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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)

**UNAUDITED ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

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

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

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

For the reasons explained in the paragraph headed “Review of Unaudited Annual Results” in this announcement, the auditing process for the annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 (the “**2021 Annual Period**”) has not been completed. In the meantime, the board of Directors (the “**Board**”) of the Company announces the unaudited consolidated financial results of the Group for the 2021 Annual Period, together with the comparative figures for the year ended 31 December 2020 (the “**2020 Annual Period**”).

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Revenue	3	249,655	312,040
Cost of sales		<u>(204,017)</u>	<u>(258,231)</u>
Gross profit		45,638	53,809
Other income	4	30,460	61,951
Selling and marketing expenses		(66,886)	(43,577)
Administrative expenses		(33,939)	(29,975)
Research and development expenses		(31,058)	(43,569)
Finance costs	5	(11,175)	(10,289)
Net impairment loss on trade and other receivables and contract assets		(7,560)	(49,095)
Impairment loss on intangible assets		(24,175)	(3,100)
Share of result of a joint venture		—	(387)
Share of results of associates		(4,070)	2,603
Loss before income tax		(102,765)	(61,629)
Income tax expense	6	—	(7,466)
Loss for the year		(102,765)	(69,095)
Other comprehensive expense			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange difference arising on the translation of a foreign operation		(4,111)	(11,009)
Total comprehensive expense for the year		(106,876)	(80,104)
(Loss)/Profit for the year attributable to:			
Equity holders of the Company		(104,972)	(71,060)
Non-controlling interests		2,207	1,965
		(102,765)	(69,095)
Total comprehensive (expense)/profit for the year attributable to:			
Equity holders of the Company		(109,083)	(82,069)
Non-controlling interests		2,207	1,965
		(106,876)	(80,104)
LOSS PER SHARE	7		
(expressed in RMB cents per share)			
Basic		(16.98)	(11.49)
Diluted		(16.98)	(11.49)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		34,893	40,590
Intangible assets		86,627	110,996
Goodwill		—	—
Interest in a joint venture		—	—
Interests in associates		29,898	33,968
Financial assets at fair value through profit or loss (“FVTPL”)		7,472	9,191
		<u>158,890</u>	<u>194,745</u>
Current assets			
Inventories		34,518	52,225
Trade and other receivables	9	381,105	364,502
Contract assets		45,179	58,530
Restricted bank deposits		2,070	372
Pledged bank deposits		—	52,199
Bank balances and cash		31,192	125,594
		<u>494,064</u>	<u>653,422</u>
Current liabilities			
Trade and other payables	10	253,572	243,831
Contract liabilities		13,418	18,509
Interest-bearing borrowings		91,862	196,810
Income tax liabilities		6,982	6,985
Lease liabilities		7,807	7,429
		<u>373,641</u>	<u>473,564</u>
Net current assets		<u>120,423</u>	<u>179,858</u>
Total assets less current liabilities		<u>279,313</u>	<u>374,063</u>
Non-current liabilities			
Interest-bearing borrowings		19,800	—
Lease liabilities		20,546	28,353
		<u>40,346</u>	<u>28,353</u>
Net assets		<u>238,967</u>	<u>346,250</u>
EQUITY			
Share capital	11	43	43
Reserves		234,012	343,095
Equity attributable to equity holders of the Company		234,055	343,138
Non-controlling interests		4,912	3,112
Total equity		<u>238,967</u>	<u>346,250</u>

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is P.O. Box 309, Uglund House, Grand Cayman KY1-1104, Cayman Islands. The address of the Company's principal place of business in Hong Kong is Unit 1303, 13/F, Hua Fu Commercial Building, 111 Queen's Road West, Hong Kong. The Company's shares were listed on the GEM of the Stock Exchange since 27 June 2016.

The Group is 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").

In the opinion of the Directors, the immediate holding company and the ultimate holding company of the Company is Wing Success Holdings Limited, a company incorporated in the British Virgin Islands, while the ultimate beneficial owner of the Company is Mr. Zheng Fushuang ("Mr. Zheng"), the executive director of the Company.

