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China Digital Video Holdings Limited

中國數字視頻控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8280)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2022**

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.

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

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

RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the three months ended 31 March 2022, together with the comparative figures for the corresponding period in 2021, as follows.

QUARTERLY CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE LOSS

FOR THE THREE MONTHS ENDED 31 MARCH 2022

		(Unaudited)	
		Three months ended	
		31 March	
	Notes	2022	2021
		RMB'000	RMB'000
Revenue	3	60,834	78,331
Cost of sales		<u>(48,265)</u>	<u>(53,567)</u>
Gross profit		12,569	24,764
Other income	4	6,799	4,875
Selling and marketing expenses		(14,324)	(14,188)
Administrative expenses		(8,435)	(11,797)
Research and development expenses		(7,331)	(7,592)
Finance costs	5	(1,511)	(2,692)
Net impairment loss on financial and contract assets		(2,209)	(7,125)
Share of profit of joint ventures		<u>(1,368)</u>	<u>(1,309)</u>
Loss before income tax	5	(15,810)	(15,064)
Income tax credit/(expense)	6	<u>—</u>	<u>—</u>
Loss for the period		<u>(15,810)</u>	<u>(15,064)</u>
Other comprehensive loss			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on the translation of foreign operation		<u>913</u>	<u>(3,459)</u>
Total comprehensive loss for the period		<u>(14,897)</u>	<u>(18,523)</u>

		(Unaudited)	
		Three months ended	
		31 March	
Notes		2022	2021
		RMB'000	RMB'000
Loss for the period attributable to:			
	Equity holders of the Company	(14,197)	(13,330)
	Non-controlling interests	<u>(1,613)</u>	<u>(1,734)</u>
		<u>(15,810)</u>	<u>(15,064)</u>
Total comprehensive loss for the period			
attributable to:			
	Equity holders of the Company	(13,284)	(16,789)
	Non-controlling interests	<u>(1,613)</u>	<u>(1,734)</u>
		<u>(14,897)</u>	<u>(18,523)</u>
Loss per share for profit attributable to			
equity holders of the Company			
	(expressed in RMB cents per share)	8	
	Basic	<u>(2.3)</u>	<u>(2.39)</u>
	Diluted	<u>(2.3)</u>	<u>(2.39)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2022

	Equity attributable to equity holders of the Company										
	Share capital RMB'000 (Unaudited)	Treasury shares RMB'000 (Unaudited)	Share premium RMB'000 (Unaudited)	Statutory reserve RMB'000 (Unaudited)	Translation reserve RMB'000 (Unaudited)	Share option reserve RMB'000 (Unaudited)	Other reserve RMB'000 (Unaudited)	Accumulated profits RMB'000 (Unaudited)	Sub-total RMB'000 (Unaudited)	Non- controlling interests RMB'000 (Unaudited)	Total equity RMB'000 (Unaudited)
Balance at 1 January 2022	43	(1)	600,213	30,215	(12,244)	27,165	31,278	(442,614)	234,055	4,912	238,967
Comprehensive loss for the year	—	—	—	—	—	—	—	—	—	—	—
Loss for the year	—	—	—	—	—	—	—	(14,197)	(14,197)	(1,613)	(15,810)
Other comprehensive loss for the year	—	—	—	—	(913)	—	—	—	(913)	—	(913)
Total comprehensive loss for the year	—	—	—	—	(913)	—	—	(14,197)	(15,110)	(1,613)	(16,723)
Transactions with owners	—	—	—	—	—	—	—	—	—	—	—
Vesting of shares of share award scheme	—	—	—	—	—	—	—	—	—	—	—
Total transactions with owners	—	—	—	—	—	—	—	—	—	—	—
Balance at 31 March 2022	<u>43</u>	<u>(1)</u>	<u>600,213</u>	<u>30,215</u>	<u>(13,157)</u>	<u>27,165</u>	<u>31,278</u>	<u>(456,811)</u>	<u>218,945</u>	<u>3,299</u>	<u>222,244</u>

