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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Digital Video Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**

VINC  **城高**
Vinco Capital Limited

A letter from the Board is set out on pages 4 to 14 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on page 15 of this circular. A letter from Vinco Capital Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 38 of this circular.

A notice convening the EGM to be held at 1/F, China Digital Video Technical Plaza, No. 131 West Fourth Ring Road N, Haidian District, Beijing, PRC on Wednesday, 30 June 2021 at 10:30 a.m. is set out on pages 44 to 46 of this circular.

A proxy form for use at the EGM is enclosed with this circular. Whether or not you intend to attend the meeting in person, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

All times and dates specified herein refer to Hong Kong local times and dates.

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

15 June 2021

CHARACTERISTICS OF GEM

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.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of Directors
“CDV Investment”	China Digital Video Investment Group Co., Ltd. (新奧特投資集團有限公司), a limited liability company established in the PRC, and a connected person of the Company which was 95% and 5% owned by Mr. Zheng and an Independent Third Party, respectively, as at the Latest Practicable Date
“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, and a wholly-owned subsidiary of the Company
“Company”	China Digital Video Holdings Limited, a company incorporated in the Cayman Islands with limited liability on 8 January 2007, the shares of which are listed on GEM of the Stock Exchange (stock code: 8280)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at 1/F, China Digital Video Technical Plaza, No. 131 West Fourth Ring Road N, Haidian District, Beijing, PRC on Wednesday, 30 June 2021 at 10:30 a.m. approving, among others, the New Property Lease Agreement, the New Supply Framework Agreement, the transactions contemplated thereunder and the related proposed annual caps
“Existing Property Lease Agreement”	the property lease agreement dated 30 November 2018 and entered into between CDV WFOE and CDV Investment, pursuant to which CDV WFOE has agreed to lease certain office and warehouse premises from CDV Investment during the period from 1 January 2019 to 31 December 2021
“Existing Supply Framework Agreement”	the supply framework agreement dated 30 November 2018 and entered into between CDV WFOE and Xin’aote Group, pursuant to which Xin’aote Group has agreed to purchase solutions, products and services from CDV WFOE on an exclusive basis during the period from 1 January 2019 to 31 December 2021

DEFINITIONS

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	the International Financial Reporting Standard(s) issued by the International Institute of Certified Public Accountants from time to time
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Frank Christiaens, Ms. Cao Qian and Dr. Li Wanshou, established to advise the Independent Shareholders in respect of the terms of the New Property Lease Agreement, the New Supply Framework Agreement, the related proposed annual caps and the transactions contemplated thereunder
“Independent Financial Adviser” or “Vinco Capital”	Vinco Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the New Property Lease Agreement, the New Supply Framework Agreement, the transaction contemplated thereunder and the related proposed annual caps
“Independent Shareholders”	Shareholders other than Shareholders who have a material interest in the New Property Lease Agreement and/or the New Supply Framework Agreement
“Independent Third Party(ies)”	any entity(ies) or person(s) who, as far as the Directors are aware after having made all reasonable enquiries, is/are not connected person(s) of the Company within the meaning of the GEM Listing Rules
“Latest Practicable Date”	10 June 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Mr. Pang”	Mr. Pang Gang, an executive Director
“Mr. Zheng”	Mr. Zheng Fushuang, an executive Director and a controlling shareholder of the Company

DEFINITIONS

“New Property Lease Agreement”	the property lease agreement dated 17 May 2021 and entered into between CDV WFOE and CDV Investment, pursuant to which CDV WFOE has agreed to lease certain office and warehouse premises from CDV Investment during the period from 1 January 2022 to 31 December 2024
“New Supply Framework Agreement”	the supply framework agreement dated 17 May 2021 and entered into between CDV WFOE and Xin’aote Group, pursuant to which Xin’aote Group has agreed to purchase solutions, products and services from CDV WFOE on an exclusive basis during the period from 1 January 2022 to 31 December 2024
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Reorganisation”	the reorganisation undergone by the Group in preparation for the listing of the Shares on GEM of the Stock Exchange, the details of which are set out in the Company’s prospectus dated 15 June 2016
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a nominal value of US\$0.00001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xin’aote Group”	Xin’aote Group Co. Ltd. (北京新奧特集團有限公司) (previously known as Xin’aote Silicon Valley Video Technology Co., Ltd. (新奧特矽谷視頻技術有限責任公司)), a limited liability company established in the PRC, and a connected person of the Company which was 79%, 20% and 1% owned by CDV Investment, Mr. Pang and an Independent Third Party, respectively, as at the Latest Practicable Date
“%”	per cent

LETTER FROM THE BOARD



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)

Executive Directors

Mr. ZHENG Fushuang (*Chairman and*

Chief Executive Officer)

Mr. PANG Gang (*President*)

Mr. LIU Baodong

Independent Non-executive Directors

Dr. LI Wanshou

Mr. Frank CHRISTIAENS

Ms. CAO Qian

*Principal place of business and
headquarters in PRC*

China Digital Video Technical Plaza

No. 131 West Fourth Ring Road N

Haidian District

Beijing

PRC

Registered office

P.O. Box 309, Umland House

Grand Cayman KY1-1104

Cayman Islands

15 June 2021

To the Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the announcements of the Company dated 17 May 2021 and 11 June 2021 in relation to the New Property Lease Agreement entered into between CDV WFOE and CDV Investment and the New Supply Framework Agreement between CDV WFOE and Xin'aote Group.

Pursuant to the requirements of the GEM Listing Rules, the Company will seek the Independent Shareholders' approval in relation to the New Property Lease Agreement, the New Supply Framework Agreement, the related proposed annual caps and the transactions contemplated thereunder at the EGM.