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

2. BASIS OF PREPARATION

The unaudited consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") which includes all applicable individual IFRSs, the International Accounting Standards ("IASs") and interpretations issued by the International Accounting Standards Board. The unaudited consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the GEM Listing Rules.

The unaudited consolidated financial statements have been prepared under the historical cost convention, except for financial assets at FVTPL, which are measured at fair value.

The preparation of unaudited consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

2.1 Adoption of new and amended IFRSs

(a) New and amended standards adopted by the Group

In the current year, the Group has applied for the first time the following amended IFRSs, which are effective for the Group's unaudited consolidated financial statements for the annual period beginning on 1 January 2021 and relevant to the Group:

Amendments to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

The adoption of the above amended IFRSs had no material impact on how the unaudited consolidated results and unaudited consolidated financial position of the Group for the current and prior periods have been prepared and presented.

(b) Issued but not yet effective IFRSs

At the date of authorisation of the unaudited consolidated financial statements, certain new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group.

IFRS 17	Insurance Contracts and related amendments ²
Amendments to IFRS 3	Reference to the Conceptual Framework ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ⁴
Amendments to IAS 1	Classification of Liabilities as Current or Non- current ²
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to IFRS 8	Definition of Accounting Estimates ²
Amendments to IFRS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use ¹
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020 ¹

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

² Effective for annual periods beginning on or after 1 January 2023

³ Effective date not yet determined

⁴ Effective for annual periods beginning on or after 1 April 2021

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

3. REVENUE AND SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating and reporting 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 maker (the "CODM"), being the executive Directors of the Company. The CODM mainly reviews revenue derived from sales of products, solutions and services, which are measured in accordance with the Group's accounting policies. However, other than revenue information, no operating results and other discrete financial information is available for the assessment of performance of the respective type of revenue. In addition, 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:

	2021	2020
	RMB'000	RMB'000
Solutions	120,495	213,630
Services	70,202	60,303
Products	58,958	38,107
	<u>249,655</u>	<u>312,040</u>

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

	2021	2020
	RMB'000	RMB'000
At a point of time	179,453	251,737
Over time	70,202	60,303
	<u>249,655</u>	<u>312,040</u>

Geographical information

The Group primarily operates in the PRC. As at 31 December 2021 and 2020, substantially all of the non-current assets (other than financial instruments) of the Group were located in the PRC.

Information about major customers

During the year ended 31 December 2021, RMB25,089,000 (2020: nil) or 10% (2020: nil) of the Group's revenue are generated from a single customer.

4. OTHER INCOME

	2021	2020
	RMB'000	RMB'000
Other revenue		
Interest income	9,226	13,088
Value-added tax refunds	6,940	10,962
	<u>16,166</u>	<u>24,050</u>
Other net income		
Bad debts recovered	1,184	—
Dividend income from financial assets at FVTPL	3,340	—
Fair value (loss)/gain on financial assets at FVTPL	(1,719)	4,256
Gain on deemed disposal of partial interest in an associate	—	14,036
Gain on disposal of property, plant and equipment	7	—
Government grants	7,725	10,561
Gain on disposal of a subsidiary	151	—
Net foreign exchange gains	2,926	7,288
Reversal of accruals	—	1,234
Others	680	526
	<u>14,294</u>	<u>37,901</u>
	<u><u>30,460</u></u>	<u><u>61,951</u></u>

5. FINANCE COSTS

	2021	2020
	RMB'000	RMB'000
Interest charges on:		
– interest-bearing borrowings	9,564	9,182
– lease liabilities	1,611	1,107
	<u>11,175</u>	<u>10,289</u>

6. INCOME TAX EXPENSE

	2021	2020
	RMB'000	RMB'000
Current tax — PRC Enterprise Income Tax		
– current year	—	1,800
Deferred income tax	—	5,666
	<u>—</u>	<u>7,466</u>

7. LOSS PER SHARE

(a) Loss per share

Basic loss per share is calculated based on the loss attributable to equity holders of the Company of RMB104,972,000 (2020: RMB71,060,000) and the weighted average number of shares of 618,332,000 shares (2020: 618,332,000 shares) of the Company outstanding during the year, excluding the treasury shares held by the Company.

