China Digital Video Holdings Limited
中國數字視頻控股有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8280)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020 AND CLARIFICATION AND AMENDMENTS TO THE ANNUAL REPORT

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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

INTERIM RESULTS

The board of Directors (the "**Board**") of the Company is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2020, together with the unaudited comparative figures for the corresponding period in 2019, as follows.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2020

		(Unaudited)		(Unaudited)	
		Three months ended 30 June		Six months ended 30 June	
	Notes	**2020**	2019	**2020**	2019
		RMB'000	RMB'000	**RMB'000**	RMB'000
Revenue	4	**70,638**	48,591	**131,355**	119,694
Cost of sales		**(53,987)**	(36,499)	**(101,782)**	(89,283)
Gross profit		**16,651**	12,092	**29,573**	30,411
Other income	5	**9,388**	5,307	**14,650**	13,488
Selling and marketing expenses		**(10,804)**	(13,717)	**(21,189)**	(26,061)
Administrative expenses		**(5,333)**	(6,630)	**(13,425)**	(19,073)
Share-based compensation expense	18	**—**	346	**—**	(1,800)
Research and development expenses		**(13,908)**	(7,041)	**(16,597)**	(13,336)
Finance costs	6	**(2,811)**	(2,802)	**(4,007)**	(5,192)
Net impairment loss on trade and other receivables and contract assets		**(4,558)**	(9,793)	**(18,268)**	(17,229)
Share of profit/(loss) of joint ventures	12	**1,869**	(584)	**(361)**	(584)
Share of profit/(loss) of associates	13	**161**	(448)	**161**	(448)
Loss before income tax	6	**(9,345)**	(23,270)	**(29,463)**	(39,824)
Income tax expense	7	**(2,056)**	(2,635)	**—**	—
Loss for the period		**(11,401)**	(25,905)	**(29,463)**	(39,824)
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
Exchange difference arising on the translation of foreign operation		**6,560**	9,564	**1,735**	528
Total comprehensive loss for the period		**(4,841)**	(16,341)	**(27,728)**	(39,296)

	Notes	(Unaudited) Three months ended 30 June **2020** **RMB'000**	2019 RMB'000	(Unaudited) Six months ended 30 June **2020** **RMB'000**	2019 RMB'000
Loss for the period attributable to:					
Equity holders of the Company		**(14,161)**	(25,801)	**(32,427)**	(39,597)
Non-controlling interests		**2,760**	(104)	**2,964**	(227)
		(11,401)	(25,905)	**(29,463)**	(39,824)
Total comprehensive loss for the period attributable to:					
Equity holders of the Company		**(7,601)**	(16,237)	**(30,692)**	(39,069)
Non-controlling interests		**2,760**	(104)	**2,964**	(227)
		(4,841)	(16,341)	**(27,728)**	(39,296)
Loss per share for loss attributable to equity holders of the Company (expressed in RMB cents per share)	9				
Basic		**(2.29)**	(4.17)	**(5.24)**	(6.40)
Diluted		**(2.29)**	(4.17)	**(5.24)**	(6.40)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2020

	Notes	**(Unaudited) As at 30 June 2020 RMB'000**	(Audited) As at 31 December 2019 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	**1,252**	635
Intangible assets	11	**131,227**	139,015
Interests in joint ventures	12	**26**	387
Interests in associates	13	**20,800**	17,329
Financial assets at fair value through profit or loss		**4,935**	4,935
Deferred tax assets		**5,666**	5,666
		163,906	167,967
Current assets			
Inventories		**66,747**	60,857
Trade and other receivables	14	**399,814**	393,928
Contract assets	15	**77,070**	75,192
Restricted bank deposits		**2,242**	2,173
Pledged bank deposits		**124,174**	122,363
Bank balances and cash		**109,391**	115,229
		779,438	769,742
Current liabilities			
Trade and other payables	16	**291,903**	254,188
Contract liabilities	15	**32,088**	17,040
Other interest-bearing borrowings		**215,542**	234,942
Income tax liabilities		**5,185**	5,185
		544,718	511,355
Net current assets		**234,720**	258,387
Net assets		**398,626**	426,354

	Notes	**(Unaudited)** **As at** **30 June** **2020** **RMB'000**	(Audited) As at 31 December 2019 RMB'000
EQUITY			
Share capital	17	**43**	43
Reserves		**394,472**	425,164
Equity attributable to equity holders of the Company		**394,515**	425,207
Non-controlling interests		**4,111**	1,147
Total equity		**398,626**	426,354

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 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 Losses 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	2,876	47,914	31,278	(286,098)	425,207	1,147	426,354
Comprehensive (loss)/profit for the period											
Loss for the period	–	–	–	–	–	–	–	(32,427)	(32,427)	2,964	(29,463)
Other comprehensive income for the period	–	–	–	–	1,735	–	–	–	1,735	–	1,735
Total comprehensive income/(loss) for the period	–	–	–	–	1,735	–	–	(32,427)	(30,692)	2,964	(27,728)
Balance at 30 June 2020 (Unaudited)	43	(1)	600,213	28,982	4,611	47,914	31,278	(318,525)	394,515	4,111	398,626

