents, trademarks and licenses RMB'000	Development costs RMB'000	Total RMB'000
Year ended 31 December 2019			
Opening net book amount	**95,672**	**66,094**	**161,766**
Transfers	**86,511**	**(86,511)**	**—**
Write-off	**(4,064)**	**—**	**(4,064)**
Impairment loss	**(24,730)**	**—**	**(24,730)**
Additions	**—**	**34,282**	**34,282**
Amortisation	**(28,239)**	**—**	**(28,239)**
Closing net book amount	**125,150**	**13,865**	**139,015**
At 31 December 2019			
Cost	**268,722**	**13,865**	**282,587**
Accumulated amortisation	**(118,842)**	**—**	**(118,842)**
Provision for impairment	**(24,730)**	**—**	**(24,730)**
Net book amount	**125,150**	**13,865**	**139,015**

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

	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cost of sales	**28,013**	27,301
Selling and marketing expenses	**37**	36
Administrative expenses	**35**	58
Research and development expenses	**154**	170
	28,239	27,565

9. GOODWILL

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

	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Net carrying amount:		
As at 1 January	**17,481**	74,220
Impairment loss for the year	**(17,481)**	(56,739)
As at 31 December	**—**	17,481

The carrying amount of the cash generating unit of which the goodwill is allocated, being the research and sales of video-related and broadcasting equipment and software and provision of related technical services business conducted by a subsidiary, ZhengQi (Beijing) Video Technology Co., Ltd. (北京正奇聯訊有限公司, "Beijing Zhengqi"), which was acquired by the Group in 2013. The recoverable amount of goodwill was determined based on value-in-use calculations, using an annual cash flow budget plan covering a 5-year period with estimated long-term growth rate of 3.0% (2018: 3.0%) per annum (for cash flows beyond the five-year period) for the operation, which does not exceed the long-term growth rate for the industry in the PRC. A discount factor of 21.9% (2018: 21.9%) for the year ended 31 December 2019 was applied in the value in use model.

During the year ended 31 December 2019, due to the fierce market competition, the revenue of Beijing Zhengqi was adversely affected and it cannot achieve the revenue target previously projected. This had an adverse impact on the estimated value in use of the cash generating unit and an impairment loss on goodwill of RMB17,481,000 (2018: RMB56,739,000) was recognised in profit or loss for the year ended 31 December 2019.

Apart from the considerations described in determining the value in use of the cash generating units above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates. However, the estimate of recoverable amount of the cash generating unit is particularly sensitive to the discount rate applied. The impact from a reasonable change in the discount rate is assessed together with other critical accounting estimates and assumptions.

10. TRADE AND OTHER RECEIVABLES

	Notes	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Trade receivables			
From third parties		**308,096**	328,622
From related parties		**12,900**	19,603
		320,996	348,225
Less: Expected credit loss ("ECL") allowance		**(160,495)**	(92,886)
	(a)	**160,501**	255,339
Other receivables	(b)		
Deposits, prepayments and other receivables		**14,360**	8,441
Deposit for guarantee certificate over tendering and performance		**23,472**	32,225
Loan receivables		**123,527**	176,119
Interest receivables		**4,187**	10,309
Advance to suppliers		**67,830**	67,800
Amounts due from related parties		**8,017**	7,327
Amounts due from joint ventures		**1,826**	1,826
Amounts due from associates		**8,007**	5,946
VAT receivables		**—**	1,610
Advances to employees		**8,876**	15,306
		260,102	326,909
Less: ECL allowance		**(22,642)**	(15,377)
		237,460	311,532
		397,961	566,871

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.