The purposes of this circular are to provide you with (i) further details of the New Property Lease Agreement, the New Supply Framework Agreement, the related proposed annual caps and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) notice of convening the EGM; and (v) other information as required under the GEM Listing Rules.

LETTER FROM THE BOARD

NEW PROPERTY LEASE AGREEMENT

The major terms of the New Property Lease Agreement are set out below:

Date:	17 May 2021
Parties:	CDV WFOE (as tenant) and CDV Investment (as landlord)
Term:	The validity period of the New Property Lease Agreement is three years, commencing on 1 January 2022 and expiring on 31 December 2024, subject to renewal
Properties:	Office and warehouse premises located at China Digital Video Technical Plaza, No. 131 West Fourth Ring Road North, Haidian District, Beijing, the PRC, with an aggregate gross floor area of up to 10,214 square meters
Rental:	Between RMB3 to RMB6 per square meter per day (inclusive of management fees), depending on the location and nature of the individual premises, subject to negotiation between the parties with reference to the prevailing market rental for leased properties of similar size in the vicinity, and payable on a monthly basis
Renewal:	The New Property Lease Agreement is renewable at the request of CDV WFOE by giving a 60- to 90-day prior written notice to CDV Investment, subject to the satisfaction of all applicable laws and regulations (including the GEM Listing Rules) CDV WFOE has a right of priority to renew the New Property Lease Agreement

Basis of Pricing

Under the New Property Lease Agreement, the rental amount in respect of individual properties shall be subject to arm's length negotiations between both parties with reference to the prevailing market rental for leased properties of similar size in the vicinity. The rental payable by CDV WFOE to CDV Investment pursuant to the New Property Lease Agreement shall not be more than the rental payable by CDV WFOE to Independent Third Parties.

Historical Transaction Amounts

The historical transaction amounts under the Existing Property Lease Agreement for the two years ended 31 December 2020 and four months ended 30 April 2021 were approximately RMB13.5 million, RMB10.3 million and RMB3.3 million, respectively.

The Directors expect that the transaction amount under the Existing Property Lease Agreement for the year ending 31 December 2021 will not exceed the relevant annual cap, i.e. RMB24.2 million.

LETTER FROM THE BOARD

Accounting Implication of Lease Under the New Property Lease Agreement

Pursuant to IFRS 16, subject to certain exceptions, leases with a term of more than 12 months will be recognised as right-of-use assets, and the transactions contemplated thereunder will be recognised as an acquisition of right-of-use assets. The right-of-use assets represented the right to use the underlying leased asset over the lease term and the lease liability represented the obligation to make lease payments (i.e. the rent). The asset and the liability arising from the lease are initially measured on present value basis and calculated by discounting the noncancellable lease payments under the relevant agreement, using the incremental borrowing rate as the discount rate. Under IFRS 16 and in the consolidated statement of comprehensive income of the Group, the Group shall recognise (i) depreciation charge over the shorter of the useful life of the assets and the lease term, and (ii) interest expenses amortised from the lease liability over the lease term.

Proposed Annual Caps

The respective annual caps on the total value of right-of-use assets relating to leases to be entered into by the Group for each of the three years ending 31 December 2024 under the New Property Lease Agreement are as follows:

Period	Total value of right-of-assets relating to the leases to be entered into by the Group acting as tenant in accordance with the New Property Lease Agreement (RMB'000)
For the year ending 31 December 2022	11,940
For the year ending 31 December 2023	12,236
For the year ending 31 December 2024	12,476

Basis for the Proposed Annual Caps

In determining the proposed annual caps in respect of the New Property Lease Agreement, the Company has taken into account the following factors: (i) the historical transaction amounts under the Existing Property Lease Agreement; (ii) the prevailing market rental of properties of similar size in the vicinity of the Group's leased properties; (iii) the market rental of leased properties in Beijing, the PRC; (iv) the potential increase in market rent for commercial properties in the PRC in the coming years; and (v) value of right-of-use assets calculated by discounting the estimated total annual results of the future years using the incremental borrowing rate of the CDV WFOE as the discount rate.

LETTER FROM THE BOARD

Reasons for Entering into the New Property Lease Agreement

The Directors are of the view that the Group can save substantial time and cost if its operations remain in its existing office premises instead of relocating to other locations. After considering the above, the Directors (other than Mr. Zheng, who had abstained from voting at the Board meeting in respect of the execution of the New Property Lease Agreement) are of the view that the terms of New Property Lease Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Internal Control Procedures for the New Property Lease Agreement

Before entering into the individual lease agreements under the New Property Lease Agreement, the relevant member of the Group would gather the rental information of at least two properties of similar specification and sizes in similar locations and negotiate based on such market terms to make sure that the terms offered by CDV Investment would not be less favourable than those offered by Independent Third Parties on the market. Under the Company's internal policy, the independent non-executive Directors will review the rental when entering into the individual lease agreements under the New Property Lease Agreement to ensure that the individual lease agreements are (i) entered into in the ordinary and usual course of business of the Company; (ii) on normal commercial terms and on terms that are no less favourable than those offered by other Independent Third Parties; and (iii) in accordance with the provisions of the New Property Lease Agreement. The finance department of the Company will collect the real-time statistics of the rental payment on regular basis to ensure that the aggregate rental for all the individual lease agreements will not exceed the annual cap for the relevant year and that the term of each of the individual lease agreements will not exceed the amount under the New Property Lease Agreement.