	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 losses RMB'000 (Unaudited)	Sub-total RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited)	Total equity RMB'000 (Unaudited)
Balance at 1 January 2019	43	(1)	597,479	28,982	(2,201)	64,116	34,631	(131,334)	591,715	2,015	593,730
Comprehensive (loss)/profit for the period											
Loss for the period	—	—	—	—	—	—	—	(39,597)	(39,597)	(227)	(39,824)
Other comprehensive income for the period	—	—	—	—	528	—	—	—	528	—	528
Total comprehensive income/ (loss) for the period	—	—	—	—	528	—	—	(39,597)	(39,069)	(227)	(39,296)
Transactions with owners											
Vesting of shares held under the Share Award Scheme (note 18(c))	—	—	2,795	—	—	—	(2,795)	—	—	—	—
Share-based compensation (note 18)	—	—	—	—		1,580	220	—	1,800	—	1,800
Transfer upon forfeiture of share options	—	—	—	—	—	(34)	—	34	—	—	—
Total transactions with owners	—	—	2,795	—	—	1,546	(2,575)	34	1,800	—	1,800
Balance at 30 June 2019 (Unaudited)	43	(1)	600,274	28,982	(1,673)	65,662	32,056	(170,897)	554,446	1,788	556,234

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2020

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Cash flows from operating activities		
Loss before income tax	**(29,463)**	(39,824)
Adjustments for non-cash items	**32,082**	33,744
Operating profit/(loss) before working capital changes	**2,619**	(6,080)
Net changes in working capitals	**(4,351)**	(67,735)
Net cash used in operating activities	**(1,732)**	(73,815)
Cash flows from investing activities		
Interest received	**6,047**	6,162
Purchase of property, plant and equipment	**(290)**	(1,343)
Addition in development costs through internal development	**(8,174)**	(20,083)
Decrease in loan receivables	**8,979**	46,926
Investments in associates	**—**	(2,400)
Other investing activities	**11,033**	(628)
Net cash from investing activities	**17,595**	28,634
Cash flows from financing activities		
Other financing activities	**(21,703)**	24,457
Net cash (used in)/from financing activities	**(21,703)**	24,457

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Net decrease in cash and cash equivalents	**(5,840)**	(20,724)
Cash and cash equivalents at beginning of period	**15,229**	37,403
Effect of foreign exchange rate changes on cash and cash equivalents held	**2**	85
Cash and cash equivalents at end of period	**9,391**	16,764
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	**109,391**	116,764
Less: time deposits with original maturities exceeding three months	**(100,000)**	(100,000)
Cash and cash equivalents at end of period	**9,391**	16,764

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six months ended 30 June 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 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**").

2. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 (the "**Interim Financial Information**") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange, including compliance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "**IASB**").

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual report for the year ended 31 December 2019.

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

The Group has not early adopted any other standard or amendment that has been issued but is not yet effective. The accounting policies and methods of computation used in the preparation of the Interim Financial Information are consistent with those used in the annual financial statements for the year ended 31 December 2019 except for the adoption of the amendments to International Financial Reporting Standards ("**IFRSs**") that have become effective for accounting period beginning on 1 January 2020. The adoption of the new and amended IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

4. REVENUE AND SEGMENT INFORMATION

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

	(Unaudited) Three months ended 30 June		**(Unaudited) Six months ended 30 June**	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Solutions	**37,705**	21,190	**85,789**	64,406
Services	**21,314**	17,103	**30,875**	33,246
Products	**11,619**	10,298	**14,691**	22,042
	70,638	48,591	**131,355**	119,694

An analysis of the Group's timing of revenue recognition is as follows:

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
At a point of time	**49,324**	31,488	**100,480**	86,448
Over time	**21,314**	17,103	**30,875**	33,246
	70,638	48,591	**131,355**	119,694

Geographical information

The Group primarily operates in the PRC. As at 30 June 2020 and 31 December 2019, substantially all of the non-current assets (other than financial instruments and deferred tax assets) of the Group were located in the PRC.

5. OTHER INCOME

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other revenue				
Interest income	**3,157**	1,132	**5,520**	6,162
Value-added tax ("**VAT**") refunds (note a)	**2,365**	845	**4,264**	3,896
	5,522	1,977	**9,784**	10,058
Other net income				
Gain on disposal of intangible assets	**—**	2,400	**—**	2,400
Subsidy income from government (note b)	**2,193**	916	**3,192**	916
Sundry income	**138**	14	**139**	114
Deemed gain on disposal of an associate	**1,535**	—	**1,535**	—
	3,866	3,330	**4,866**	3,430
	9,388	5,307	**14,650**	13,488

Notes:

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

(b) Subsidy income mainly relates to cash subsidies in respect of operating and development activities from governments which are either unconditional grants or grants with conditions having been satisfied.

6. LOSS BEFORE INCOME TAX

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

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Finance costs				
Interest on bank and other borrowings, wholly repayable within five years	**2,811**	2,802	**4,007**	5,192
Employee benefit expenses				
Salaries, bonus and allowances	**22,686**	29,293	**39,274**	47,331
Retirement benefit scheme contributions	**3,973**	5,425	**6,195**	10,786
Severance payments	**341**	104	**375**	164
Share-based compensation expense	**—**	(346)	**—**	1,800
	27,000	34,476	**45,844**	60,081
Other items				
Cost of software and hardware equipment recognised as an expense	**28,909**	13,368	**66,927**	53,223
Depreciation of property, plant and equipment	**55**	1,559	**626**	2,827
Amortisation of intangible assets	**10,307**	7,069	**15,962**	11,827

7. INCOME TAX EXPENSE

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred tax				
Origination and reversal of temporary differences	**(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 all periods.

(c) PRC enterprise income tax

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

Pursuant to the relevant laws and regulations in the PRC, certain of the Company's subsidiaries in the PRC obtained the "High and New Technology Enterprise" qualification and enjoyed preferential income tax rate of 15% for the six months ended 30 June 2019 and 2020.

According to relevant laws and regulations in the PRC, enterprises engaging in research and development activities are entitled to claim 175% (six months ended 30 June 2019: 150%) of the research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("**Super Deduction**"). The Group have made its best estimate for the Super Deduction to be claimed in ascertaining their assessable profits for the reporting period.