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

	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Deposit for guarantee certificate over tender and performance	**10,324**	9,400

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

(a) Trade receivables

Invoices issued to customers are in accordance with the payment terms stipulated in the contracts and payable on issuance. Deposits are normally required upon signing of the contract. For customers with good credit history and selected large television stations in the PRC with sound financial standing, its settlement may be longer than 180 days after issuance of invoices. Ageing analysis based on invoiced date of the trade receivables and net of ECL allowance at the respective reporting dates is as follows:

	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Billed:		
0 to 90 days	**38,757**	84,233
91 to 180 days	**18,705**	32,596
181 to 365 days	**40,829**	43,634
1 to 2 years	**62,210**	94,876
	160,501	255,339

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

During the year ended 31 December 2019, the Group entered an agreement with an independent third party to repurchase certain trade receivables of RMB40,878,000 of which were factored by the Group in the prior years, for a cash consideration of RMB31,480,000. Up to the date of this announcement, the Group had collected approximately RMB31,426,000 of these receivables.

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

As at 31 December 2019, 3% and 13% (2018: 1% and 13%) of trade receivables are due from the largest and 5 major customers respectively in cooperation with the Group's business.

(b) Other receivables

Deposit for guarantee certificate

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

Loan receivables

As at 31 December 2019, the Group has loan receivables of approximately RMB123,527,000 (2018: RMB176,119,000) from independent third parties. Loan receivable of RMB23,046,000 (2018: RMB20,459,000) is secured by a property, carrying fixed interest of 6% per annum and wholly repayable within one year. As at 31 December 2019, the market value of the property is approximately RMB19,637,000 (2018: RMB20,908,000).

Loan receivables of approximately RMB100,481,000 (2018: RMB107,160,000) and nil (2018: RMB48,500,000) are unsecured, carrying fixed interest of 6% per annum and 1.8% per month respectively, and wholly repayable within one year. Loan receivables of RMB100,481,000 were fully settled subsequent to the year ended 31 December 2019.

Amounts due from joint ventures, associates and related parties

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

Advances to employees

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

11. CONTRACT ASSETS AND CONTRACT LIABILITIES

11.1 Contract assets

	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Contract assets	**81,864**	84,568
Less: ECL allowance for contract assets	**(6,672)**	(6,807)
	75,192	77,761

Typical payment terms which impact on the amount of contract assets recognised are as follows:

The Group's solution sales contracts include payment schedules which generally require contract instalment over the contract period once certain specified milestones are reached. The Group also agrees to a one to three years retention period for 5% to 10% of the solution sales contract value. This amount is included in contract assets until the end of retention period as the Group's entitlement to this final payment is conditional on the Group's satisfactory work.

The Group applies the simplified approach to provide for ECL prescribed by IFRS 9, which permits the use of the lifetime ECL provision for all contract assets. To measure the ECL, contract assets have been grouped with trade receivables based on shared credit risk characteristics and the ageing. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for contract assets are a reasonable approximation of the loss rates for the contract assets.

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

	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Contract assets	**14,734**	12,132
Less: ECL allowance for contract assets	**(1,201)**	(977)
	13,533	11,155

11.2 Contract liabilities

<u>Unsatisfied performance obligations</u>

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

12. TRADE AND OTHER PAYABLES

	Notes	**2019**	2018
		RMB'000	RMB'000
		(Unaudited)	(Audited)
Trade and notes payables			
Trade payables			
– third parties	(a)	**134,362**	168,883
Note payables	(b)	**—**	35,000
		134,362	203,883
Other payables			
Other payables and accrued charges		**39,137**	42,131
Other tax liabilities		**49,985**	77,363
Staff costs and welfare accruals		**13,433**	15,252
Amounts due to related parties		**9,489**	8,191
Amount due to a joint venture		**1,050**	—
Amounts due to associates		**2,257**	—
Deferred income related to government grants		**4,475**	1,513
		119,826	144,450
		254,188	348,333

All amounts are short-term and hence the carrying values of the Group's trade and other payables as at 31 December 2019 and 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 payables based on recognition date is as follows:

	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
0 to 90 days	**51,584**	89,145
91 to 180 days	**9,718**	12,775
181 to 365 days	**10,443**	21,042
1 to 2 years	**29,519**	18,362
2 to 3 years	**12,478**	16,245
Over 3 years	**20,620**	11,314
	134,362	168,883

(b) Note payables

All note payables are denominated in RMB and are paid and/or payable to third parties for settlement of trade payables. As at 31 December 2018, the note payables of RMB35,000,000 were guaranteed by Mr. Zheng and Xin'aote Group Co. Ltd. (北京新奧特集團有限公司, "Xin'aote Group"). The note payables were subsequently settled in 2019.

