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China Digital Video Holdings Limited
中國數字視頻控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8280)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2020

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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 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 three months ended 31 March 2020, together with the comparative figures for the corresponding period in 2019, as follows.

QUARTERLY CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 31 MARCH 2020

	Notes	**(Unaudited) Three months ended 31 March 2020 RMB'000**	2019 RMB'000
Revenue	3	**60,717**	71,103
Cost of sales		**(47,795)**	(52,784)
Gross profit		**12,922**	18,319
Other income	4	**5,262**	8,181
Selling and marketing expenses		**(10,385)**	(12,344)
Administrative expenses		**(8,092)**	(12,443)
Share-based compensation expense		**—**	(2,146)
Research and development expenses		**(2,689)**	(6,295)
Finance costs	5	**(1,196)**	(2,390)
Net impairment loss on financial and contract assets		**(13,710)**	(7,436)
Share of profit of joint ventures		**(2,230)**	—
Loss before income tax	5	**(20,118)**	(16,554)
Income tax credit/(expense)	6	**2,056**	2,635
Loss for the period		**(18,062)**	(13,919)
Other comprehensive loss			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on the translation of foreign operation		**(4,825)**	(9,036)
Total comprehensive loss for the period		**(22,887)**	(22,955)

	Notes	(Unaudited) Three months ended 31 March 2020 RMB'000	2019 RMB'000
Loss for the period attributable to:			
Equity holders of the Company		**(18,266)**	(13,796)
Non-controlling interests		**204**	(123)
		(18,062)	(13,919)
Total comprehensive loss for the period attributable to:			
Equity holders of the Company		**(23,091)**	(22,832)
Non-controlling interests		**204**	(123)
		(22,887)	(22,955)
Loss per share for profit attributable to equity holders of the Company			
(expressed in RMB cents per share)	8		
Basic		**(2.87)**	(2.21)
Diluted		**(2.87)**	(2.21)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2020

	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)	Accumulated profits RMB'000 (Unaudited)	Sub-total RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited)	Total equity RMB'000 (Unaudited)
Balance at 1 January 2020	**43**	**(1)**	**600,213**	**28,982**	**2,909**	**47,914**	**31,278**	**(282,097)**	**429,241**	**1,147**	**430,388**
Comprehensive loss for the year											
Loss for the year	–	–	–	–	–	–	–	(18,265)	(18,265)	204	(18,062)
Other comprehensive loss for the year	–	–	–	–	4,825	–	–	–	4,825	–	4,825
Total comprehensive loss for the year	–	–	–	–	4,825	–	–	(18,265)	(13,441)	204	(13,237)
Transactions with owners											
Vesting of shares of share award scheme	–	–	–	–	–	–	796	–	796	–	796
Total transactions with owners	–	–	–	–	–	–	796	–	796	–	796
Balance at 31 March 2020	**43**	**(1)**	**600,213**	**28,982**	**7,734**	**47,914**	**32,074**	**(300,363)**	**416,596**	**1,351**	**417,947**

	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)	Accumulated profits 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 year											
Loss for the year	–	–	–	–	–	–	–	(13,916)	(13,916)	(123)	(14,039)
Other comprehensive loss for the year	–	–	–	–	(9,036)	–	–	–	(9,036)	–	(9,036)
Total comprehensive loss for the year	–	–	–	–	(9,036)	–	–	(13,916)	(22,952)	(123)	(23,075)
Transactions with owners											
Share-based compensation	–	–	–	–	–	1,487	659	–	2,146	–	2,146
Total transactions with owners	–	–	–	–	–	1,487	659	–	2,146	–	2,146
Balance at 31 March 2019	43	(1)	597,479	28,982	(11,237)	65,603	35,290	(145,250)	570,909	1,892	572,801

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

FOR THE THREE MONTHS ENDED 31 MARCH 2020

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 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 the 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**").

2. BASIS OF PREPARATION

This unaudited condensed consolidated quarterly results for the three months ended 31 March 2020 (the "**Results**") 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 Results were authorised for issue by the Board on 8 May 2020.

The accounting policies and methods of computation used in the preparation of the Results are consistent with those used in the preparation of the annual report for the year ended 31 December 2019 except for the adoption of a number of amendments to International Financial Reporting Standards ("**IFRSs**") that became effective for the accounting period beginning on 1 January 2020 and are relevant to the Group.