(d) PRC withholding tax

According to the relevant laws and regulations in the PRC, the Group is also liable to a 10% withholding tax on dividends to be distributed from the Group's foreign-invested enterprises in the PRC in respect of its profits generated from 1 January 2008. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

8. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

9. LOSS PER SHARE

(a) Basic loss per share

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

	(Unaudited) Three months ended 30 June		**(Unaudited) Six months ended 30 June**	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Loss				
Loss attributable to equity holders of the Company	**(14,161)**	(25,801)	**(32,427)**	(39,597)

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2020	2019	**2020**	2019
Number of shares (in thousands)				
Weighted average number of ordinary shares outstanding for basic loss per share	**618,332**	618,332	**618,332**	618,332

(b) Diluted loss per share

For the three months and six months ended 30 June 2020 and 2019, 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 three months and six months ended 30 June 2020 and 2019 was the same as the basic loss per share as all the potential ordinary shares were anti-dilutive.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property, plant and equipment at a cost of RMB290,000 (six months ended 30 June 2019: RMB1,343,000).

11. INTANGIBLE ASSETS

During the six months ended 30 June 2020, additions to intangible assets by capitalisation of development costs amounted to RMB8,174,000 (six months ended 30 June 2019: RMB20,083,000).

12. INTERESTS IN JOINT VENTURES

	(Unaudited) As at 30 June 2020 RMB'000	(Audited) As at 31 December 2019 RMB'000
Share of net assets	—	190
Goodwill	26	197
	26	387

As at 30 June 2020, the Group's interests in joint ventures, which are accounted using the equity method, represent its investments in Beijing Jingqi Chuangzhi Technology Co., Ltd ("**Beijing Jingqi**") (31 December 2019: Beijing Jingqi and CDV (Beijing) Yun Duan Technology Co., Ltd ("**Xin'aote Cloud**")), which is an unlisted corporate entity whose quoted market price is not available.

During the three months ended 30 June 2020, the share of profit of joint ventures recognised in profit or loss by the Group amounted to RMB1,869,000 (three months ended 30 June 2019: loss of RMB584,000).

During the six months ended 30 June 2020, the share of loss of joint ventures recognised in profit or loss by the Group amounted to RMB361,000 (six months ended 30 June 2019: RMB584,000).

The Group disposed 40% equity interest in Xin'aote Cloud during the six months ended 30 June 2020 at nil consideration. No gain or loss was recognised for the disposal for the six months ended 30 June 2020.

13. INTERESTS IN ASSOCIATES

	(Unaudited) **As at** **30 June** **2020** **RMB'000**	(Audited) As at 31 December 2019 RMB'000
Share of net assets	**6,814**	8,061
Goodwill	**13,986**	9,268
	20,800	17,329

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

During the three months and six months ended 30 June 2020, the share of profit of associates recognised in profit or loss by the Group amounted to RMB161,000 (three months ended 30 June 2019: loss of RMB448,000) and RMB161,000 (six months ended 30 June 2019: loss of RMB448,000), respectively.

During the six months ended 30 June 2020, the Group's interest in Beijing Meicam was diluted from 33.33% to 32.78% upon the contribution by the new investor and accordingly, a gain on deemed disposal of partial interest in an associate of approximately RMB1,535,000 was recognised in profit or loss for the six months ended 30 June 2020.

14. TRADE AND OTHER RECEIVABLES

	Notes	(Unaudited) As at 30 June 2020 RMB'000	(Audited) As at 31 December 2019 RMB'000
Trade receivables			
From third parties		**335,350**	308,096
From related parties		**12,752**	12,900
		348,102	320,996
Less: ECL allowance		**(179,624)**	(160,495)
	(a)	**168,478**	160,501
Other receivables	(b)		
Deposits, prepayments and other receivables		**13,125**	9,663
Deposit for guarantee certificate over tendering and performance		**20,083**	23,472
Loan receivables		**115,025**	123,527
Interest receivables		**3,468**	4,187
Advances to suppliers		**88,238**	69,830
Amounts due from associates		**1,941**	7,607
Amounts due from related parties		**2,196**	8,017
Amounts due from joint ventures		**—**	1,826
Loan to an associate		**400**	400
Advances to employees		**13,738**	11,573
		258,214	260,102
Less: ECL allowance		**(26,878)**	(26,675)
		231,336	233,427
		399,814	393,928

The Directors of the Group considered that the fair values of trade and other receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

(a) Trade 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:

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
0 to 90 days	**41,301**	38,757
91 to 180 days	**23,832**	18,705
181 to 365 days	**47,102**	40,829
1 to 2 years	**56,243**	62,210
	168,478	160,501

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

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

(b) Other receivables

Deposit for guarantee certificate

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

Loan receivables

As at 30 June 2020, the Group has loan receivables of approximately RMB115,025,000 (31 December 2019: RMB123,527,000) from independent third parties. Loan receivables with net carrying amount of RMB9,466,000 (31 December 2019: RMB9,328,000) is secured by a property, carrying fixed interest of 6% per annum and wholly repayable within one year. As at 30 June 2020, the market value of the property is approximately RMB19,723,000 (31 December 2019: RMB19,637,000).

Loan receivables of approximately RMB91,637,000 (31 December 2019: RMB100,481,000) are unsecured, carrying fixed interest of 6% per annum and wholly repayable within one year.

Amounts due from associates, joint ventures and related parties

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

Advances to employees

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

Loan to an associate

As at 30 June 2020, loan to an associate of RMB400,000 (31 December 2019: RMB400,000) is unsecured, carried interest at 8.0% per annum and repayable within one year.