NEW SUPPLY FRAMEWORK AGREEMENT

The major terms of the New Supply Framework Agreement are set out below:

Date:	17 May 2021
Parties:	CDV WFOE (as supplier) and Xin'aote Group (as customer)
Term:	The validity period of the New Supply Framework Agreement is three years, commencing on 1 January 2022 and expiring on 31 December 2024, subject to renewal
Exclusive supply:	Unless with the written consent of CDV WFOE, Xin'aote Group shall not, upon receiving bidding invitations, bid for projects of certain government agencies and military units (the " Special Qualification Projects "), which require the service providers to possess qualifications that can only be obtained by non-foreign owned domestic companies (the " Special Qualifications ")

LETTER FROM THE BOARD

Xin'aote Group has undertaken that it will not provide digital video technology solutions, products and services to its customers on its own or engage in any business that competes or may compete with the business of CDV WFOE

Unless with the written consent of CDV WFOE, Xin'aote Group shall not purchase digital video technology solutions, products and services from any suppliers other than CDV WFOE

Bidding process:

Xin'aote Group shall promptly notify CDV WFOE upon receiving any invitation to bid for the Special Qualification Projects

Xin'aote Group shall consult and obtain prior consent from CDV WFOE in relation to the major terms of the bidding proposal, including the bidding price and the payment schedule

Payment terms:

The payment terms shall be separately set out in the individual sales agreements to be entered into between CDV WFOE and Xin'aote Group

Termination:

CDV WFOE may unilaterally terminate the New Supply Framework Agreement by giving 15-day prior written notice. Upon receipt of such notice, Xin'aote Group shall not make new bids for the Special Qualification Projects

Basis of Pricing

The price to be charged by CDV WFOE in respect of its provision of solutions, products and services to Xin'aote Group shall be determined based on the principle that the terms offered by CDV WFOE to Xin'aote Group shall not be more favorable than the terms offered by CDV WFOE to Independent Third Parties.

In addition, CDV WFOE shall determine the price with reference to (i) the complexity and innovativeness of the solutions, products or services to be provided; and (ii) the price to be charged by its competitors for projects with a similar scope, which will be obtained through a periodic price research conducted by the staffs of the business department of the Group by obtaining the prices of the similar projects quoted by competitors, the estimated inventory costs, the expected manpower required for the provision of such solutions, products or services and the general market demand of such solutions, products or services.

LETTER FROM THE BOARD

Historical Transaction Amounts

Set out below are the details of historical transaction amounts under the Existing Supply Framework Agreement for the years ended 31 December 2019 and 2020, and four months ended 30 April 2021.

	For the year ended 31 December 2019	For the year ended 31 December 2020	For the four months ended 30 April 2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total historical transaction amounts	5,900	15,300	5,700
Corresponding proposed annual caps	36,000	41,000	47,000
Utilisation rates	16.4%	37.3%	12.1%

As illustrated in the table, the utilisation rates of the annual caps for the years ended 31 December 2019 and 2020 and four months ended 30 April 2021 were approximately 16.4%, 37.3% and 12.1%, respectively. The low utilisation rates for the relevant periods were mainly due to the impact caused by the political tensions with the United States in 2019 and the outbreak of pandemic in 2020, which resulted the delay of projects of customers of Xin'aote Group. As such, the procurement amount relating to digital video technology solutions, products and services by Xin'aote Group was lower than the expected amounts for the two years ended 31 December 2020. The Directors expected that the transactions would resume in the coming three years when the business operation of Xin'aote Group returns to normal by 2021.

The Directors expect that the transaction amount under the Existing Supply Framework Agreement for the year ending 31 December 2021 will not exceed the relevant annual cap, i.e. RMB47.0 million.

Proposed Annual Caps

The proposed annual caps under the New Supply Framework Agreement for the years ending 31 December 2022, 2023 and 2024 are RMB47.0 million, RMB54.0 million and RMB62.0 million, respectively.

Basis for the Proposed Annual Caps

In determining the proposed annual caps in respect of the New Supply Framework Agreement, the Company has taken into account the following factors:

- (a) the historical transaction amounts under the Existing Supply Framework Agreement;
- (b) the number of bidding invitations for Special Qualification Projects that Xin'aote Group is expected to receive and the number of Special Qualification Projects that Xin'aote Group is expected to undertake in the next few years after taking into account the historical

LETTER FROM THE BOARD

bidding invitation amounts of Xin'aote Group. Specifically, for the years ended 31 December 2019 and 2020 and the four months ended 30 April 2021, Xin'aote Group recorded a growth rate of approximately 15% for the bidding invitations in terms of the contracted amounts and it is expected that the bidding invitation in terms of the contracted amounts for Xin'aote Group for the years of 2023 and 2024 will remain stable at 15%. The bidding invitation for Xin'aote Group for the year of 2022 is estimated to be in the aggregated contracted amount of approximately RMB170.4 million, which is calculated based on the estimated demand of the customers of Xin'aote Group. For the years ended 31 December 2019 and 2020 and the four months ended 31 April 2021, Xin'aote Group recorded the bid winning rate of 28.1%, 28.1% and 27.7%, respectively. Based on the historical data, it is expected that the bid winning rate of Xin'aote Group will remain at 28% in the three years ending 31 December 2024; and

- (c) the expected increase in the Group's operating costs in respect of its provision of solutions, products and services.