The Group has applied all the new and amended standards, which are mandatory for the financial year beginning on 1 January 2020. 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 Results does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual report for the year ended 31 December 2019.

The Results is presented in Renminbi ("**RMB**"), unless otherwise stated.

The Results is unaudited.

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 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 or other discrete financial information is available for the assessment of the performance of the respective type of revenue. The CODM reviews the overall results of the Group as a whole to make decisions about resource allocation. Accordingly, no segment information is presented. An analysis of the Group's revenue is as follows:

	(Unaudited) Three months ended 31 March	
	2020	2019
	RMB'000	RMB'000
Solutions	**48,084**	43,217
Services	**9,561**	16,143
Products	**3,072**	11,743
	60,717	71,103

4. OTHER INCOME

	(Unaudited) Three months ended 31 March	
	2020	2019
	RMB'000	RMB'000
Other income		
Interest income	**2,363**	5,030
Value-added tax ("**VAT**") refunds (note a)	**1,899**	3,051
	4,262	8,081
Other net income/gain		
Subsidy income from government	**999**	—
Sundry income	**1**	100
	1,000	100
	5,262	8,181

Note:

(a) The sales of software products in the PRC are subject to VAT calculated at 13%. Companies which develop their own software products and have the software products registered with the relevant authorities in the PRC are entitled to a refund of VAT equivalent to the excess over 3% of the sales invoice amount paid in the month when output VAT exceeds input VAT.

5. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

	(Unaudited) Three months ended 31 March	
	2020	2019
	RMB'000	RMB'000
Finance costs		
Interest on bank and other borrowings, wholly repayable within five years	**1,196**	2,390
Employee benefit expenses		
Salaries, bonus and allowances	**16,588**	18,038
Retirement benefit scheme contributions	**2,222**	5,361
Severance payments	**34**	60
Share-based compensation expense	**—**	2,146
	18,844	25,605
Other items		
Cost of software and hardware equipments recognised as an expense	**38,018**	39,855
Depreciation of property, plant and equipment	**571**	1,268
Amortisation of intangible assets	**5,655**	4,758
Provision for impairment loss on trade and other receivables	**13,710**	7,436

6. INCOME TAX (CREDIT)/EXPENSE

	(Unaudited) Three months ended 31 March	
	2020	2019
	RMB'000	RMB'000
Deferred tax		
Origination and reversal of temporary differences	**(2,056)**	(2,635)
	(2,056)	(2,635)
Income tax (credit)/expense	**(2,056)**	(2,635)

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 will continue 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 will continue to enjoy the preferential income tax rate of 15% up to year 2021.

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 2020.

7. DIVIDENDS

The directors did not recommend the payment of dividend for the three months ended 31 March 2020 (three months ended 31 March 2019: nil).

8. LOSS PER SHARE

(a) Basic loss per share

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

	(Unaudited) Three months ended 31 March	
	2020	2019
	RMB'000	RMB'000
Loss used to determine basic loss per share	**18,062**	13,919

	(Unaudited) Three months ended 31 March	
	2020	2019
Number of shares (in thousands)		
Weighted average number of ordinary shares outstanding for basic loss per share	**630,332**	630,332

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares and are calculated as follows:

	(Unaudited) Three months ended 31 March	
	2020	2019
Number of shares (in thousands)		
Weighted average number of ordinary shares used to determine basic loss per share	**630,332**	630,332
	630,332	630,332

For the three months ended 31 March 2020 and 2019, the Company had two categories of potential dilutive ordinary shares, namely, the 2010 Share Option Plan and the 2017 Share Option Scheme.

For the three months ended 31 March 2020, the computation of diluted loss per share was calculated based on the weighted average number of ordinary shares outstanding adjusted to assume conversion or exercise of all dilutive potential ordinary shares. The diluted loss per share for the three months ended 31 March 2020 and 2019 was the same as the basic loss per share as all 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, 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 R&D is particularly critical for us because of our focus on the solutions and services business, where the customers demand customised services. Our solutions, services and products businesses facilitate the processing, enhancement and management of digital video content at the post-production stage between the ingestion of raw content and the output of finished content.