13. SHARE CAPITAL

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

	Number of shares	Nominal value of shares US$
Authorised:		
Ordinary shares of the Company:		
As at 31 December 2018, 1 January 2019 and 31 December 2019, at US$0.00001 each	**5,000,000,000**	**50,000**

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

	Note	Number of treasury shares	Nominal value of shares US$	Equivalent nominal value of shares RMB'000
Treasury shares of the Company:				
As at 1 January 2018		**12,532,000**	**125**	**1**
Share repurchased	(i)	1,136,000	12	—*
Repurchased shares cancelled	(i)	(1,668,000)	(17)	—*
As at 31 December 2018 and 2019 (unaudited)		**12,000,000**	**120**	**1**

* The balance represent amount less than RMB1,000.

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
	1,136,000			954	787

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

14. SHARE-BASED COMPENSATION TRANSACTIONS

(a) The 2010 Share Option Plan

Pursuant to unanimous written resolution of the Board on 20 December 2010 (the "Effective Date"), a share option scheme was adopted by the Company and is valid and effective for a period of ten years from 20 December 2010 (the "2010 Share Option Plan").

The purpose of the 2010 Share Option Plan is to provide eligible participants to acquire and maintain share ownership, thereby strengthening their commitment to the welfare of the Group and promoting and identify 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 2017, and the remaining 1,500,000 options are subject to a vesting scale in which 40%, 30% and 30% of options granted shall vest on 1 October 2016, 1 October 2017 and 1 October 2018 respectively. The options granted are exercisable from 1 October 2016 to 31 December 2021.

The Company has adjusted, pursuant to the authority granted to the Board under the 2010 Share Option Plan, the total number of shares subject to options granted under the 2010 Share Option Plan to 77,893,000 as a result the capitalisation issue which was completed on 27 June 2016. Upon completion of such grant and adjustment, no further options will be granted under the 2010 Share Option Plan.

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:

	2019		2018	
	Average exercise price in US$ per share option	**Number of share options outstanding**	Average exercise price in US$ per share option	Number of share options outstanding
Directors				
At beginning and end of year	**1.16**	**14,569,265**	1.16	30,940,914
Re-designated to employee	**—**	**—**	1.16	(16,371,649)
Forfeited during the year	**1.16**	**(14,569,265)**	—	—
At end of year	**—**	**—**	1.16	14,569,265
Employees				
At beginning of year	**1.00**	**61,656,531**	0.94	45,465,119
Re-designated from director	**—**	**—**	1.16	16,371,649
Forfeited during the year	**1.16**	**(48,574,232)**	1.16	(180,237)
At end of year	**0.40**	**13,082,299**	1.00	61,656,531
Total				
At beginning of year	**1.03**	**76,225,796**	1.03	76,406,033
Forfeited during the year	**1.16**	**(63,143,497)**	1.16	(180,237)
At end of year	**0.4**	**13,082,299**	1.03	76,225,796
Excisable at the end of year	**0.4**	**13,082,299**	1.03	76,225,796

As at 31 December 2019, the Group had 13,082,299 (2018: 76,225,796) share options outstanding under the 2010 Share Option Plan, which represented approximately 2.08% (2018: 12.09%) of the issued ordinary shares of the Company as at 31 December 2019. The exercise in full of the outstanding share options would, under the present capital structure of the Group, result in the issue of 13,082,299 (2018: 76,225,796) additional ordinary shares of the Company and additional share capital and share premium of approximately RMB1,000 (2018: RMB5,000) and RMB34,234,000 (2018: RMB538,133,000) (before issue expenses), respectively.

None of the above share options were exercised during the years ended 31 December 2019 and 2018. The weighted average remaining contractual life of options outstanding at 31 December 2019 was 2.0 years (2018: 3.0 years).

The Group recognised an expense of nil (2018: RMB770,000) for the year ended 31 December 2019 in relation to the 2010 Share Option Plan.