15. CONTRACT ASSETS AND CONTRACT LIABILITIES

15.1 Contract assets

	(Unaudited) As at 30 June 2020 RMB'000	(Audited) As at 31 December 2019 RMB'000
Contract assets	**83,909**	81,864
Less: ECL allowance for contract assets	**(6,839)**	(6,672)
	77,070	75,192

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

15.2 Contract liabilities

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

16. TRADE AND OTHER PAYABLES

	Note	(Unaudited) As at 30 June 2020 RMB'000	(Audited) As at 31 December 2019 RMB'000
Trade payables			
– third parties	**(a)**	**142,931**	134,362
Other payables			
Other payables and accrued charges		**47,462**	39,137
Other tax liabilities		**50,820**	49,985
Staff costs and welfare accruals		**25,116**	13,433
Amounts due to associates		**3,548**	2,257
Amounts due to joint ventures		**1,371**	1,050
Amounts due to related parties		**12,883**	9,489
Deferred income related to government grants		**7,772**	4,475
		148,972	119,826
		291,903	254,188

All amounts are short-term and hence the carrying values of the Group's trade and other payables as at 30 June 2020 and 31 December 2019 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:

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
0 to 90 days	**52,007**	51,584
91 to 180 days	**5,571**	9,718
181 to 365 days	**26,942**	10,443
1 to 2 years	**14,925**	29,519
2 to 3 years	**13,698**	12,478
Over 3 years	**29,788**	20,620
	142,931	134,362

17. SHARE CAPITAL

	Number of shares	**Nominal value of shares**
		US$
<u>Authorised:</u>		
Ordinary shares of the Company:		
As at 1 January 2019, 31 December 2019 (audited), 1 January 2020 and 30 June 2020 (unaudited), at US$0.00001 each	**5,000,000,000**	**50,000**

	Number of shares	Nominal value of shares	Equivalent nominal value of shares
		US$	RMB'000
<u>**Issued and fully paid:**</u>			
Ordinary shares of the Company:			
As at 1 January 2019, 31 December 2019 (audited), 1 January 2020 and 30 June 2020 (unaudited)	**630,332,000**	**6,303**	**43**

	Note	Number of treasury shares	Nominal value of shares	Equivalent nominal value of shares
			US$	RMB'000
Treasury shares of the Company:				
As at 1 January 2019, 31 December 2019, 1 January 2020 (audited) and 30 June 2020 (unaudited)		**12,000,000**	**120**	**1**

18. SHARE-BASED COMPENSATION TRANSACTIONS

(a) The 2010 Share Option Plan

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

The purpose of the 2010 Share Option Plan is to provide eligible participants with the opportunity to acquire and maintain share ownership, thereby strengthening their commitment to the welfare of the Group and promoting and identify of interest between shareholders and these eligible participants. All directors, employees, consultant or advisor to the Group who, in the sole discretion of the remuneration committee of the Board ("**Committee**"), or if no such committee has yet been established, the Board, have contributed or will contribute to the Group are eligible to participate in the 2010 Share Option Plan. Without limiting to the foregoing, at the time of grant of options, any holder of 5% or more of the outstanding ordinary shares of the Company shall not be eligible to be granted, or to receive any ordinary shares of the Company under, any options under the 2010 Share Option Plan.

The maximum number of ordinary shares of the Company to be issued (from time to time) upon exercise of all outstanding options granted and yet to be exercised under the 2010 Share Option Plan must not in aggregate exceed 26,000,000 (subject to adjustment, such as bonus issue, extraordinary cash dividends, share splits, reverse share splits, recapitalisation, reorganisations, mergers, consolidations, combinations occurring after the date of grant of options). The aggregate number of outstanding ordinary shares of the Company as of the Effective Date is 80,000,000 ordinary shares of US$0.00001 each.

The period within which the options must be exercised will be specified by the Company at the time of grant and not to exceed 10 years. The options may be exercised according to the vesting schedule established by the Company. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before the option can be exercised in whole or in part.

The subscription price of the shares (the "**Option Price**") under the 2010 Share Option Plan will be specified by the Company at the time of grant. The Option Price shall be payable in cash or by the sale by the participant to the Company, and the repurchase by the Company, for an aggregate consideration of US$1.00, of ordinary shares of the Company held by the participant having an aggregate fair market value at the time the option is exercised equal to the Option Price.

The offer and acceptance of a grant of share options shall be evidenced by a share option agreement. No options may be granted under the 2010 Share Option Plan after the date of the tenth anniversary of its adoption.

In the event a participant's employment or service with the Group is terminated for any reason, for a period of 360 days after such termination (the "**Repurchase Period**") the Company shall have a right but not an obligation, to repurchase any or all ordinary shares of the Company purchased by such participant upon exercise of his or her options (the "**Right of Repurchase**"), at a price equal to the fair market value of the ordinary shares on the date the Company exercises its Right of Repurchase.

On 1 January 2011, 26,000,000 options were granted by the Company for nil consideration with estimated fair value of approximately US$3,129,000 (approximately RMB20,720,000) (note). Each option gives the holder the right to subscribe for one ordinary share in the Company at an exercise price of US$1.16 per share. The share options are valid for a period of 10 years from 1 January 2011. Included in the 26,000,000 options, (i) 25,700,000 options are subject to a vesting scale in which 30%, 30%, 20% and 20% of options granted shall vest on 1 January 2012, 1 January 2013, 1 January 2014 and 1 January 2015 respectively; and (ii) 300,000 options are subject to a vesting scale in which 1/3, 1/3 and 1/3 of the options granted shall vest on 1 January 2012, 1 January 2013 and 1 January 2014 respectively. All options granted are exercisable from 1 January 2012 to 31 December 2021.