Reasons for Entering into the New Supply Framework Agreement

Prior to the Reorganisation, Xin'aote Group was the Group's operating entity through which the Group carried on its business, including undertaking projects of certain government agencies and military units. Upon completion of the Reorganisation, because of its business network and industry reputation, Xin'aote Group has continued to be invited to bid for the projects of these government agencies and military units. Since 2013, these government agencies and military units have enhanced their internal control by requiring bidders of their projects to possess the Special Qualifications. On the one hand, the Group, as a foreign-invested entity, is not eligible to obtain the Special Qualifications. On the other hand, although Xin'aote Group, as a non-foreign owned domestic company, possesses the Special Qualifications, it does not have the capabilities or expertise in providing digital video technology solutions and services. In order to capture the business opportunities in respect of the Special Qualification Projects, Xin'aote Group has been purchasing solutions, products and services from CDV WFOE on an exclusive basis. CDV WFOE offers solutions that consist of multiple products customized and integrated with the proprietary software of the Group into cohesive systems that enable its customers to streamline the different workflows that take place at the post-production stage and upgrade to more advanced broadcasting standards, and many of the solution contracts include more than one type of solution. The key solutions provided by CDV WFOE include (i) news workflow solutions, (ii) digital broadcast automation solutions, (iii) virtual studio solutions, (iv) program production solutions and (v) media asset management solutions. In terms of the services provided by CDV WFOE, it offers specialized outsourcing services using solutions and products provided by itself and other suppliers to Xin'aote Group, including (i) multi-camera recording and editing, (ii) live sports broadcasting, (iii) graphics template design, (iv) digitization and cataloging of media assets, and (v) system maintenance. The Directors consider that such an arrangement is mutually beneficial to the Group and Xin'aote Group and will allow both the Group and Xin'aote Group to pursue business opportunities that they would not otherwise have access to. In addition, the sale of solutions, services and products by the Group to Xin'aote Group will provide a stable and additional source of revenue to the Group.

LETTER FROM THE BOARD

After considering the above, the Directors (other than Mr. Zheng and Mr. Pang, who had abstained from voting at the Board meeting in respect of the execution of the New Supply Framework Agreement) are of the view that the terms of the New Supply Framework Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Internal Control Procedures for the New Supply Framework Agreement

In relation to the transactions under the New Supply Framework Agreement, the Company has adopted the following internal control procedures to ensure that the sales prices under these transactions are fair and reasonable:

- (a) the business departments will compare the price of specific solutions, products or services against their respective market prices;
- (b) the business departments will also review the reasonableness of the pricing on regular basis according to the latest market intelligence;
- (c) before entering into individual contracts, the head of the business department and marketing department, is responsible for supervising whether the transaction terms, pricing and other terms specified in individual contracts are in compliance with the principles set out in the New Supply Framework Agreement, whether the price conformed with the range of the then market price applicable to same type of services, as well as comprehensively evaluating the fairness of the transaction terms for terms and conditions and contract amount of individual contracts, and reporting relevant information to the senior management of the Company in time;
- (d) the finance department of the Company will collect the real-time statistics of the transaction amounts on a regular basis to ensure that the aggregate transaction amount for all the individual agreements will not exceed the amount under the New Supply Framework Agreement; and
- (e) the independent non-executive Directors will conduct annual review on the transactions under the New Supply Framework Agreement to ensure that such transactions are (i) entered into on normal commercial terms which are fair and reasonable; and (ii) in accordance with the provisions of the New Supply Framework Agreement.

IMPLICATIONS OF GEM LISTING RULES

As at the Latest Practicable Date, (i) CDV Investment was 95% owned by Mr. Zheng; and (ii) Xin'aote Group was 79% and 20% owned by CDV Investment and Mr. Pang, respectively. As such, both CDV Investment and Xin'aote Group are connected persons of the Company, and the New Property Lease Agreement, the New Supply Framework Agreement and the transactions contemplated thereunder constitute connected transactions of the Company under the GEM Listing Rules.

LETTER FROM THE BOARD

As the highest applicable percentage ratio of the proposed annual caps for each of the three years ending 31 December 2024 under the New Property Lease Agreement and the New Supply Framework Agreement is more than 5%, the New Property Lease Agreement, the New Supply Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Company will seek the Independent Shareholders' approval for the New Property Lease Agreement, the New Supply Framework Agreement, the related proposed annual caps and the transactions contemplated thereunder for the three years ending 31 December 2024 at the EGM.

An Independent Board Committee comprising all independent non-executive Directors has been formed to advise the Independent Shareholders (i) as to whether the terms of the New Property Lease Agreement and the New Supply Framework Agreement are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole; and (ii) on how to vote (to the extent applicable), taking into account the recommendation of the Independent Financial Adviser. The Company has appointed Vinco Capital to advise the Independent Board Committee and the Independent Shareholders in respect of the New Property Lease Agreement, the New Supply Framework Agreement and the transactions contemplated thereunder.

Because of his interest in CDV Investment and Xin'aote Group, Mr. Zheng had abstained from voting on the Board resolutions approving the New Property Lease Agreement, the New Supply Framework Agreement and the related proposed annual caps. Because of his interest in Xin'aote Group, Mr. Pang had abstained from voting on the Board resolutions approving the New Supply Framework Agreement and the related proposed annual caps. Save as disclosed hereinabove, none of the Directors had abstained from voting on the Board resolutions approving the New Property Lease Agreement, the New Supply Framework Agreement and the related proposed annual caps.

GENERAL INFORMATION

Information of the Group

The Group is a leading digital video technology and service company in the television broadcasting industry in the PRC. It provides a full range of solutions, services and products to television 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, which is a critical part of the television broadcasting market in the PRC.

Information of CDV WFOE

CDV WFOE is a major operating subsidiary of the Company and is mainly engaged in the provision of digital video technology solutions, products and services. It is a wholly-owned subsidiary of the Company.

Information of CDV Investment

CDV Investment is a limited liability company established in the PRC and is principally engaged in property management business. As at the Latest Practicable Date, CDV Investment was 95% and 5% owned by Mr. Zheng and an Independent Third Party, respectively. CDV Investment is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

LETTER FROM THE BOARD

Information of Xin'aote Group

Xin'aote Group is a limited liability company established in the PRC and is an investment holding company. As a non-foreign owned domestic company, Xin'aote Group possesses the requisite qualifications for undertaking the Special Qualification Projects. As at the Latest Practicable Date, Xin'aote Group was 79%, 20% and 1% owned by CDV Investment, Mr. Pang and an Independent Third Party, respectively. Xin'aote Group is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

EGM

A notice convening the EGM is set out on pages 44 to 46 of this circular. Ordinary resolutions will be proposed at the EGM to approve the New Property Lease Agreement, the New Supply Framework Agreement, the transactions contemplated thereunder and the related proposed annual caps.