We have established business relationships with most of the central- and provincial-level TV stations in China and with some of the provincial-level TV broadcasters in China for over 24 years. We have also served alternative broadcasting platforms, such as cable network 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.

The outbreak of COVID-19 since January 2020 has severely affected the economic activities and operating environment in the PRC. In particular, the imposition of travel restrictions by the PRC government and the suspension of businesses in the PRC have reduced the Group's sales and marketing activities and hindered the seeking of potential customers and the negotiation of new projects. It is expected that the overall business environment in the PRC will be challenging in the forthcoming year. In order to cope with these challenges, the Group's management will closely monitor the market conditions in the PRC, actively formulate alternative business plans and adjust its business strategies in a timely manner.

FINANCIAL REVIEW

We recorded a revenue of RMB60.7 million for the three months ended 31 March 2020, representing a decrease of 14.6% from RMB71.1 million for the three months ended 31 March 2019. We recorded a loss of RMB18.1 million for the three months ended 31 March 2020 as compared to a loss of RMB13.9 million for the three months ended 31 March 2019. The increase in loss was mainly attributable to the decrease in the number of new projects and the delay in the implementation of ongoing projects as a result of the outbreak of COVID-19.

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

Revenue

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

Our revenue decreased by 14.6% to RMB60.7 million for the three months ended 31 March 2020 from RMB71.1 million for the three months ended 31 March 2019. The decrease in revenue was mainly attributable to the decrease in the number of new projects and the delay in the implementation of ongoing projects as a result of the outbreak of COVID-19.

Cost of Sales

Our cost of sales decreased by 9.5% to RMB47.8 million for the three months ended 31 March 2020 from RMB52.8 million for the three months ended 31 March 2019. The decrease in cost of sales was generally in line with the decrease in revenue.

Gross Profit and Gross Profit Margin

Our gross profit represents revenue less cost of sales. Our gross profit decreased by 29.5% to RMB12.9 million for the three months ended 31 March 2020 from RMB18.3 million for the three months ended 31 March 2019, primarily due to the decrease in the proportion of the sales of products and services which were of a higher profit margin and the increase in the proportion of the sales of solutions which were of a lower profit margin. Our gross profit margin decreased to 21.3% for the three months ended 31 March 2020 from 25.8% for the three months ended 31 March 2019.

Other Income

Other income decreased to RMB5.3 million for the three months ended 31 March 2020 from RMB8.2 million for the three months ended 31 March 2019, primarily due to the decrease in value-added tax refund as a result of the decrease in revenue.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 15.9% to RMB10.4 million for the three months ended 31 March 2020 from RMB12.3 million for three months ended 31 March 2019, primarily due to (i) the decrease in sales and marketing staff cost; and (ii) the decrease in business-related travel and entertainment expenses due to the outbreak of COVID-19.

Administrative Expenses

Our administrative expenses decreased by 35.0% to RMB8.1 million for the three months ended 31 March 2020 from RMB12.4 million for the three months ended 31 March 2019, primarily due to the decrease in remuneration expenses as the PRC government has waived certain social insurance expenses of our employees since February 2020.

Share-Based Compensation Expense

We did not record any share-based compensation expense for the three months ended 31 March 2020 as compared to RMB2.1 million for the three months ended 31 March 2019, since all share options were fully vested in 2019.

Research and Development Expenses

Our research and development expenses decreased by 57.3% to RMB2.7 million for the three months ended 31 March 2020 from RMB6.3 million for the three months ended 31 March 2019, primarily due to (i) the decrease in research and development staff cost; and (ii) the waiving of certain social insurance expenses or our employees by the PRC government since February 2020.

Finance Costs

Our finance costs decreased by 50.0% to RMB1.2 million for the three months ended 31 March 2020 from RMB2.4 million for the three months ended 31 March 2019, primarily due to the decrease in the balance of bank borrowings.

Net Impairment Loss on Financial and Contract Assets

Our net impairment loss on financial and contract assets increased by 85.1% to RMB13.7 million for the three months ended 31 March 2020 from RMB7.4 million for the three months ended 31 March 2019, primarily due to the increase in the expected credit loss on our past due trade and other receivables.