Note: As detailed above, as the participant can choose the method of settlement, the Company is considered to have issued a compound financial instrument, an instrument with a debt component (to the extent that the participant has a right to demand cash) and an equity component (to the extent that the counterparty has a right to demand settlement in equity instruments by giving up their right to cash). However, as the exercise price of the options of US$1.16 per share is higher than the agreed repurchase price of US$1.00 per share, the Group considered the debt component is of no value in respect of all the share options granted, thus the fair value of the equity component was approximately US$3,129,000 (approximately RMB20,720,000) at the date of grant.

On 1 October 2015, 2,935,000 options were granted by the Company to the key employees of the Group under the 2010 Share Option Plan with estimated total fair value of approximately US$3,000,000 (equivalent to approximately RMB19,195,000). The exercise price of the share options granted is US$0.00001 per share. The share options are valid for a period of 10 years from 1 October 2015. Included in the 2,935,000 options, 1,435,000 options granted will vest on the 1 October 2016, and the remaining 1,500,000 options are subject to a vesting scale in which 40%, 30% and 30% of options granted shall vest on 1 October 2016, 1 October 2017 and 1 October 2019 respectively. The options granted are exercisable from 1 October 2016 to 31 December 2021.

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

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

	(Unaudited) Six months ended 30 June 2020		(Unaudited) Six months ended 30 June 2019	
	Average exercise price in US$ per share option	**Number of share options**	Average exercise price in US$ per share option	Number of share options
Directors				
At beginning and end of period	**—**	**—**	1.16	14,569,265
Employees				
At beginning of period	**0.40**	**13,082,299**	1.00	61,656,531
Forfeited during the period	**1.16**	**(690,914)**	1.16	(150,199)
At end of period	**0.33**	**12,391,385**	0.94	61,506,332
Total				
At beginning of period	**0.40**	**13,082,299**	1.03	76,225,796
Forfeited during the period	**1.16**	**(690,914)**	1.16	(150,199)
At end of period	**0.33**	**12,391,385**	1.03	76,075,597
Exercisable at the end of period	**0.33**	**12,391,385**	1.03	76,075,597

None of the above share options were exercised during the period. The weighted average remaining contractual life of options outstanding at 30 June 2020 was 1.5 years (30 June 2019: 2.5 years).

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

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

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

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

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

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 period are as follows:

	(Unaudited) Six months ended 30 June 2020		(Unaudited) Six months ended 30 June 2019	
	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 and end of period	**1.33**	**9,800,000**	1.33	9,800,000
Employees				
At beginning of period	**1.33**	**51,682,700**	1.33	51,859,700
Forfeited during the period	**—**	**—**	1.33	(177,000)
At end of period	**1.33**	**51,682,700**	1.33	51,682,700
Total				
At beginning of period	**1.33**	**61,482,700**	1.33	61,659,700
Forfeited during the period	**—**	**—**	1.33	(177,000)
At end of period	**1.33**	**61,482,700**	1.33	61,482,700
Exercisable at the end of period	**1.33**	**61,482,700**	1.33	43,183,500

None of the above share options were lapsed (30 June 2019: 177,000) or exercised (30 June 2019: nil) during the six months ended 30 June 2020. The weighted average remaining contractual life of options outstanding at 30 June 2020 was 6.9 years (30 June 2019: 7.9 years).

The Group recognised an expense of RMB nil (six months ended 30 June 2019: RMB1,580,000) for the six months ended 30 June 2020 in relation to the 2017 Share Option Scheme.

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

The Board approved the adoption of the a share award scheme on 20 March 2017 (the "**2017 Share Award Scheme**"), pursuant to which, shares will be acquired by a trustee by way of subscription of new shares (whether pursuant to general mandate or specific mandate granted by the shareholders or otherwise) and/or purchase of shares from the market out of cash contributed by the Group and be held on trust for the participants until such awarded shares are vested in the relevant selected participants in accordance with the provisions of the 2017 Share Award Scheme.

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

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

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

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

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

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

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

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

Pursuant to the resolution passed at the annual general meeting of the Company held on 18 May 2017, 12,000,000 awarded shares were granted by the Company to the key employees of the Group under the 2017 Share Award Scheme with estimated totally fair value of approximately RMB14,325,000. The fair value of the awarded shares was calculated based on the market price of the Company's shares at the grant date. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares. The 12,000,000 awarded shares are subject to a vesting scale in which 40%, 30% and 30% of the awarded shares shall vest on 18 May 2017, 24 May 2018 and 24 May 2019 respectively.

In 2017, the Company issued 12,000,000 new shares to the Trustee for the Share Award Scheme, which were classified as treasury shares of the Company. No shares were purchased or granted by the Company under the Share Award Scheme during the six months ended 30 June 2020 and 2019.

	Number of share awards
Employees	
At 1 January 2019	11,085,448
Forfeited during the year	(409,451)
At 31 December 2019 (audited), 1 January 2020 and 30 June 2020 (unaudited)	**10,675,997**

The Group recognised an expense of RMB nil for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB220,000) in relation to the 2017 Share Award Scheme.

(d) The Group recognised a total expense of RMB nil for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB1,800,000) and credited RMB nil for the three months ended 30 June 2020 (three months ended 30 June 2019: RMB346,000) 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 condensed consolidated statement of comprehensive income.