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

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 18 May 2017, the Company adopted a share option scheme to attract, retain and motivate employees, directors and other participants, and to provide a means of compensation through the grant of options for their contribution to the growth and profits of the Group, and to allow them to participate in the future growth and profitability of the Group (the "2017 Share Option Scheme"). The participants of the 2017 Share Option Scheme are any executive, non-executive or independent non-executive directors or any employees (whether full-time or part-time) of the Company, or any of its subsidiaries or associated companies or any other person whom the Board considers, in its sole discretion, has contributed or will contribute to the Group.

The 2017 Share Option Scheme is valid and effective for a period of ten years from 24 May 2017.

The maximum number of shares which may be issued upon exercise of all options to be granted at any time under the 2017 Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the relevant class of the shares in issue as at the date of adoption (the "Mandate Limit of Option Scheme"). Options lapsed in accordance with the terms of the 2017 Share Option Scheme will not be counted for the purpose of calculating the Mandate Limit of Option Scheme.

The Company may seek approval by its shareholders in general meeting for refreshing the Mandate Limit of Option Scheme under the 2017 Share Option Scheme. However, the total number of shares which may be issued upon exercise of all options to be granted under the 2017 Share Option Scheme and any other schemes of the Company under the limit as "refreshed" must not exceed 10% of the relevant class of the shares in issue as at the date of passing the relevant resolution to refresh such limit. Options previously granted under the 2017 Share Option Scheme and any other schemes (including those outstanding, cancelled, lapsed in accordance with the 2017 Share Option Scheme or any other schemes or exercised options) will not be counted for the purpose of calculating the Mandate Limit of Option Scheme as "refreshed". The Company may seek separate approval by its shareholders in general meeting for granting options beyond the Mandate Limit of Option Scheme provided the options in excess of the Mandate Limit of Option Scheme are granted only to eligible participants of the option scheme specifically identified by the Company before such approval is sought.

Unless approved by the shareholders, the total number of shares issued and to be issued upon exercise of the options granted to each eligible participant of the 2017 Share Option Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of the shares in issue.

The amount of HK$1.00 is payable as consideration for each grant of options under the 2017 Share Option Scheme, upon acceptance of such grant.

Unless otherwise specified by the Board, a grantee is not required to achieve any performance target or to hold an option for a minimum period from the date of grant before any option granted under the 2017 Share Option Scheme can be exercised.

An option may be exercised at any time during a period to be determined and notified by the directors to each grantee of the option and such period shall not exceed the period of ten years from the offer date.

62,000,000 options were granted under the 2017 Share Option Scheme on 24 May 2017 with estimated total fair values of approximately RMB29,510,000.

The exercise price of the share options granted is HK$1.33 per share. The share options are valid for a period of 10 years from 24 May 2017. Included in the 62,000,000 share options, 25,340,000 options, 18,330,000 options and 18,330,000 options will vest on the grant date, the first anniversary of the grant date and the second anniversary of the grant date respectively.

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

	2019		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 year	**1.33**	**9,800,000**	1.33	13,100,000
Re-designated to employees	**—**	**—**	1.33	(3,300,000)
At end of year	**1.33**	**9,800,000**	1.33	9,800,000
Employees				
At beginning of year	**1.33**	**51,859,700**	1.33	48,870,000
Re-designated from directors	**—**	**—**	1.33	3,300,000
Forfeited during the year	**1.33**	**(177,000)**	1.33	(310,300)
At end of year	**1.33**	**51,682,700**	1.33	51,859,700
Total				
At beginning of year	**1.33**	**61,659,700**	1.33	61,970,000
Forfeited during the year	**1.33**	**(177,000)**	1.33	(310,300)
At end of year	**1.33**	**61,482,700**	1.33	61,659,700
Exercisable at the end of year	**1.33**	**61,482,700**	1.33	43,183,500

As at 31 December 2019, the Group had 61,482,700 (2018: 61,659,700) share options outstanding under the 2017 Share Option Scheme, which represented approximately 9.75% (2018: 9.78%) of the issued ordinary shares of the Company as at 31 December 2019. The exercise in full of the outstanding share options would, under the present capital structure of the Group, result in the issue of 61,482,700 (2018: 61,659,700) additional ordinary shares of the Company and additional share capital and share premium of approximately RMB4,000 (2018: RMB5,000) and RMB73,350,000 (2018: RMB71,998,000) (before issue expenses), respectively.