Equity attributable to equity holders of the Company

	Share capital	Treasury shares	Share premium	Statutory reserve	Translation reserve	Share option reserve	Other reserve	Accumulated profits	Sub-total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at 1 January 2021	43	(1)	600,213	29,664	(8,133)	47,836	31,278	(357,762)	343,138	3,112	346,250
Comprehensive loss for the year											
Loss for the year	—	—	—	—	—	—	—	(13,330)	(13,330)	(1,734)	(15,064)
Other comprehensive loss for the year	—	—	—	—	3,459	—	—	—	3,459	—	3,459
Total comprehensive loss for the year	—	—	—	—	3,459	—	—	(13,330)	(9,871)	(1,734)	(11,605)
Transactions with owners											
Vesting of shares of share award scheme	—	—	—	—	—	—	—	—	—	—	—
Total transactions with owners	—	—	—	—	—	—	—	—	—	—	—
Balance at 31 March 2021	43	(1)	600,213	29,664	(4,674)	47,836	31,278	(371,092)	333,267	1,378	334,645

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT
OF PROFIT OR LOSS AND OTHER COMPREHENSIVE LOSS**
FOR THE THREE MONTHS ENDED 31 MARCH 2022

1. GENERAL INFORMATION

China Digital Video Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 8 January 2007 as an exempted company with limited liability under the Companies Law (as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. The Company’s shares were listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 27 June 2016 (the “**Listing**”).

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

As at 31 March 2022, the directors regard the immediate and the ultimate holding company of the Company is Wing Success Holdings Limited, a company incorporated in the British Virgin Islands and Mr. ZHENG Fushuang is the ultimate controlling party of the Company.

2. BASIS OF PREPARATION

This unaudited condensed consolidated quarterly results for the three months ended 31 March 2022 (the “**Results**”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. The Results were authorised for issue by the Board on 10 May 2022.

The accounting policies and methods of computation used in the preparation of the Results are consistent with those used in the preparation of the annual report for the year ended 31 December 2021 except for the adoption of a number of amendments to International Financial Reporting Standards that became effective for the accounting period beginning on 1 January 2022 and are relevant to the Group.

The Group has applied all the new and amended standards, which are mandatory for the financial year beginning on 1 January 2022. The adoption had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

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

The Results does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual report for the year ended 31 December 2021.

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

The Results is unaudited.

3. REVENUE AND SEGMENT INFORMATION

The Group’s operating activities are attributable to a single reportable and operating segment focusing primarily on the research, development and sales of video-related and broadcasting equipment and software and provision of related technical services in the PRC. This operating segment has been identified on the basis of internal management reports reviewed by the chief operating decision-makers (the “**CODM**”), being the executive directors of the Group. The CODM mainly reviews revenue derived from sales of products, solutions and services, which are measured in accordance with the Group’s accounting policies. However, other than revenue information, no operating results or other discrete financial information is available for the assessment of the performance of

the respective type of revenue. The CODM reviews the overall results of the Group as a whole to make decisions about resource allocation. Accordingly, no segment information is presented. An analysis of the Group’s revenue is as follows:

	(Unaudited)	
	Three months ended	
	31 March	
	2022	2021
	RMB’000	RMB’000
Solutions	36,533	49,004
Services	19,906	19,852
Products	4,395	9,475
	<u>60,834</u>	<u>78,331</u>

4. OTHER INCOME

	(Unaudited)	
	Three months ended	
	31 March	
	2022	2021
	RMB’000	RMB’000
Other income		
Interest income	2,249	1,309
Value-added tax (“VAT”) refunds (note a)	3,141	2,688
	<u>5,390</u>	<u>3,997</u>
Other net income/gain		
Subsidy income from government	966	858
Sundry income	443	20
	<u>1,409</u>	<u>878</u>
	<u>6,799</u>	<u>4,875</u>

Note:

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

5. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

	(Unaudited)	
	Three months ended	
	31 March	
	2022	2021
	RMB'000	RMB'000
Finance costs		
Interest on bank and other borrowings, wholly repayable within five years	<u>1,511</u>	<u>2,692</u>
Employee benefit expenses		
Salaries, bonus and allowances	19,823	20,022
Retirement benefit scheme contributions	4,718	4,029
Severance payments	<u>103</u>	<u>53</u>
	<u>24,644</u>	<u>24,104</u>
Other items		
Cost of software and hardware equipments recognised as an expense	36,221	36,699
Depreciation of property, plant and equipment	435	264
Amortisation of intangible assets	9,374	8,864
Provision for impairment loss on trade and other receivables	<u>2,209</u>	<u>7,125</u>

6. INCOME TAX (CREDIT)/EXPENSE

	(Unaudited)	
	Three months ended	
	31 March	
	2022	2021
	RMB'000	RMB'000
Deferred tax		
Origination and reversal of temporary differences	—	—
	—	—
Income tax (credit)/expense	—	—

Notes:

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong profits tax

Hong Kong profits tax rate is 16.5%. Hong Kong profits tax has not been provided as the companies within the Group had no estimated assessable profits in Hong Kong for the period.

(c) PRC enterprise income tax

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

Pursuant to the relevant laws and regulations in the PRC, China Digital Video (Beijing) Limited (“CDV WFOE”), a subsidiary of the Company, obtained the “High and New Technology Enterprise” qualification (“HNTTE”) in 2012 and renewed its qualification in 2015. In 2016, CDV WFOE was also accredited as a “Key Software Enterprise under the National Plan” (國家規劃佈局內重點軟體企業) and was therefore retrospectively entitled to a preferential income tax rate of 10% from 2015 and will continue to enjoy this preferential income tax rate until it no longer meets the requirements of the qualification. In 2021, CDV WFOE enjoyed preferential income tax rate of 15% and will continue to enjoy the preferential income tax rate of 15% up to year 2024.

Pursuant to the relevant laws and regulations in the PRC, ZhengQi (Beijing) Video Technology Co., Ltd (北京正奇聯訊科技有限公司, “Beijing Zhengqi”), a subsidiary of the Company, obtained the HNTTE in 2014. In 2020, Beijing Zhengqi renewed the HNTTE and continues to enjoy the preferential income tax rate of 15% for the years from 2020 to 2023.

7. DIVIDENDS

The directors did not recommend the payment of dividend for the three months ended 31 March 2022 (three months ended 31 March 2021: nil).

8. LOSS PER SHARE

(a) Basic loss per share

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

	(Unaudited)	
	Three months ended	
	31 March	
	2022	2021
	RMB’000	RMB’000
Loss used to determine basic loss per share	<u>15,810</u>	<u>15,064</u>

	(Unaudited)	
	Three months ended	
	31 March	
	2022	2021
Number of shares (in thousands)		
Weighted average number of ordinary shares outstanding for		
basic loss per share	<u>618,332</u>	<u>618,332</u>

(b) Diluted loss per share

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

	(Unaudited)	
	Three months ended	
	31 March	
	2022	2021
Number of shares (in thousands)		
Weighted average number of ordinary shares used to		
determine basic loss per share	<u>618,332</u>	<u>618,332</u>
	<u>618,332</u>	<u>618,332</u>

For the three months ended 31 March 2022 and 2021, the Company had two categories of potential dilutive ordinary shares, namely, the 2010 Share Option Plan and the 2017 Share Option Scheme.

For the three months ended 31 March 2022, the computation of diluted loss per share was calculated based on the weighted average number of ordinary shares outstanding adjusted to assume conversion or exercise of all dilutive potential ordinary shares. The diluted loss per share for the three months ended 31 March 2022 and 2021 was the same as the basic loss per share as all the potential ordinary shares were anti-dilutive.