19. COMMITMENTS

Lease commitments

At the reporting date, the lease commitments for short-term leases are as follows:

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
Premises within one year	**8,907**	5,950

Capital commitments

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
Contracted but not provided for		
– investment in an associate	**4,900**	4,900

20. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

Name of related parties	Relationship with the Group
Mr. Zheng Fushuang (“**Mr. Zheng**”)	Substantial shareholder of the Company and director of the Company
Beijing Sunshine Cloud Technology Co., Ltd. (Previously known as China Digital Video Cloud (Beijing) Technology Co., Ltd., “**Beijing Cloud**”)	Company in which Mr. Zheng can exercise significant influence
Xin’aote Group Co., Ltd. 北京新奧特集團有限公司 (“**Xin’aote Group**”)	Controlled by Mr. Zheng
Xin’aote Investment Group Co., Ltd (“**Xin’aote Investment**”)	Controlled by Mr. Zheng

a) Transactions with related parties

		(Unaudited)	
		Six months ended 30 June	
		2020	2019
		RMB’000	RMB’000
Xin’aote Investment	Rental expenses and property management fee*	**6,311**	8,139
Xin’aote Group	Sales of goods and provision of service*	**16,742**	4,785
Beijing Cloud	Sales of goods and provision of service	**—**	132

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

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

b) Key management personnel remuneration

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

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Basic salaries and allowances	**1,575**	2,236
Retirement benefit scheme contributions	**38**	116
Share-based compensation expense	**—**	336
	1,613	2,688

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

	(Unaudited) **As at** **30 June** **2020** **Level 3** **RMB'000**	(Audited) As at 31 December 2019 Level 3 RMB'000
Financial asset at fair value through profit or loss		
– Unlisted equity investments	**4,935**	4,935

For the six months ended 30 June 2020 and year ended 31 December 2019, there were no transfers amongst level 1, level 2 and level 3 in the fair value hierarchy.

The information about the fair value of unlisted equity investments categorised under Level 3 fair value hierarchy are described below:

			Range (median)	
			As at	As at
			30 June	31 December
	Valuation technique	**Unobservable input**	**2020**	2019
– Unlisted equity investments (note)	Market approach and net assets approach	Discount of lack of marketability	**15.8%**	15.8%

Note:

With the assistance of independent professional valuer, the fair value of unlisted equity investments is determined using the market approach and net assets adjusted for lack of marketability discount. An increase in the discount for lack of marketability would decrease the fair value of the equity investments.

In the opinion of the directors, the fair value change on the unlisted equity investments is considered to be insignificant for the six months ended 30 June 2020 because there is no significant change in the financial projections of the investments, unobservable input and assumptions.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

We have established business relationship with most of the central- and provincial-level TV stations in China and with some of the provincial-level TV broadcasters in China for over 24 years. We have also served alternative broadcasting platforms, such as cable networks operators, internet media content providers and IPTV operators. In view of the sustained losses of the Group, while we will continue our existing principal business, we will conduct a review of our business activities for the purpose of formulating business plans and strategies for our future business development. We may explore other business opportunities and consider whether any asset disposal, asset acquisition, business rationalisation, business divestment, fund raising, restructuring of the existing business and/or business diversification will be appropriate in order to enhance our long-term growth potential.

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 year of 2020. 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 total revenue of RMB131.4 million for the six months ended 30 June 2020 (the "**2020 Interim Period**"), representing an increase of 9.7% from RMB119.7 million for the six months ended 30 June 2019 (the "**2019 Interim Period**"). We recorded a loss of RMB29.5 million for the 2020 Interim Period as compared to RMB39.8 million for the 2019 Interim Period, 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 cost of sales increased by 14.0% to RMB101.8 million for the 2020 Interim Period as compared to RMB89.3 million for the 2019 Interim Period. Our gross profit margin decreased from 25.4% for the 2019 Interim Period to 22.5% for the 2020 Interim Period. Such a decrease was mainly attributable to the increase in the proportion of the sales of solutions which were of a lower profit margin and the amortisation of research and development expenses.

ANALYSIS ON INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME ITEMS

Revenue

We derived revenue primarily from (i) sale of solutions, (ii) provision of services and (iii) sale of products. Our revenue increased by 9.7% to RMB131.4 million for the 2020 Interim Period from RMB119.7 million for the 2019 Interim Period. The increase in revenue was mainly attributable to the commencement of upgrading of the 4K ultra-high definition equipment of certain major customers.

Cost of Sales

Our cost of sales increased by 14.0% to RMB101.8 million for the 2020 Interim Period from RMB89.3 million for the 2019 Interim Period as a result of the increase in revenue.

Gross Profit and Gross Profit Margin

Our gross profit represents revenue less cost of sales. Our gross profit decreased by 2.8% to RMB29.6 million for the 2020 Interim Period from RMB30.4 million for the 2019 Interim Period, primarily due to the decrease in the proportion of the sales of products and services which were of a higher profit margin and increase in the proportion of the sales of solutions which were of a lower profit margin. Our gross profit margin decreased to 22.5% for the 2020 Interim Period from 25.4% for the 2019 Interim Period.

Other Income

Our other income increased by 8.6% to RMB14.7 million for the 2020 Interim Period from RMB13.5 million for the 2019 Interim Period as a result of the increase in government subsidies.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 18.7% to RMB21.2 million for the 2020 Interim Period from RMB26.1 million for 2019 Interim Period, primarily due to the decrease in the costs relating to the sales and marketing staff.

Administrative Expenses

Our administrative expenses decreased by 29.6% to RMB13.4 million for the 2020 Interim Period from RMB19.1 million for the 2019 Interim Period, primarily due to the decrease in labour costs.

Share-Based Compensation Expense

We did not record any share-based compensation expense for the 2020 Interim Period as compared to RMB1.8 million for the 2019 Interim Period, since all share options granted under the share option scheme were fully vested in 2019.

Research and Development Expenses

Our research and development expenses increased by 24.5% to RMB16.6 million for the 2020 Interim Period from RMB13.3 million for the 2019 Interim Period, primarily due to the decrease in the capitalisation of research and development expenses.

Finance Costs

Our finance costs decreased by 22.8% to RMB4.0 million for the 2020 Interim Period from RMB5.2 million for the 2019 Interim Period, primarily due to the decrease in the balance of 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 by 6.0% to RMB18.3 million for the 2020 Interim Period from RMB17.2 million for the 2019 Interim Period, primarily due to the delay in the collection of receivables and the increase in the expected credit losses as a result of the outbreak of COVID-19.