None of the above share options were exercised during the year. The weighted average remaining contractual life of options outstanding at 31 December 2019 was 7.4 years (2018: 8.4 years).

The Group recognised an expense of RMB1,590,000 (2018: RMB7,542,000) for the year ended 31 December 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 and/or purchase of shares from the market out of cash contributed by the Group and be held on trust for the participants until such awarded shares are vested in the relevant selected participants in accordance with the provisions of the 2017 Share Award Scheme.

The Company has appointed The Core Trust Company Limited as the trustee (the "Trustee"). The Trustee is an independent third party of the Company and is acting for a wide scope of participants under the 2017 Share Award Scheme.

Unless early terminated by the Board, the 2017 Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date of the 2017 Share Award Scheme provided that no contribution to the trust fund will be made by the Company on or after the 10th anniversary date of the adoption date of the 2017 Share Award Scheme.

The Board shall not make any further award of shares which will result in the number of shares awarded by the Board under the 2017 Share Award Scheme to be in excess of 8.5% of the issued share capital of the Company as at the adoption date of the 2017 Share Award Scheme unless otherwise determined by the resolution of the Board.

The maximum number of shares to be awarded under the 2017 Share Award Scheme in each financial year of the Company shall not exceed 3% of the issued share capital of the Company as at the adoption date of the 2017 Share Award Scheme.

The maximum number of shares which may be allocated and awarded to a selected participant under the 2017 Share Award Scheme in any 12-month period shall not exceed 1% of the issued share capital of the Company immediately preceding such allocation and award.

On each occasion when the Board instructs the Trustee to purchase shares from the market, it shall specify the maximum amount of funds to be used and the range of prices at which such shares are to be purchased. The Trustee may not incur more than the maximum amount of funds or purchase any shares at a price falling outside the range of prices so specified unless with the prior written consent of the Board.

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

The Trustee shall not exercise the voting rights in respect of any shares held under the trust (including but not limited to the awarded shares, the returned shares and further shares acquired out of the income derived therefrom).

Pursuant to the resolution passed at the annual general meeting of the Company held on 18 May 2017, 12,000,000 share awards were granted by the Company to the key employees of the Group under the 2017 Share Award Scheme with estimated fair value of approximately RMB14,325,000. The fair value of the awarded shares was determined with reference to the market price of the Company's shares at the grant date. The 12,000,000 awarded shares are subject to a vesting scale in which 40%, 30% and 30% of the awarded shares shall vest on 18 May 2017, 20 March 2018 and 20 March 2019 respectively.

In 2017, the Company has issued 12,000,000 new shares to the Trustee for the Share Award Scheme and classified as treasury shares of the Company. The Group had 10,675,997 (2018: 11,085,448) share awards outstanding under the Share Award Scheme, which represented approximately 1.69% (2018: 1.76%) of the issued ordinary shares of the Company as at 31 December 2019. No shares were purchased or granted by the Company under the Share Award Scheme during the year ended 31 December 2019 and 2018.

During the year ended 31 December 2019, 2,275,997 awarded shares (2018: 8,400,000) were vested under the Share Award Scheme.

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

	Number of share awards
Employees	
At 1 January 2018	12,000,000
Forfeited during the year	(914,552)
At 31 December 2018 and 1 January 2019	**11,085,448**
Forfeited during the year	**(409,451)**
At 31 December 2019	**10,675,997**

The Group recognised an expense of RMB165,000 (2018: RMB2,996,000) for the year ended 31 December 2019 in relation to the 2017 Share Award Scheme.

(d) The Group recognised a total expense of RMB1,755,000 (2018: RMB11,308,000) for the year ended 31 December 2019 in relation to the above share options and share awards. The share-based compensation expense was shown as a separate item on the face of the unaudited consolidated statement of comprehensive income.