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

We have established business relationships with most of the central- and provincial-level TV stations in China and with some of the provincial-level TV broadcasters in China for over 25 years. We have also served alternative broadcasting platforms, such as cable network operators, Internet media content providers and IPTV operators. In view of the sustained losses of the Group, while we will continue our existing principal business, we will conduct a review of our business activities for the purpose of formulating business plans and strategies for our future business development. We may explore other business opportunities and consider whether any asset disposal, asset acquisition, business rationalisation, business divestment, fund raising, restructuring of the existing business and/or business diversification will be appropriate in order to enhance our long- term growth potential.

FINANCIAL REVIEW

We recorded a revenue of RMB60.8 million for the three months ended 31 March 2022, representing a decrease of 22.3% from RMB78.3 million for the three months ended 31 March 2021. We recorded a loss of RMB15.8 million for the three months ended 31 March 2022 as compared to a loss of RMB15.1 million for the three months ended 31 March 2021. The increase in loss was mainly attributable to the decrease in revenue.

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

Revenue

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

Our revenue decreased by 22.3% to RMB60.8 million for the three months ended 31 March 2022 from RMB78.3 million for the three months ended 31 March 2021. The decrease in revenue was mainly attributable to (i) the slowing down of the implementation of ultra-high definition projects in provincial-and municipal-level TV stations; and (ii) the delay in bidding timetable for CCTV broadcasting projects.

Cost of Sales

Our cost of sales decreased by 9.9% to RMB48.3 million for the three months ended 31 March 2022 from RMB53.6 million for the three months ended 31 March 2021. The decrease in cost of sales was primarily due to the decrease in revenue.

Gross Profit and Gross Profit Margin

Our gross profit represents revenue less cost of sales. Our gross profit decreased by 49.2% to RMB12.6 million for the three months ended 31 March 2022 from RMB24.8 million for the three months ended 31 March 2021, primarily due to the decrease in revenue. Our gross profit margin decreased to 20.7% for the three months ended 31 March 2022 from 31.6% for the three months ended 31 March 2021.

Other Income

Other income increased to RMB6.8 million for the three months ended 31 March 2022 from RMB4.9 million for the three months ended 31 March 2021, primarily due to the increase in interest income.

Selling and Marketing Expenses

Our selling and marketing expenses remained relatively stable at RMB14.3 million for the three months ended 31 March 2022 compared to RMB14.2 million for the three months ended 31 March 2021.

Administrative Expenses

Our administrative expenses decreased by 28.5% to RMB8.4 million for the three months ended 31 March 2022 from RMB11.8 million for the three months ended 31 March 2021, primarily due to the renovation expenses that we incurred for our office for the three months ended 31 March 2021, while we did not incur such renovation expenses for the three months ended 31 March 2022.

Research and Development Expenses

Our research and development expenses decreased by 3.4% to RMB7.3 million for the three months ended 31 March 2022 from RMB7.6 million for the three months ended 31 March 2021, primarily due to capitalization of our research and development.

Finance Costs

Our finance costs decreased by 43.9% to RMB1.5 million for the three months ended 31 March 2022 from RMB2.7million for the three months ended 31 March 2021, primarily because of the decrease in loan amount which results in a decrease in interest expenses.

Net Impairment Loss on Financial and Contract Assets

Our net impairment loss on financial and contract assets decreased by 69% to RMB2.2 million for the three months ended 31 March 2022 from RMB7.1 million for the three months ended 31 March 2021, primarily due to the decrease in the expected credit loss on our past due trade and other receivables.

Loss before Income Tax

As a result of the foregoing factors, our loss before income tax amounted to RMB15.8 million for the three months ended 31 March 2022 as compared to a loss before income tax of RMB15.1 million for the three months ended 31 March 2021.

Income Tax Credit

We did not record any income tax credit for the three months ended 31 March 2022 (three months ended 31 March 2021: nil) as there was no taxable profit.

Loss for the Period

As a result of the foregoing factors, our loss for the three months ended 31 March 2022 amounted to RMB15.8 million as compared to a loss of RMB15.1 million for the three months ended 31 March 2021.