Loss before Income Tax

As a result of the foregoing factors, we recorded a loss before income tax of RMB29.5 million for the 2020 Interim Period as compared to RMB39.8 million for the 2019 Interim Period.

Income Tax Expense

We recorded no income tax expense for the 2020 Interim Period and the 2019 Interim Period, primarily due to losses.

Loss for the Period

As a result of the foregoing factors, we recorded a loss of RMB29.5 million for the 2020 Interim Period as compared to RMB39.8 million for the 2019 Interim Period.

Other Comprehensive Income

We recorded other comprehensive income of RMB1.7 million for the 2020 Interim Period as compared to RMB0.5 million for the 2019 Interim Period, primarily due to the exchange difference arising from the translation of Renminbi and U.S. dollars.

Total Comprehensive Loss for the Period

We recorded a total comprehensive loss of RMB27.7 million for the 2020 Interim Period as compared to RMB39.3 million for the 2019 Interim Period, primarily due to the decrease in labour costs.

Loss Attributable to Equity Holders and Non-controlling Interests

We recorded a loss attributable to equity holders and non-controlling interests of the Company of RMB29.5 million for the 2020 Interim Period as compared to RMB39.8 million for the 2019 Interim Period.

Non-current Assets

As at 30 June 2020, our non-current assets amounted to RMB163.9 million (as compared to RMB 168.0 million as at 31 December 2019), primarily consisting of intangible assets of RMB131.2 million (as compared to RMB 139.0 million as at 31 December 2019) and interests in associates of RMB20.8 million (as compared to RMB17.3 million as at 31 December 2019).

Current Assets

As at 30 June 2020, our current assets amounted to RMB779.4 million (as compared to RMB769.7 million as at 31 December 2019), primarily consisting of trade and other receivables of RMB399.8 million (as compared to RMB393.9 million as at 31 December 2019), bank balances and cash of RMB109.4 million (as compared to RMB115.2 million as at 31 December 2019), pledged bank deposits of RMB124.2 million (as compared to RMB122.4 million as at 31 December 2019) and inventories of RMB66.7 million (as compared to 60.9 million as at 31 December 2019).

Current Liabilities

As at 30 June 2020, our current liabilities amounted to RMB544.7 million (as compared to RMB511.4 million as at 31 December 2019), primarily consisting of trade and other payables of RMB291.9 million (as compared to RMB254.2 million as at 31 December 2019), contract liabilities of RMB32.1 million (as compared to RMB17.0 million as at 31 December 2019), income tax liabilities of RMB5.2 million (as compared to RMB5.2 million as at 31 December 2019) and other interest-bearing borrowings of RMB215.5 million (as compared to RMB234.9 million as at 31 December 2019).

Non-current Liabilities

As at 30 June 2020, our non-current liabilities amounted to nil (as compared to nil as at 31 December 2019).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the 2020 Interim Period, we financed our operations primarily through cash generated from our operating activities. We had net cash used in operating activities in the amount of RMB1.7 million during the 2020 Interim Period as compared to net cash used in operating activities in the amount of RMB73.8 million during the 2019 Interim Period. As at 30 June 2020, we had (i) bank balances and cash of RMB109.4 million (as compared to RMB115.2 million as at 31 December 2019); and (ii) interest-bearing bank and other borrowings of RMB215.5 million (as compared to RMB234.9 million as at 31 December 2019), which were denominated in Renminbi and U.S. dollars bearing fixed and floating interest rates. All of our bank borrowings and other borrowings as at 30 June 2020 are repayable within one year.

Our gearing ratio (calculated by dividing total borrowings by total equity) was 54.1% as at 30 June 2020 (31 December 2019: 55.1%).

During the 2020 Interim Period, we did not enter into any financial instrument for hedging purposes.

COMMITMENTS

As at 30 June 2020, we had lease commitments in respect of a rented office of approximately RMB8.9 million (as at 31 December 2019: RMB6.0 million) and capital commitment in respect of investment in an associated of RMB4.9 million.

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

We did not make any significant investment in or material acquisition or disposal of subsidiaries, associates and joint ventures during the 2020 Interim Period.

INTERESTS IN JOINT VENTURES

As at 30 June 2020, we had interests in joint venture of RMB26,000 (as at 31 December 2019: RMB0.4 million). The Group's interests in the joint ventures, which are accounted for using the equity method, represent its investments in Beijing Jingqi Chuangzhi Technology Co., Ltd (北京精奇創智科技有限公司), which is an unlisted corporate entity. The Group disposed of 40% equity interest in CDV (Beijing) Yun Duan Technology Co., Ltd (新奧特(北京)雲端科技有限公司) during the 2020 Interim Period at nil consideration. No gain or loss was recognised for the disposal.

FUTURE PLANS FOR MATERIAL INVESTMENT IN OR ACQUISITION OF CAPITAL ASSETS

During the 2020 Interim Period, we did not have any plans for material investment in or acquisition of capital assets.

FOREIGN CURRENCY RISK

Our subsidiaries mainly operate in the PRC and the majority of the transactions are settled in Renminbi, except for certain bank balances and bank borrowings which are denominated in U.S. dollar. Foreign currency risk arises when commercial transactions and recognized assets and liabilities are denominated in a currency that is not the functional currency of the Company or its subsidiaries. As at 30 June 2020, we did not have any significant foreign currency risk from our operations. During the 2020 Interim Period, we did not enter into any arrangements to hedge against any fluctuation in foreign currency.