15. LEASE COMMITMENTS

At the reporting date, the lease commitments for short-term leases (2018: total future minimum lease payments payable by the Group under non-cancellable operating leases) are as follows:

	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Premises		
Within one year	**5,950**	8,895
In the second to fifth year inclusive	**—**	116
	5,950	9,011

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW

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

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

FINANCIAL REVIEW

We recorded a revenue of RMB303.2 million for the 2019 Annual Period, representing a decrease of 11.1% from RMB341.0 million for the 2018 Annual Period. We recorded a loss of RMB168.7 million in the 2019 Annual Period as compared to a loss of RMB168.8 million in the 2018 Annual Period.

Revenue

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

Our revenue decreased by 11.1% to RMB303.2 million for the 2019 Annual Period from RMB341.0 million for the 2018 Annual Period. The decrease was mainly attributable to (i) the deteriorating performance of the traditional TV broadcasting industry as a result of keen competition from new media and the Internet; and (ii) the delay in the reconstruction and upgrading of the 4K ultra-high definition equipment of certain major customers.

Cost of Sales

Our cost of sales decreased by 9.8% to RMB235.7 million for the 2019 Annual Period from RMB261.3 million for the 2018 Annual 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 15.3% to RMB67.5 million for the 2019 Annual Period from RMB79.7 million for the 2018 Annual Period, primarily due to the decrease in revenue. As a result, our gross profit margin decreased to 22.3% for the 2019 Annual Period from 23.4% for the 2018 Annual Period due to the decrease in revenue.

Other Income

Our other income decreased by 4.9% to RMB31.4 million for the 2019 Annual Period from RMB33.0 million for the 2018 Annual Period, primarily due to (i) the decrease in government subsidies; and (ii) the decrease in interest income.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 13.8% to RMB57.4 million for the 2019 Annual Period as compared to RMB66.6 million for 2018 Annual Period, primarily due to the decrease in the costs relating to sales and marketing staff.

Administrative Expenses

Our administrative expenses remained relatively stable at RMB43.6 million for the 2019 Annual Period as compared to RMB41.5 million for the 2018 Annual Period.

Share-Based Compensation Expense

Our share-based compensation expense decreased by 84.1% to RMB1.8 million for the 2019 Annual Period from RMB11.3 million for the 2018 Annual Period, as the number of options vested in the 2019 Annual Period was significantly lower than that in the 2018 Annual Period.

Research and Development Expenses

Our research and development expenses remained relatively stable at RMB27.9 million for the 2019 Annual Period as compared to RMB28.6 million for the 2018 Annual Period.

Finance Costs

Our finance costs increased by 6.6% to RMB13.0 million for the 2019 Annual Period from RMB12.2 million for the 2018 Annual Period, primarily due to the increase in bank borrowings.

Net Impairment Loss on Trade and Other Receivables and Contract Assets

Our net impairment loss on trade and other receivables and contract assets increased to RMB104.3 million for the 2019 Annual Period from RMB57.0 million for the 2018 Annual Period. The increase was primarily due to the increase in the expected credit loss on our past due trade and other receivables.

Impairment Loss on Goodwill

We recorded an impairment loss on goodwill of RMB17.5 million for the 2019 Annual Period as compared to RMB56.7 million for the 2018 Annual Period. Such impairment loss was mainly attributable to the underperformance of our digital broadcasting business acquired in 2013.

Loss before Income Tax

As a result of the foregoing factors, we recorded a loss before income tax of RMB169.5 million and RMB160.0 million for the 2019 Annual Period and the 2018 Annual Period, respectively.

Income Tax Expense

We recorded an income tax credit of RMB0.8 million for the 2019 Annual Period as compared to income tax expense of RMB8.8 million for the 2018 Annual Period, primarily due to reversal of temporary differences.

Loss for the Year

As a result of the foregoing factors, we recorded a loss of RMB168.7 million for the 2019 Annual Period as compared to a loss of RMB168.8 million for the 2018 Annual Period.