Non-controlling Interest and Loss Attributable to Equity Holders

Our non-controlling interest and loss attributable to equity holders amounted to RMB1.6 million and RMB14.2 million for the three months ended 31 March 2022, as compared to RMB1.7 million and RMB13.3 million for the three months ended 31 March 2021, respectively.

Other Comprehensive Loss

We recorded other comprehensive income of RMB0.9 million for the three months ended 31 March 2022 as compared to other comprehensive loss of RMB3.5 million for the three months ended 31 March 2021, primarily due to the exchange difference arising from the translation of foreign currencies.

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

Our total comprehensive loss for the period attributable to equity holders and non-controlling interests amounted to RMB14.9 million for the three months ended 31 March 2022 as compared to RMB18.5 million for the three months ended 31 March 2021.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

We did not have material acquisitions and disposal of subsidiaries, associates and joint ventures during the three months ended 31 March 2022.

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

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

HUMAN RESOURCES

As at 31 March 2022, we had 505 full-time employees and 40 dispatched workers (31 March 2021: 640 full-time employees and 34 dispatched workers). The remuneration package of the employees includes salary, sales commission, bonus and other cash subsidies. For the three months ended 31 March 2022 and 2021, the remuneration expenses, excluding share-based compensation expenses, were approximately RMB26.6 million and RMB27.5 million, respectively. In general, employees' salaries are determined based on individual performance, qualification, position and seniority. We place strong emphasis on recruiting skilled personnel. We typically recruit talents from universities and technical schools and conduct annual reviews to assess the employees' performance and determine their salary, bonus and promotion. We also place a strong emphasis on providing trainings to our employees in order to enhance their technical and product knowledge as well as comprehension of industry quality standards.

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

DIVIDEND DISTRIBUTION

The Board did not recommend the payment of dividend for the three months ended 31 March 2022 (three months ended 31 March 2021: nil).

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

The Directors confirm that neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2022.

EVENT AFTER THE REPORTING PERIOD

There had been no significant event since 31 March 2022 and up to the date of this announcement.

COMPETING BUSINESSES

For the three months ended 31 March 2022, 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 which competed or might 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.

Code provision C.2.1 of the Corporate Governance Code stipulates that the roles of the chairman of the board of directors and the chief executive officer of a Company should be separate and should not be performed by the same individual, and that the division of responsibilities between the chairman and the chief executive officer should be clearly stated.

Mr. ZHENG Fushuang 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 C.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 code provision C.2.1 of the Corporate Governance Code is appropriate in such circumstance.

Save as disclosed, in the opinion of the Directors, the Company has complied with all the code provisions set out in the Corporate Governance Code from 1 January 2022 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 had made specific enquiries to all the Directors who confirmed their compliance with the required standard of dealings and the code of conduct regarding Directors' securities transactions from 1 January 2022 and up to the date of this announcement. No incident of non-compliance was noted by the Company during this period.

AUDIT COMMITTEE AND REVIEW OF QUARTERLY RESULTS

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules on 23 May 2016. The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, effectiveness of the internal audit function, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The audit committee comprises three independent non-executive Directors, namely Dr. LI Wanshou, Mr. Frank CHRISTIAENS and Ms. CAO Qian, and is chaired by Ms. CAO Qian. The audit committee has reviewed the unaudited financial statements for the three months ended 31 March 2022 and is of the opinion that (i) the unaudited financial statements of the Group for the three months ended 31 March 2022 comply with the applicable accounting standards and the GEM Listing Rules; and (ii) adequate disclosures have been made in such unaudited financial statements.

PUBLICATION OF THE FIRST QUARTERLY REPORT

The 2022 first quarterly report of the Company containing all the information required by the GEM Listing Rules will be despatched to the shareholders of the Company and will also be published on the website of the Company at www.cdv.com and the website of the Stock Exchange at www.hkexnews.hk in due course.

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

Hong Kong, 10 May 2022

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

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

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and be posted on the website of the Company at www.cdv.com.