CHARGE ON ASSETS

As at 30 June 2020, we had restricted and pledged deposits of RMB126.4 million (as at 31 December 2019: RMB124.5 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

Intended Use of the Net Proceeds

The net proceeds received by the Company from the public offering and placing of 155,000,000 shares of the Company at the final offer price of HK$1.90 per share were approximately HK$225.2 million (the "**Net Proceeds**"). As set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 15 June 2016, the Net Proceeds were intended to be utilized in the following manner:

- approximately 47% is expected to be used primarily for business expansion and development;

- approximately 15% is expected to be used primarily for potential strategic investment and acquisition to increase the Group's portfolio of solutions, services and products;

- approximately 15% is expected to be used primarily for further enhancing the Group's research and development capabilities;

- approximately 10% is expected to be used to repay certain of the Group's existing bank borrowings;

- approximately 3% is expected to be used primarily for promotion and marketing; and

- the remaining amount of up to approximately 10% is expected to be used for the Group's working capital and other general corporate purposes.

The Net Proceeds that are not immediately used for the purposes set out above have been deposited into the Company's bank accounts as short-term deposits (the "**Short-term Deposits**").

Adjustment of the Intended Use of the Net Proceeds

As at 31 December 2019, the Company had utilized 4.0% of the Net Proceeds for promotion and marketing, which slightly exceeded the original intended use of 3% (the "**Excess**"). The Directors are of the view that such a deviation (both in terms of percentage and absolute value) is of an immaterial nature. Nevertheless, the Board approved and ratified the Excess on 7 August 2020. In view of the current business expansion plan, the intended use of the Net Proceeds has been adjusted as follows (the amended figures are highlighted in bold and italic for easy reference):

- approximately ***46%*** is expected to be used primarily for business expansion and development;
- approximately 15% is expected to be used primarily for potential strategic investment and acquisition to increase the Group's portfolio of solutions, services and products;
- approximately 15% is expected to be used primarily for further enhancing the Group's research and development capabilities;
- approximately 10% is expected to be used to repay certain of the Group's existing bank borrowings;
- approximately ***4%*** is expected to be used primarily for promotion and marketing; and
- the remaining amount of up to approximately 10% is expected to be used for the Group's working capital and other general corporate purposes.

Utilized Net Proceeds

As at 31 December 2019 and the date of this report, 11.1% of the Net Proceeds remained unutilized. The unutilized amount of the Net Proceeds is expected to be utilized in the following manner:

	Unutilized Net Proceeds as at 31 December 2019	To be utilized by
Business expansion and development	7.2%	31 December 2021
Potential strategic investment and acquisition	2.3%	31 December 2021
Enhancing the research and development capabilities and upgrading the information technology systems	1.6%	31 December 2021
Total:	11.1%	

HUMAN RESOURCES

As at 30 June 2020, we had 651 full-time employees and 39 dispatched workers (30 June 2019: 673 full-time employees and 43 dispatched workers). The remuneration package of our employees includes salary, sales commission, bonus and other cash subsidies. The remuneration expense, excluding share-based compensation expense, for the 2020 Interim Period and the 2019 Interim Period was approximately RMB54.8 million and RMB66.1 million, respectively. In general, our 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.

We have adopted a pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**"), a share option scheme (the "**Share Option Scheme**") and a share award scheme (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. For further details, please see the sections headed "Pre-IPO Share Option Scheme", "Share Option Scheme" and "Share Award Scheme" in the Directors' Report.

CONTINGENT LIABILITIES

As at 30 June 2020, we did not have any material contingent liabilities (31 December 2019: nil).

OTHER INFORMATION

DIVIDEND DISTRIBUTION

The Board did not recommend the payment of interim dividends for the 2020 Interim Period (2020 Interim Period: nil).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the 2020 Interim Period.

EVENT AFTER THE REPORTING PERIOD

There was no significant event since 30 June 2020 and up to the date of this announcement.

COMPETING BUSINESSES

For the 2020 Interim Period, none of the Directors or controlling shareholders of the Company and their respective associates (as defined under the GEM listing Rules) had any interest in a business that competes or may compete with the business of the Group, or had any other conflict of interest with the Group.

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions as set out in the Corporate Governance Code (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 of the Company (the "**Chairman**") and the CEO. 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 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 during the 2020 Interim Period and up to the date of this report. No incident of non-compliance was noted by the Company during this period.

AUDIT COMMITTEE AND REVIEW OF INTERIM 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 audit process and the audits of the financial statements of the Group.

The audit committee comprises three independent non-executive Directors, namely, Ms. Cao Qian, Dr. Li Wanshou and Mr. Frank Christiaens, and is chaired by Ms. Cao Qian.

The audit committee has reviewed the unaudited interim financial statements for the 2020 Interim Period and is of the opinion that (i) the unaudited financial statements of the Group for the 2020 Interim Period comply with the applicable accounting standards and the GEM Listing Rules; and (ii) adequate disclosure has been made in such unaudited financial statements.

CLARIFICATION AND AMENDMENTS TO THE ANNUAL REPORT

Reference is made to the annual report of the Company for the year ended 31 December 2019 (the "**Annual Report**").

When calculating its actual use of the Net Proceeds during the preparation of the Annual Report, the Company had mistakenly categorized the Short-term Deposits as the Group's general working capital. The Company would like to clarify that the Net Proceeds had not been fully utilized as at 31 December 2019, and that the table set out in the section headed "Management Discussions and Analysis – Use of Proceeds" in the Annual Report shall be amended as follows (the amended figures are highlighted in bold and italic for easy reference):

	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	***10.0%***
Total:	***88.9%***

The remaining Net Proceeds of RMB25 million are currently placed as Short-term Deposits with interests at prevailing interest rate.

The Company confirms that, save as disclosed hereinabove, all other information disclosed in the Annual Report remains unchanged.

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

Hong Kong, 7 August 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 GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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