Other Comprehensive Income

We recorded other comprehensive income of RMB5.1 million for the 2019 Annual Period as compared to RMB10.3 million for the 2018 Annual Period, primarily due to the depreciation of Renminbi.

Loss attributable to Equity Holders

We had loss attributable to equity holders of RMB169.3 million for the 2019 Annual Period as compared to RMB168.7 million for the 2018 Annual Period.

Dividend

The Directors did not recommend the payment of a final dividend for the 2019 Annual Period (2018: nil).

ANALYSIS ON ANNUAL UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS

Non-current Assets

As at 31 December 2019, our non-current assets amounted to RMB168.0 million (as compared to RMB218.7 million as at 31 December 2018), primarily consisting of intangible assets of RMB139.0 million (as compared to RMB161.8 million as at 31 December 2018) and interests in associates of RMB17.3 million (as compared to RMB16.6 million as at 31 December 2018). Our intangible assets mainly represent all direct costs incurred in the development of software products. Our interests in associates represent our interests in associates, namely, Beijing Yue Ying Technology Co., Ltd (北京悅影科技有限公司), Beijing Meicam Network Technology Co, Ltd (北京美攝網絡科技有限公司), Xin'aote (Fujian) Culture Technology Co., Ltd. (新奧特 (福建) 文化科技有限公司) and Beijing Xin'aote Smart Sport Innovation Development Co., Ltd. (北京新奧特智慧體育創新發展有限公司).

Current Assets

As at 31 December 2019, our current assets amounted to RMB773.8 million (as compared to RMB946.6 million as at 31 December 2018), primarily consisting of trade and other receivables of RMB398.0 million (as compared to RMB566.9 million as at 31 December 2018), bank balances and cash of RMB115.2 million (as compared to RMB137.4 million as at 31 December 2018) and pledged bank deposits of RMB122.4 million (as compared to RMB118.7 million as at 31 December 2018).

Current Liabilities

As at 31 December 2019, our current liabilities amounted to RMB511.4 million (as compared to RMB568.1 million as at 31 December 2018), primarily consisting of trade and other payables of RMB254.2 million (as compared to RMB348.3 million as at 31 December 2018), other interest-bearing borrowings of RMB234.9 million (as compared to RMB203.0 million as at 31 December 2018) and contract liabilities of RMB17.0 million (as compared to RMB12.2 million as at 31 December 2018). Contract liabilities of the Group mainly arose from the advance payments made by customers while the underlying products or services were yet to be provided.

Non-current Liabilities

As at 31 December 2019, we did not have any non-current liabilities (2018: RMB3.5 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2019, the current assets of the Group amounted to RMB773.8 million, including RMB398.0 million in trade and other receivables and RMB115.2 million in bank balances and cash. Current liabilities of the Group amounted to RMB511.4 million, of which RMB254.2 million were trade payables and RMB234.9 million were interest-bearing bank and other interest bearing borrowings. As at 31 December 2019, the interest-bearing bank and other borrowings were denominated in Renminbi bearing fixed and floating interest rates. All of our bank borrowings and other borrowings as at 31 December 2019 were repayable within one year.

The gearing ratio of the Group (calculated as total borrowings divided by total equity) was 54.6% as at 31 December 2019 (as compared to 34.2% as at 31 December 2018).

During the 2019 Annual Period, we did not employ any financial instrument for hedging purposes.

COMMITMENTS

As at 31 December 2019, we had operating lease commitments in respect of rented office and various residential properties of approximately RMB6.0 million (2018: RMB9.0 million).

MATERIAL ACQUISITIONS AND DISPOSAL

We had no material acquisitions and disposal of subsidiaries and affiliated companies during the 2019 Annual Period.

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

We do not have plans for material investments or acquisition of capital assets.

FOREIGN CURRENCY RISK

Our subsidiaries mainly operate in the PRC and the majority of the transactions are settled in Renminbi except for certain bank balances and bank borrowings which are denominated in U.S. dollars. Foreign currency risk arises when commercial transactions and recognized assets and liabilities are denominated in a currency that is not either the Company's or our subsidiaries' functional currency. As at 31 December 2019, we did not have significant foreign currency risk from our operations. During the 2019 Annual Period, we did not enter into any arrangements to hedge against any fluctuation in foreign currency.