Loss before Income Tax

As a result of the foregoing factors, our loss before income tax amounted to RMB20.1 million for the three months ended 31 March 2020 as compared to a loss before income tax of RMB16.6 million for the three months ended 31 March 2019.

Income Tax Credit

Our income tax credit decreased by 22.0% to RMB2.1 million for the three months ended 31 March 2020 from RMB2.6 million for the three months ended 31 March 2019, primarily due to the decrease in deductible temporary difference on income tax.

Loss for the Period

As a result of the foregoing factors, our loss for the three months ended 31 March 2020 amounted to RMB18.1 million as compared to a loss of RMB13.9 million for the three months ended 31 March 2019.

Non-controlling Interest and Loss Attributable to Equity Holders

Our non-controlling interest and loss attributable to equity holders amounted to RMB0.2 million and RMB18.3 million for the three months ended 31 March 2020, as compared to RMB0.1 million and RMB13.8 million for the three months ended 31 March 2019, respectively.

Other Comprehensive Loss

We recorded other comprehensive loss of RMB4.8 million for the three months ended 31 March 2020 as compared to other comprehensive loss of RMB9.0 million for the three months ended 31 March 2019, primarily due to the exchange difference arising from the translation of Renminbi and U.S. dollars.

Total Comprehensive Loss for the Period attributable to Equity Holders and Non-controlling Interests

Our total comprehensive loss for the period attributable to equity holders and non-controlling interests amounted to RMB22.9 million for the three months ended 31 March 2020 as compared to RMB23.0 million for the three months ended 31 March 2019.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

We did not have material acquisitions and disposal of subsidiaries, associates and joint ventures during the three months ended 31 March 2020.

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.

HUMAN RESOURCES

As at 31 March 2020, we had 676 full-time employees and 40 dispatched workers (31 March 2019: 724 full-time employees and 46 dispatched workers). The remuneration package of the employees includes salary, sales commission, bonus and other cash subsidies. For the three months ended 31 March 2020 and 2019, the remuneration expenses, excluding share-based compensation expenses, were approximately RMB28.8 million and RMB40.7 million, respectively. In general, employees' salaries are determined based on individual performance, qualification, position and seniority. We place strong emphasis on recruiting skilled personnel. We typically recruit talents from universities and technical schools and conduct annual reviews to assess the employees' performance and determine their salary, bonus and promotion. We also place a strong emphasis on providing trainings to our employees in order to enhance their technical and product knowledge as well as comprehension of industry quality standards.

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

DIVIDEND DISTRIBUTION

The Board did not recommend the payment of dividend for the three months ended 31 March 2020 (three months ended 31 March 2019: nil).

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

The Directors confirm that neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2020.

EVENT AFTER THE REPORTING PERIOD

There had been no significant event since 31 March 2020 and up to the date of this announcement.

COMPETING BUSINESSES

For the three months ended 31 March 2020, 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 (the "**Corporate Governance Code**") as contained in Appendix 15 of the GEM Listing Rules as its corporate governance practices.

Mr. Zheng Fushuang ("**Mr. Zheng**") was appointed as the chief executive officer of the Company (the "**CEO**") with effect from 3 April 2018 and is currently serving as both the chairman (the "**Chairman**") and the CEO of the Company. Such practice deviates from code provision 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 nonexecutive Directors, which is appropriately structured to ensure that there is a balance of power to provide sufficient checks to protect the interests of the Company and the Shareholders. Therefore, the Board considers that the deviation from 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 2020 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 from 1 January 2020 and up to the date of this announcement. No incident of non-compliance was noted by the Company during this period.

AUDIT COMMITTEE AND REVIEW OF 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 to oversee the auditing process and the audits of the financial statements of the Group.

The audit committee comprises three independent non-executive Directors, namely Dr. Li Wanshou, Mr. Frank Christiaens and Ms. Cao Qian, and is chaired by Ms. Cao Qian. The audit committee has reviewed the unaudited financial statements for the three months ended 31 March 2020 and is of the opinion that (i) the unaudited financial statements of the Group for the three months ended 31 March 2020 comply with the applicable accounting standards and the GEM Listing Rules; and (ii) adequate disclosures have been made in such unaudited financial statements.

PUBLICATION OF THE FIRST QUARTERLY REPORT

The 2020 first 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 May 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.

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.