A proxy form for use at the EGM is enclosed with this circular. Whether or not a Shareholder intend to attend the EGM in person, such Shareholder is requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for holding of the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude a Shareholder from attending and voting in person at the EGM (or any adjournment thereof) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.

To ascertain shareholders' eligibility to attend and vote at the Meeting, the register of members of the Company will be closed from Friday, 25 June 2021 to Wednesday, 30 June 2021 (both days inclusive), during which period no share transfer will be effected. In order to qualify for attending and voting at the Meeting, unregistered holders of shares of the Company should ensure that all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 24 June 2021.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all resolutions proposed at the EGM shall be voted by poll.

As at the Latest Practicable Date, (i) CDV Investment was 95% owned by Mr. Zheng; and (ii) Xin'aote Group was 79% and 20% owned by CDV Investment and Mr. Pang, respectively. Mr. Zheng and his associates will abstain from voting on the resolutions to be proposed at the EGM in respect of the New Property Lease Agreement, the New Supply Framework Agreement, the related proposed annual caps and the transactions contemplated thereunder. As at the Latest Practicable Date, Mr. Zheng and his associates were interested in 214,278,278 Shares, representing approximately 34.0% of the total issued share capital in the Company.

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Board Committee, having considered the advice from the Independent Financial Adviser, considers that (i) the New Property Lease Agreement, the New Supply Framework Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group; (ii) the terms of the New Property Lease Agreement and the New Supply Framework Agreement are fair and reasonable, and it is in the interest of the Company and the Shareholders as a whole to enter into the New Property Lease Agreement and the New Supply Framework Agreement; and (iii) the annual caps for the three years ending 31 December 2024 for the New Property Lease Agreement and the New Supply Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions in respect of the New Property Lease Agreement, the New Supply Framework Agreement, the transactions contemplated thereunder and the related proposed annual caps.

The Directors (excluding Mr. Zheng and Mr. Pang who had abstained from voting on the relevant board resolutions) consider that (i) the New Property Lease Agreement, the New Supply Framework Agreement and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group; (ii) the terms of the New Property Lease Agreement and the New Supply Framework Agreement are fair and reasonable, and it is in the interest of the Company and the Shareholders as a whole to enter into the New Property Lease Agreement and the New Supply Framework Agreement; and (iii) the annual caps for the three years ending 31 December 2024 for the New Property Lease Agreement and the New Supply Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter of recommendation from the Independent Board Committee which sets out its recommendation to the Independent Shareholders; (ii) the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders; and (iii) the additional information set out in the appendix to this circular.

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



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)

15 June 2021

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 15 June 2021 issued by the Company (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the New Property Lease Agreement, the New Supply Framework Agreement, the transactions contemplated thereunder and the related proposed annual caps.

We have reviewed the terms of the New Property Lease Agreement and the New Supply Framework Agreement and are of view that such terms are principally in line with market practices. We have taken into account the advice of the Independent Financial Adviser and consider that the transactions contemplated under the New Property Lease Agreement and the New Supply Framework Agreement as well as the related proposed annual caps are fair and reasonable so far as the Shareholders are concerned and that the terms of the New Property Lease Agreement and the New Supply Framework Agreement are on normal commercial terms, in the ordinary and usual course of business and in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the New Property Lease Agreement, the New Supply Framework Agreement, the transactions contemplated thereunder and the related proposed annual caps.

Yours faithfully

For and on behalf of

the Independent Board Committee

Mr. Frank CHRISTIAENS

Ms. CAO Qian

Dr. LI Wanshou

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Vinco Capital setting out its advice to the Independent Board Committee and the Independent Shareholders prepared in respect of the New Property Lease Agreement, the New Supply Framework Agreement, the transactions contemplated thereunder and the related proposed annual caps for the purpose of incorporation in this circular:



Vinco Capital Limited

Unit 2610, 26/F., The Center
99 Queen's Road Central, Hong Kong

15 June 2021

*To the Independent Board Committee and the Independent Shareholders of
China Digital Video Holdings Limited*

Dear Sirs,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New Property Lease Agreement, the New Supply Framework Agreement, the transactions contemplated thereunder and the related proposed annual caps, details of which are set out in the letter from the board (the “**Letter from the Board**”) contained in the circular of the Company dated 15 June 2021 issued to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular, unless the context otherwise requires.

Reference is made to the announcements of the Company dated 17 May 2021 and 11 June 2021 in relation to, inter alia, the New Property Lease Agreement and the New Supply Framework Agreement (the “**Announcements**”). As the Existing Property Lease Agreement and the Existing Supply Framework Agreement will expire on 31 December 2021, on 17 May 2021, (i) CDV WFOE and CDV Investment entered into the New Property Lease Agreement, which adopts substantially the same terms and conditions as the Existing Property Lease Agreement; and (ii) CDV WFOE and Xin'aote Group entered into the New Supply Framework Agreement, which adopts substantially the same terms and conditions as the Existing Supply Framework Agreement.