CHARGE ON ASSETS

As at 31 December 2019, we had restricted and pledged deposit of RMB124.5 million (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 Listing amounted to approximately HK$225.2 million. As at 31 December 2019, the net proceeds from the Listing had been fully utilized in the following manner:

	Application of funds as at 31 December 2019 as a percentage to the total amount of net proceeds
Business expansion and development	38.8%
Potential strategic investment and acquisition	12.7%
Enhancing the R&D capabilities and upgrading the information technology systems	13.4%
Repayment of certain existing bank borrowings	10.0%
Promotion and marketing	4.0%
General working capital	21.1%
Total:	100%

HUMAN RESOURCES

As at 31 December 2019, we had 701 full-time employees and 34 dispatched workers (2018: 801 full-time employees and 47 dispatched workers). The remuneration package of the employees includes salary, sales commission, bonus and other cash subsidies. For the 2019 Annual Period and the 2018 Annual Period, the remuneration expense, including both capitalized and expensed but excluding share-based compensation expense, was approximately RMB134.8 million and RMB165.9 million, respectively. In general, employees' salaries are determined based on individual performance, qualification, position and seniority. We place strong emphasis on recruiting skilled personnel. We typically recruit talents from universities and technical schools and conduct annual reviews to assess our employees' performance and determine their salary, bonus and promotion. We also place a strong emphasis on providing training to our employees in order to enhance their technical and product knowledge as well as comprehension of industry quality standards.

CONTINGENT LIABILITIES

As at 31 December 2019, we did not have any material contingent liabilities (2018: nil). We are not currently involved in any material legal proceedings, nor are we aware of any proceedings or potential material legal proceedings.

OUTLOOK

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

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

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

Mr. ZHENG Fushuang ("**Mr. Zheng**") was appointed as the chief executive officer of the Company (the "**CEO**") with effect from 3 April 2018 and is currently serving as both the Chairman 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.

DIRECTORS' SECURITIES TRANSACTION

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

Having made specific enquiry with all Directors, all Directors confirmed that they had complied with the required standards of dealings from 1 January 2019 up to the date of this announcement.

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

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

AUDIT COMMITTEE

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

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, effectiveness of the internal audit function, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

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

The Group's unaudited consolidated financial statements for the 2019 Annual Period have been reviewed by the Audit Committee, and the Audit Committee is of the opinion that such results complied with the applicable standards, the GEM Listing Rules and other applicable legal requirements and that adequate disclosures had been made.

REVIEW OF UNAUDITED ANNUAL RESULTS

The Company has appointed Grant Thornton Hong Kong Limited ("**Grant Thornton**") as its auditor for the year ended 31 December 2019. Due to the travel and work restrictions implemented as a result of the outbreak of COVID-19, the auditing process for the annual results for the year ended 31 December 2019 has not been completed as at the date of this announcement. In so far as the Board is aware, the delay in the completion of the auditing procedures is mainly attributable to the delay in obtaining certain confirmations from banks, customers and suppliers in different regions of the PRC. The unaudited annual results contained herein have not been agreed with Grant Thornton as required under Rule 18.49 of the GEM Listing Rules. An announcement relating to the Company's audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by Grant Thornton and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process. The Company expects the auditing process will be completed on or before 30 April 2020.

ANNUAL GENERAL MEETING

The 2020 annual general meeting will be held on or before 30 June 2020. A notice convening the 2020 annual general meeting will be published on the websites of the Stock Exchange and the Company and dispatched to the Shareholders in due course.

EVENT AFTER THE REPORTING PERIOD

There has been no event after the reporting period which would have a material impact on the Company's financial position.

PUBLICATION OF UNAUDITED ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This unaudited annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.cdv.com. The annual report of the Company for the 2019 Annual Period containing all the information required by the GEM Listing Rules will be dispatched to Shareholders and published on the above websites in due course.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the Company's auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 27 March 2020

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.