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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)

DISCLOSEABLE TRANSACTION FORMATION OF JOINT VENTURE

FORMATION OF JOINT VENTURE

On 26 June 2019, CDV WFOE (a wholly-owned subsidiary of the Company), WANG Huiwei, WANG Jun and M-cartoon entered into the Articles, pursuant to which the parties thereto agreed to establish the Joint Venture for the purpose of engaging in, among other things, software development, information system integration services, design and production of animation and comics, digital content services, internet publishing and information services, and regulate their respective rights and obligations in the Joint Venture.

GEM LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the capital contribution of CDV WFOE under the Articles exceed 5% but less than 25%, the formation of joint venture under the Articles and the transactions contemplated thereunder constitute discloseable transaction of the Company and are subject to the notification and announcement requirements as specified in Chapter 19 of the GEM Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 26 June 2019, CDV WFOE (a wholly-owned subsidiary of the Company), WANG Huiwei, WANG Jun and M-cartoon entered into the Articles, pursuant to which the parties thereto agreed to establish the Joint Venture for the purpose of engaging in, among other things, software development, information system integration services, design and production of animation and comics, digital content services, internet publishing and information services, and regulate their respective rights and obligations in the Joint Venture.

PRINCIPAL TERMS OF THE ARTICLES

Date: 26 June 2019

Parties: (i) CDV WFOE;
(ii) WANG Huiwei;
(iii) WANG Jun; and
(iv) M-cartoon

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, WANG Huiwei, WANG Jun and M-cartoon and their ultimate beneficial owner(s) are third parties independent of the Company and its connected persons

Name of the Joint Venture: 新奥特(福建)文化科技有限公司 (China Digital Video (Fujian) Culture Technology Co, Ltd*)

Scope of business of the Joint Venture: The Joint Venture will be engaged in, among others, software development, information system integration services, design and production of animation and comics, digital content services, internet publishing and information services.

Capital Contribution: The registered capital of the Joint Venture shall be RMB10.0 million which shall be contributed by the parties in cash in the following proportion:

Party	Capital contribution <i>(RMB)</i>	% of equity interest in the Joint Venture
CDV WFOE	4.9 million	49%
WANG Huiwei	2.1 million	21%
WANG Jun	1.8 million	18%
M-cartoon	1.2 million	12%
Total	10.0 million	100%

The parties shall pay their respective capital contributions on or before 27 May 2069.

Restriction on transfers:	<p>The shareholders of the Joint Venture can transfer all or part of their equity interests in the Joint Venture among themselves. No transfer of equity interests in the Joint Venture by any shareholder to any third party shall be allowed unless such transfer is approved by a simple majority of the non-selling shareholder(s).</p> <p>The non-selling shareholder(s) of the Joint Venture shall have a pre-emptive right to acquire the equity interest proposed to be transferred.</p>
Management:	<p>The shareholders' meeting of the Joint Venture shall be composed of all the shareholders. The shareholders' meeting shall be the organ of authority of the Joint Venture.</p> <p>The Joint Venture shall have an executive director to be appointed by the shareholders' meeting. The term for the executive director shall be no more than three years. The term is renewable upon re-appointment by the relevant appointing party.</p> <p>The Joint Venture shall have a manager which shall be appointed or removed by the shareholders. The position of manager can be held concurrently by the executive director.</p> <p>The Joint Venture shall have a supervisor which shall be appointed by the shareholders' meeting. The supervisor of the Joint Venture shall not concurrently hold the role of executive director or senior management.</p>
Profit distribution:	<p>The Joint Venture shall distribute profit, after taxation, to its shareholders in proportion to their respective capital contributions in the Joint Venture.</p> <p>Unless the Joint Venture's statutory reserve fund has already accounted for over 50% of its registered capital, the Joint Venture shall set aside 10% of the after-tax profits receivable by the shareholders for the fund.</p>

Operating period: 50 years.

The extension of the term requires the amendment of the Articles, subject to affirmative votes of shareholders representing two-thirds of the voting rights.

REASONS FOR AND BENEFITS OF THE FORMATION OF JOINT VENTURE

The Company holds the view that the formation of Joint Venture represents an opportunity for the Group to expand its geographical coverage to Fujian province and enable the Group to enter Fujian market. Further, by partnering with M-cartoon, the Group can benefit from M-cartoon's extensive experience and resources and establish its position in the animation and technological sector. The Directors believe that the formation of Joint Venture would be beneficial for the Group's development in the future.

The capital contribution of RMB4.9 million to be contributed by CDV WFOE shall be satisfied by internal resources of the Group.

In view of the aforesaid, the Directors consider that the terms of the Articles and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and it is in the interests of the Company and its shareholders as a whole to enter into the Articles.

INFORMATION OF THE PARTIES

CDV WFOE is a company established in the PRC and an indirect wholly-owned subsidiary of the Company. It provides a full range of solutions, service and products to TV broadcasters and other digital video content providers, focusing mainly on the post-production segment.

WANG Huiwei is the director of the business development department of CDV WFOE.

WANG Jun is the deputy director of the business development department of CDV WFOE.

Both WANG Huiwei and WANG Jun are specialised in the market development. To the best knowledge of the Directors, neither Wang Huiwei nor Wang Jun hold the equity interest as the nominee of CDV WFOE.

M-cartoon is a company established in the PRC whose shares are quoted on the NEEQ (stock code 871231). It is principally engaged in the businesses of animation and comics design.

GEM LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the capital contribution of CDV WFOE under the Articles exceed 5% but less than 25%, the formation of joint venture under the Articles and the transactions contemplated thereunder constitute discloseable transaction of the Company and are subject to the notification and announcement requirements as specified in Chapter 19 of the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Articles”	the articles of association of the Joint Venture entered into between CDV WFOE, WANG Huiwei, WANG Jun and M-cartoon on 26 June 2019;
“Board”	the board of Directors;
“CDV WFOE”	China Digital Video (Beijing) Limited* (新奧特(北京)視頻技術有限公司), a company established in the PRC which is an indirectly wholly-owned subsidiary of the Company;
“Company”	China Digital Video Holdings Limited, a company incorporated in Cayman Islands with limited liability, the shares of which are listed on GEM (stock code: 8280);
“Director(s)”	director(s) of the Company;
“M-cartoon”	Fujian M-cartoon Technology Co., Ltd (福建中科亞創動漫科技股份有限公司), a company established in the PRC, the shares of which are quoted in the NEEQ (stock code: 871231);
“GEM”	GEM operated by the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

“Joint Venture”	新奥特(福建)文化科技有限公司 (China Digital Video (Fujian) Culture Technology Co., Ltd*), a joint venture company to be established in the PRC pursuant to the Articles;
“NEEQ”	the National Equities Exchange and Quotations;
“PRC”	the People’s Republic of China, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent

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

Hong Kong, 26 June 2019

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 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.

* For identification purpose only