(b) Diluted loss per share

For the years ended 31 December 2021 and 2020, the Company has two categories of potential dilutive ordinary shares: the 2010 Share Option Plan and the 2017 Share Option Scheme. The diluted loss per share for the years ended 31 December 2021 and 2020 was the same as the basic loss per share as all the potential ordinary shares were anti-dilutive.

8. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

9. TRADE AND OTHER RECEIVABLES

	2021	2020
	RMB'000	RMB'000
Trade receivables		
– third parties	163,305	221,257
– related parties	18,884	7,852
	<u>182,189</u>	<u>229,109</u>
Less: expected credit losses (“ECL”) allowance	<u>(75,426)</u>	<u>(119,197)</u>
	<u>106,763</u>	<u>109,912</u>
Other receivables		
Deposits, prepayments and other receivables	9,057	6,243
Deposits for guarantee certificate over tendering and performance	17,264	22,133
Loan and interest receivables	223,600	169,627
Advances to suppliers	43,158	72,040
Amounts due from related parties	8,523	8,839
Amount due from a joint venture	4,667	2,116
Amounts due from associates	3,677	3,773
Advances to employees	13,694	9,397
	<u>323,640</u>	<u>294,168</u>
Less: ECL allowance	<u>(49,298)</u>	<u>(39,578)</u>
	<u>274,342</u>	<u>254,590</u>
	<u><u>381,105</u></u>	<u><u>364,502</u></u>

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, their settlement may be longer than 180 days (2020: 180 days) after issuance of invoices. Ageing analysis, based on invoice dates of the trade receivables and net of the ECL allowance at the end of the reporting period, is as follows:

	2021	2020
	RMB'000	RMB'000
0 to 90 days	23,405	25,287
91 to 180 days	16,432	4,390
181 to 365 days	28,015	41,345
1 to 2 years	21,140	31,781
Over 2 years	17,771	7,109
	<u>106,763</u>	<u>109,912</u>

10. TRADE AND OTHER PAYABLES

	2021	2020
	RMB'000	RMB'000
Trade payables		
– third parties	93,552	120,976
– a related party	153	391
	<u>93,705</u>	<u>121,367</u>
Other payables		
Other payables and accrued charges	40,348	30,709
Other tax payables	38,261	42,100
Staff costs and welfare accruals	31,572	18,338
Amounts due to related parties	41,368	21,305
Amounts due to associates	4,670	3,310
Deferred income related to government grants	3,648	6,702
	<u>159,867</u>	<u>122,464</u>
	<u>253,572</u>	<u>243,831</u>

The Group was granted by its suppliers credit periods ranging from 30 - 180 days (2020: 30 - 180 days). Based on the invoice dates, the ageing analysis of trade payables is as follows:

	2021	2020
	RMB'000	RMB'000
0 to 90 days	32,912	64,378
91 to 180 days	15,331	12,234
181 to 365 days	5,627	9,963
1 to 2 years	17,588	13,569
2 to 3 years	9,019	6,403
Over 3 years	13,228	14,820
	<u>93,705</u>	<u>121,367</u>

11. SHARE CAPITAL

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

	Number of shares	Authorised share capital US\$
Authorised:		
<i>Ordinary shares of the Company:</i>		
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021, at US\$0.00001 each	<u>5,000,000,000</u>	<u>50,000</u>

	Number of shares	Share Capital US\$	Equivalent to RMB'000
Issued and fully paid:			
<i>Ordinary shares of the Company:</i>			
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021, at US\$0.00001 each	<u>630,332,000</u>	<u>6,303</u>	<u>43</u>

	Number of treasury shares	Treasury shares US\$	Equivalent to RMB'000
<i>Treasury shares of the Company:</i>			
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021, at US\$0.00001 each	<u>12,000,000</u>	<u>120</u>	<u>1</u>

12. CAPITAL COMMITMENTS

	2021 RMB'000	2020 RMB'000
Contracted but not provided for – investment in an associate	<u>4,900</u>	<u>4,900</u>

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW

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

We have established business 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 networks operators, internet media content providers and IPTV operators. In view of the sustained losses of the Group, while we will continue with our existing principal business, we will conduct a review of our business activities for the purpose of formulating business plans and strategies for our future business development. We may explore other business opportunities and consider whether any asset disposal, asset acquisition, business rationalisation, business divestment, fund raising, restructuring of the existing business and/or business diversification will be appropriate in order to enhance our long-term growth potential.