Pursuant to the New Property Lease Agreement, CDV WFOE has agreed to lease certain office and warehouse premises from CDV Investment during the period from 1 January 2022 to 31 December 2024. The proposed annual caps under the New Property Lease Agreement for the years ending 31 December 2022, 2023 and 2024 are RMB11.9 million, RMB12.2 million and RMB12.5 million, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to the New Supply Framework Agreement, Xin'aote Group has agreed to purchase solutions, products and services from CDV WFOE on an exclusive basis during the period from 1 January 2022 to 31 December 2024. The proposed annual caps under the New Supply Framework Agreement for the years ending 31 December 2022, 2023 and 2024 are RMB47.0 million, RMB54.0 million and RMB62.0 million, respectively.

As at the Latest Practicable Date, (i) CDV Investment was 95% owned by Mr. Zheng; and (ii) Xin'aote Group was 79% and 20% owned by CDV Investment and Mr. Pang, respectively. As such, both CDV Investment and Xin'aote Group are connected persons of the Company, and the New Property Lease Agreement, the New Supply Framework Agreement and the transactions contemplated thereunder constitute connected transactions of the Company under the GEM Listing Rules.

As the highest applicable percentage ratio of the proposed annual caps for each of the three years ending 31 December 2024 under the New Property Lease Agreement and the New Supply Framework Agreement is more than 5%, the New Property Lease Agreement, the New Supply Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Frank Christiaens, Ms. Cao Qian and Dr. Li Wanshou, has been formed to advise the Independent Shareholders (i) as to whether the terms of the New Property Lease Agreement and the New Supply Framework Agreement are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole; and (ii) on how to vote (to the extent applicable), taking into account the recommendation of the Independent Financial Adviser.

In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of the Listing Rules, our role is to give an independent opinion as to whether the New Property Lease Agreement, the New Supply Framework Agreement, the transactions contemplated thereunder and the related proposed annual caps for the three years ending 31 December 2024 are fair and reasonable so far as the Independent Shareholders are concerned, and whether such terms are on normal commercial terms or better and in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. We, Vinco Capital, have been appointed and approved by the Board as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

As the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We were not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rule to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions under each of the New Property Lease Agreement and the New Supply Framework Agreement, and the transactions contemplated thereunder for the three years ending 31 December 2024.

Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We are not aware of the existence of or change in any circumstances that would affect our independence.

During the past two years, we have not acted as an Independent Financial Adviser to the Independent Board Committee and/or the Independent Shareholders. We are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on, among other things, the transactions under each of the New Property Lease Agreement and the New Supply Framework Agreement, and the transactions contemplated thereunder for the three years ending 31 December 2024.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the transactions under each of the New Property Lease Agreement and the New Supply Framework Agreement, and their respective proposed annual caps for the three years ending 31 December 2024, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, the management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and the management. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have been provided with, and we have reviewed sufficient information to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and the management. We have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

We consider that we have reviewed all currently available information and documents, among others: (i) the annual results of the Company for the year ended 31 December 2020 (the “**Annual Report 2020**”); (ii) the quarterly report of the Company for the three months ended 31 March 2021 (the “**1st Quarterly Report 2021**”); (iii) the Announcement; (iv) the New Property Lease Agreement; (v) the New Supply Framework Agreement; (vi) the historical transactions between the Group and all connected persons under the Existing Supply Framework Agreement and the Existing Property Lease Agreement, and their corresponding samples of transaction documents; (vii) the basis and assumption of the transactions contemplated under New Property Lease Agreement and the New Supply Framework Agreement; (viii) the minutes of the meeting of the board of directors of the Company; and (ix) the measures for the administration of connected transactions; which are made available to us and enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the terms of the New Property Lease Agreement and the New Supply Framework Agreement and their respective proposed annual caps, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in respect of the New Property Lease Agreement, the New Supply Framework Agreement, the transactions contemplated thereunder and the related proposed annual caps for the three years ending 31 December 2024 and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASON CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and Independent Shareholders in respect of the New Property Lease Agreement, the New Supply Framework Agreement, the transactions contemplated thereunder and the related proposed annual caps for the three years ending 31 December 2024, we have taken into account the principal factors and reasons set out below:

1. Background

i. Information of the Group

The Group is a leading digital video technology and service company in the television broadcasting industry in the PRC. It provides a full range of solutions, services and products to television 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, which is a critical part of the television broadcasting market in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

ii. Information of CDV WFOE

CDV WFOE is a major operating subsidiary of the Company and is mainly engaged in the provision of digital video technology solutions, products and services. It is a wholly-owned subsidiary of the Company.

Set out below is the summary of the financial information of the Group as extracted from the Annual Report 2020 and 1st Quarterly Report 2021:

Consolidated financial statement of profit or loss

	For the year ended		For the three months ended	
	31 December		31 March	
	2019	2020	2020	2021
	(audited)	(audited)	(unaudited)	(unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	303,206	312,040	60,717	78,331
Gross profit	67,506	53,809	12,922	24,764
Loss for the year/period	(172,713)	(69,095)	(18,062)	(15,064)

For the year ended 31 December 2020

As shown in the above table, the Group's revenue increased by approximately RMB8.8 million or 2.9% from approximately RMB303.2 million for the year ended 31 December 2019 to approximately RMB312.0 million for the year ended 31 December 2020. The increase was mainly due to the carry on of (i) the upgrading projects in relation to 4K ultra-high definition equipment and (ii) outfield network production and broadcasting systems of certain major customers in 2020.

The Group's gross profit decreased by approximately RMB13.7 million or 20.3% from approximately RMB67.5 million for the year ended 31 December 2019 to approximately RMB53.8 million for the year ended 31 December 2020. Such decrease was primarily due to the increase in cost of sales arising from procurement and amortisation charges of the Group's intangible assets.