FINANCIAL REVIEW

We recorded a revenue of RMB249.7 million for the 2021 Annual Period, representing a decrease of 20.0% from RMB312.0 million for the 2020 Annual Period. We recorded a loss of RMB102.8 million in the 2021 Annual Period as compared to a loss of RMB69.1 million in the 2020 Annual Period.

Revenue

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

Our revenue decreased by 20.0% to RMB249.7 million for the 2021 Annual Period from RMB312.0 million for the 2020 Annual Period. The decrease was mainly due to the slowdown of TV stations in upgrading their programmes as a result of the impact of internet video media.

Cost of Sales

Our cost of sales decreased by 21.0% to RMB204.0 million for the 2021 Annual Period from RMB258.2 million for the 2020 Annual Period, as a result of the decrease in revenue.

Gross Profit and Gross Profit Margin

Our gross profit represents revenue less cost of sales. Our gross profit decreased by 15.2% to RMB45.6 million for the 2021 Annual Period from RMB53.8 million for the 2020 Annual Period, primarily due to the decrease in revenue as explained in the paragraph headed “Revenue”. Our gross profit margin increased to 18.3% for the 2021 Annual Period from 17.2% for the 2020 Annual Period due to higher gross margins of service contracts.

Other Income

Our other income decreased by 50.8% to RMB30.5 million for the 2021 Annual Period from RMB62.0 million for the 2020 Annual Period, primarily due to the decrease of software tax rebates and government grants as compared with the corresponding period of last year.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 53.4% to RMB66.9 million for the 2021 Annual Period as compared to RMB43.6 million for 2020 Annual Period, primarily due to higher travel and business development expenses for sales staff due to easing of pandemic restriction and control measures in the 2021 Annual Period.

Administrative Expenses

Our administrative expenses increased by 13% to RMB33.9 million for the 2021 Annual Period as compared to RMB30.0 million for the 2020 Annual Period, primarily due to the reduction of social insurance reliefs which were available in the 2020 Annual Period.

Research and Development Expenses

Our research and development expenses decreased by 28.7% to RMB31.1 million for the 2021 Annual Period as compared to RMB43.6 million for the 2020 Annual Period, primarily due to the increase in capitalisation and research and capital expenditures.

Finance Costs

Our finance costs increased by 8.7% to RMB11.2 million for the 2021 Annual Period from RMB10.3 million for the 2020 Annual Period, primarily due to the increase in the average number of days of bank and other borrowings during the 2021 Annual Period.

Net Impairment Loss on Trade and Other Receivables and Contract Assets

Our net impairment loss on trade and other receivables and contract assets decreased to RMB7.6 million for the 2021 Annual Period from RMB49.1 million for the 2020 Annual Period. The decrease was primarily due to the decrease in the balances of our trade receivables.

Loss before Income Tax

As a result of the foregoing factors, we recorded a loss before income tax of RMB102.8 million and RMB61.6 million for the 2021 Annual Period and the 2020 Annual Period, respectively.

Income Tax Expense

We did not record income tax expense for the 2021 Annual Period (2020: RMB 7.5 million due to the reversal of deductible temporary difference) due to the Group had no taxable profit.

Loss for the Year

As a result of the foregoing factors, we recorded a loss of RMB102.8 million for the 2021 Annual Period as compared to a loss of RMB69.1 million for the 2020 Annual Period.

Other Comprehensive Expense

We recorded other comprehensive expense of RMB4.1 million for the 2021 Annual Period as compared to an other comprehensive expense of RMB11.0 million for the 2020 Annual Period, primarily due to the exchange difference arising on the translation of foreign operation.

Loss attributable to Equity Holders of the Company

We had loss attributable to equity holders of the Company of RMB105.0 million for the 2021 Annual Period as compared to loss attributable to equity holders of the Company of RMB71.1 million for the 2020 Annual Period.

Dividend

The Directors did not recommend the payment of a final dividend for the 2021 Annual Period (2020: nil).

ANALYSIS ON ANNUAL UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS

Non-current Assets

As at 31 December 2021, our non-current assets amounted to RMB158.9 million (as compared to RMB194.7 million as at 31 December 2020), primarily consisting of intangible assets of RMB86.6 million (as compared to RMB111.0 million as at 31 December 2020), property, plant and equipment of RMB34.9 million (as compared to RMB40.6 million as at 31 December 2020) and interests in associates of RMB29.9 million (as compared to RMB34.0 million as at 31 December 2020). Our intangible assets mainly represented our intellectual properties, patents, trademarks and licenses related to our products and all direct costs incurred in the development and acquisition of software products. Our interests in associates primarily represented our interests in associates, namely, Beijing Yue Ying Technology Co., Ltd. (北京悦影科技有限公司), Beijing Meicam Network Technology Co, Ltd. (北京美攝網絡科技有限公司), Xin'aote (Fujian) Culture Technology Co., Ltd. (新奧特(福建)文化科技有限公司) and Beijing Xin'aote Smart Sport Innovation Development Co., Ltd. (北京新奧特智慧體育創新發展有限公司).

Current Assets

As at 31 December 2021, our current assets amounted to RMB494.1 million (as compared to RMB653.4 million as at 31 December 2020), primarily consisting of trade and other receivables of RMB381.1 million (as compared to RMB364.5 million as at 31 December 2020), bank balances and cash of RMB31.2 million (as compared to RMB125.6 million as at 31 December 2020) and contract assets of RMB45.2 million (as compared to RMB58.5 million as at 31 December 2020).

Current Liabilities

As at 31 December 2021, our current liabilities amounted to RMB373.6 million (as compared to RMB473.6 million as at 31 December 2020), primarily consisting of trade and other payables of RMB253.6 million (as compared to RMB243.8 million as at 31 December 2020), interest-bearing bank and other borrowings of RMB91.9 million (as compared to RMB196.8 million as at 31 December 2020) and contract liabilities of RMB13.4 million (as compared to RMB18.5 million as at 31 December 2020). Contract liabilities of the Group mainly arising from the advance payments made by customers while the underlying products or services were yet to be provided.

Non-current Liabilities

As at 31 December 2021, our non-current liabilities, consisting of lease liabilities and the non-current portion of the bank borrowing, amounted to RMB40.3 million (as at 31 December 2020: RMB28.4 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2021, the current assets of the Group amounted to RMB494.1 million, including RMB381.1 million in trade and other receivables and RMB31.2 million in bank balances and cash. Current liabilities of the Group amounted to RMB373.6 million, of which RMB253.6 million were trade and other payables and RMB91.9 million were interest-bearing bank and other borrowings. As at 31 December 2021, the interest-bearing bank and other borrowings were denominated in Renminbi bearing fixed and floating interest rates.

The gearing ratio of the Group (calculated as total bank and other borrowings divided by total equity) was 46.7% as at 31 December 2021 (as compared to 56.8% as at 31 December 2020).

During the 2021 Annual Period, we did not employ any financial instrument for hedging purposes.

COMMITMENTS

As at 31 December 2021, we had short-term lease commitments in respect of rented office and various residential properties of RMB0.5 million (as at 31 December 2020: RMB0.4 million).

MATERIAL ACQUISITION AND DISPOSAL

We had no material acquisition and disposal of subsidiaries and affiliated companies during the 2021 Annual Period.