The Group's recorded net loss of approximately RMB69.1 million for the year ended 31 December 2020 as compared to the net loss of approximately RMB172.7 million for the year ended 31 December 2019. The drop in net loss was due to (i) increase of 97.6% of other income; (ii) decrease of 24.0% in selling and marketing expenses; (iii) decrease of 24.1% in administrative expense; (iv) decrease of 21.2% in finance costs; and (v) decrease of 54.7% in net impairment loss on trade and other receivables and contract assets. Besides, the Group recorded share-based compensation expense of approximately RMB1.8 million and impairment loss on goodwill of approximately RMB17.5 million for the year ended 31 December 2019 while there were no such expenses recorded for the year ended 31 December 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the three months ended 31 March 2021

As shown in the above table, the Group's revenue increased by approximately RMB17.6 million or 29.0% from approximately RMB60.7 million for the three months ended 31 March 2020 to approximately RMB78.3 million for the three months ended 31 March 2021. Such increase was mainly attributable to the completion of the broadcast control projects of certain major customers.

The Group's gross profit increased by approximately RMB11.8 million or 92.2% from approximately RMB12.9 million for the three months ended 31 March 2020 to approximately RMB24.8 million for the three months ended 31 March 2021. The increase was due to the increase in proportion of projects with a higher profit margin.

The Group's recorded net loss of approximately RMB15.1 million for the three months ended 31 March 2021 as compared to the net loss of approximately RMB18.1 million for the three months ended 31 March 2020. The drop in net loss was due to (i) increase of 92.2% in gross profit and (ii) decrease of 48.2% in net impairment loss on financial and contract assets.

iii. Information of CDV Investment

CDV Investment is a limited liability company established in the PRC and is principally engaged in property management business. As at the Latest Practicable Date, CDV Investment was 95% and 5% owned by Mr. Zheng and an Independent Third Party, respectively. CDV Investment is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

iv. Information of Xin'aote Group

Xin'aote Group is a limited liability company established in the PRC and is an investment holding company. As a non-foreign owned domestic company, Xin'aote Group possesses the requisite qualifications for undertaking the Special Qualification Projects. As at the Latest Practicable Date, Xin'aote Group was 79%, 20% and 1% owned by CDV Investment, Mr. Pang and an Independent Third Party, respectively. Xin'aote Group is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

New Property Lease Agreement

Reasons for and benefits in entering into the New Property Lease Agreement

As disclosed in the Letter from the Board, the Directors are of the view that the Group can save substantial time and costs if its operations remain in its existing office premises instead of relocating to other locations. According to the prospectus of the Group dated 15 June 2016, the Group has maintained its headquarter the substantially all of their operation at the premises not later than 1 June 2015 and we have confirmed with the management of the Company that it has no intention to move the offices. Having considering that (i) the premises are used as the headquarter of the Group; (ii) the premises are curtail to the daily operation of the group; and moving to another office building instead

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

of extending the Existing Property Lease Agreement will incur extra cost to the Group, we are of the view that the entering into of the New Property Lease Agreement, together with the adoption of the annual caps, is conducted in the ordinary and usual course of the Group's business and is in the interests of both the Company and the Shareholders as a whole.

Principal terms of New Property Lease Agreement

Set out below are the principal terms of the New Property Lease Agreement:

Date:	17 May 2021
Parties:	CDV WFOE (as tenant); and CDV Investment (as landlord)
Term:	The validity period of the New Property Lease Agreement is three years, commencing on 1 January 2022 and expiring on 31 December 2024, subject to renewal
Properties:	Office and warehouse premises located at China Digital Video Technical Plaza, No. 131 West Forth Ring Road North, Haidian District, Beijing, the PRC, with an aggregate gross floor area of up to 10,214 square meters
Rental:	Between RMB3 to RMB6 per square meter per day (inclusive of management fees), depending on the location and nature of the individual premises, subject to negotiation between the parties with reference to the prevailing market rental for leased properties of similar size in the vicinity, and payable on a monthly basis
Renewal:	The New Property Lease Agreement is renewable at the request of CDV WFOE by giving a 60- to 90-day prior written notice to CDV Investment, subject to the satisfaction of all applicable laws and regulations (including the GEM Listing Rules) CDV WFOE has a right of priority to renew the New Property Lease Agreement

Term

The agreed term under the New Property Lease Agreement is three years, starting from 1 January 2022 and expiring on 31 December 2024. In order to assess the fairness and reasonableness of the term, we have reviewed 19 announcements available on the website of the Stock Exchange regarding continuing connected transactions in respect of property lease/leasing agreement dated from 1 April to 16 May 2021 (same transaction announced by both parties would be classified as one announcement). We consider the review period is sufficient as it covers the latest practicable days in

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

April and May 2021 before the entering of the New Property Lease Agreement. Also, the number of samples is appropriate for the analysis as it is not less than the number of announcements reviewed for the assessment on the fairness and reasonableness of the terms in relation to the Existing Property Lease Agreement stated in the corresponding circular dated 12 December 2018. The samples represent an exhaustive list which fulfilled the selection criteria as described above, including the nature of the transaction and the chosen period, and are relevant for the purpose of the assessment of the terms for the New Property Lease Agreement based on the best knowledge and information available on the website of the Stock Exchange. We find that the term under the lease/leasing agreements ranges from 9 months to 7 years. Besides, 8 out of 18 property lease/leasing agreements consist of a 3-year agreed term. We are therefore of the view that the agreed term under the New Property Lease Agreement is on a commercial term and fair and reasonable.