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

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

FOREIGN CURRENCY RISK

Our subsidiaries mainly operate in the PRC and the majority of our transactions are settled in Renminbi except for certain bank balances which are denominated in U.S. dollars. Foreign currency risk arises when commercial transactions and recognised assets and liabilities are denominated in a currency that is not either the Company's or our subsidiaries' functional currency. As at 31 December 2021, we did not have significant foreign currency risk from our operations. During the 2021 Annual Period, we did not enter into any arrangements to hedge against any fluctuation in foreign currency.

CHARGE ON ASSETS

As at 31 December 2021, we had restricted and pledged deposits of RMB2.1 million (2020: RMB52.6 million) held in banks for the purpose of contract related deposits or payments, guarantees issued for trade finance facilities and security of bank borrowings.

HUMAN RESOURCES

As at 31 December 2021, we had 530 full-time employees and 40 dispatched workers (2020: 619 full-time employees and 36 dispatched workers). The remuneration package of the employees includes salary, sales commission, bonus and other cash subsidies. For the 2021 Annual Period and the 2020 Annual Period, the remuneration expense, including both capitalized and expensed, was approximately RMB92.3 million and RMB103.6 million, respectively. In general, employees' salaries are determined based on individual performance, qualification, position and seniority. We place strong emphasis on recruiting skilled personnel. We typically recruit talents from universities and technical schools and conduct annual reviews to assess our employees' performance and determine their salary, bonus and promotion. We also place a strong emphasis on providing training to our employees in order to enhance their technical and product knowledge as well as comprehension of industry quality standards.

CONTINGENT LIABILITIES

As at 31 December 2021, we did not have any material contingent liabilities (2020: nil). We are not currently involved in any material legal proceedings, nor are we aware of any proceedings or potential material legal proceedings.

OUTLOOK

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout 2021, the Company complied with all code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code (the “**Corporate Governance Code**”) as contained in Appendix 15 of the GEM Listing Rules and in force during the year, with the following exception:

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 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 the 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.

DIRECTORS’ SECURITIES TRANSACTIONS

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

Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standards of dealings from 1 January 2021 and up to the date of this announcement.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the 2021 Annual Period.

AUDIT COMMITTEE

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

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

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

The Group's unaudited consolidated financial statements for the 2021 Annual Period have been reviewed by the Audit Committee, and the Audit Committee is of the opinion that such results complied with the applicable standards, the GEM Listing Rules and other applicable legal requirements and that adequate disclosures had been made.

REVIEW OF UNAUDITED ANNUAL RESULTS

The Company has appointed Grant Thornton Hong Kong Limited (“**Grant Thornton**”) as its auditor for the 2021 Annual Period. Due to the travel restriction and quarantine measures implemented as a result of the outbreak of COVID-19 in Mainland China and Hong Kong, the auditing process for the annual results for the 2021 Annual Period has not been completed as at the date of this announcement. In so far as the Board is aware, the delay in the completion of the auditing procedures is mainly attributable to the delay in obtaining certain confirmations from banks, customers and suppliers in different regions of the PRC and the final valuation reports. The unaudited annual results contained herein have not been agreed with Grant Thornton as required under Rule 18.49 of the GEM Listing Rules. An announcement relating to the Company's audited results will be made when the auditing process has been completed in accordance with International Standards on Auditing.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the 2021 Annual Period as agreed by Grant Thornton and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement(s) as and when necessary if there are other material development during the completion of the auditing process. The Company expects the auditing process will be completed on or before 30 April 2022.

ANNUAL GENERAL MEETING

The 2022 annual general meeting will be held on or before 30 June 2022. A notice convening the 2022 annual general meeting will be published on the websites of the Stock Exchange and the Company and dispatched to the Shareholders in due course.

EVENT AFTER THE REPORTING PERIOD

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

PUBLICATION OF UNAUDITED ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This unaudited annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.cdv.com. The annual report of the Company for the 2021 Annual Period containing all the information required by the GEM Listing Rules will be dispatched to Shareholders and published on the above websites in due course.

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

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

Hong Kong, 31 March 2022

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

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 GEM website at www.hkgem.com for at least seven (7) days from the date of its posting and be posted on the website of the Company at www.cdv.com.