Below are the details of the selected samples:

	Stock Code	Name of the reviewed companies	Date of the announcement/ Transaction date	Duration
1	00369	Wing Tai Properties Limited	13 May 2021	3 years
2	00019 00087	Swire Pacific Limited	13 May 2021	3 years
	01972	Swire Properties Limited		
3	00726	DIT Group Limited	11 May 2021	1 year
4	01205	CITIC Resources Holdings Limited	5 May 2021	7 years
5	00657	G-Vision International (Holdings) Limited	30 April 2021	1 year
6	02006	Shanghai Jin Jiang Capital Company Limited	30 April 2021	3 years
7	00754	Hopson Development Holdings Limited	30 April 2021	Approximately 2.5 years ^(Note 1)
8	02880	Liaoning Port Co., Ltd.	28 April 2021	Approximately 2.5 years ^(Note 1)
9	00778	Fortune Real Estate Investment Trust	27 April 2021	3 years
10	06033	Telecom Digital holdings Limited	26 April 2021	1 year
11	02309	Birmingham Sports Holdings Limited	21 April 2021	3 years
12	08241	Ying Kee Tea House Group Limited	20 April 2021	1 year

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	Stock Code	Name of the reviewed companies	Date of the announcement/ Transaction date	Duration
13	06098	Country Garden Services Holdings Company Limited	13 April 2021	Approximately 2 years and 8 months
	02007	Country Garden Holdings Company Limited		
14	00995	Anhui Expressway Company Limited	8 April 2021	9 months
15	03306	JNBY Design Limited	8 April 2021	1 year 8 months
16	06049	Poly Property Services Co., Ltd.	1 April 2021	3 years
17	00086	Sun Hung Kai & Co. Limited	1 April 2021	3 years
18	00084	Stelux holdings International Limited	1 April 2021	3 years

Note:

- From the effective date (when the independent shareholders' approval is obtained and other conditions are satisfied) to 31 December 2023. Please find further details in the corresponding announcement.

Rental

The agreed rental under the New Property Lease Agreement ranges from RMB3 to RMB6 per square meter per day (inclusive of management fees), depending on the location and nature of the specific premises. We have reviewed the Existing Property Lease Agreement, the agreed rental range under the agreement is RMB3 to RMB6 per square meter per day. We noted that the annual cap for the year ending 31 December 2021 under the Existing Property Lease Agreement is RMB24.2 million while the proposed annual cap for the year ended 31 December 2022 under the New Property Lease Agreement is RMB13.0 million, which is approximately 46.3% lower than the annual cap under the Existing Property Lease Agreement. According to the Letter from the Board, the proposed annual caps under the New Property Lease Agreement shall be determined based on arm's length negotiations between both parties by reference to the prevailing market rental of properties with similar locations and sizes to the relevant leasing properties. We have reviewed the financial due diligence report dated 30 April 2021 prepared by the PRC qualified auditor, Beijing Zhongqixin Certified Public Accountants Co., Ltd.* (北京中齊信會計師事務所有限公司) for the Group's internal assessment on the rental of the premises (the "**Due Diligence Report on Rental**"). Pursuant to the aforementioned report, we understood that the qualified auditor compared the rental per square meter per day with the rental of three properties located on the same road as CDV Technical Plaza. The rental of RMB3 to RMB6 per square meter per day under the New Property Lease Agreement is not higher than the rental of those three properties offered by the Independent Third Parties. Also, we have, on our best effort basis, conducted a search of comparable rental at the nearby location from the reference found from

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real estate agency, Anjuke*(安居客), which is commonly used by the public in mainland China as desktop search on the latest rental and found the rental adopted by CDV Investment falls within the range of the market rental. As such, we consider the rental payable under the New Property Lease Agreement is reasonable and fair to the CDV WFOE. Based on the above, we concur that the rental payable by CDV WFOE under the New Property Lease Agreement is not less favourable than the those offered in the market.

Under the New Property Lease Agreement, the parties agreed to adjust the rental based on the then prevailing market rentals upon the expiry of the individual lease agreement, the rental for the three years ending 31 December 2024 would remain the same based on the then prevailing market rentals. According to the Due Diligence Report on Rental, there was rental inflation of 8.0%-15.0% for the properties located in West Fourth Ring Road North in the past three years which indicates the rental of office located in Beijing has increased by approximately 11.5% on average in the past three years. Given the fact that (i) the prevailing market rental changes from time to time, and (ii) there was rental inflation in the past three years, we are of the view that the rental under the New Property Lease Agreement is fair and reasonable.

Historical transaction amounts

Set out below are the details of historical transaction amounts under the Existing Property Lease Agreement for the years ended 31 December 2019 and 2020, and four months ended 30 April 2021.

	For the year ended 31 December 2019	For the year ended 31 December 2020	For the four months ended 30 April 2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total historical rental transaction amounts	13,500	10,300	3,300
Previous annual cap	20,000	22,000	24,200
Utilisation	67.5%	46.8%	13.6%

As shown in the table, the total amount of historical rental transaction between the Group and CDV Investment for the two years ended 31 December 2020 and four months ended 30 April 2021 were approximately RMB13.5 million, RMB10.3 million and RMB3.3 million, respectively. The moderate utilisation rate is mainly due to the significant drop in demand of rental properties as the number of full-time employees and dispatched workers has decreased from 848 in 2018 to 735 in 2019, and dropped further to 655 in 2020 pursuant to the annual reports of the Company for the years ended 31 December 2019 and 2020. Also, according to the office market - real estate market outlook report 2020*(寫字樓市場-2020年房地產市場展望報告) issued by CBRE, the leasing market has been affected adversely caused by the Sino-US trade dispute and the pandemic. CBRE is the world's largest commercial real estate services company which has been appointed as the leasing consultant to certain properties in China since 1988 and we are of the view that its analysis of leasing market in mainland China is reliable taking into account of their local and global expertise on properties. As such, we

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

understand the drop of employees resulted in decrease in demand of the rental properties and this aligned with the leasing market in China as mentioned by CBRE. As confirmed by the Directors, the transaction amount under the Existing Property Lease Agreement for the year ending 31 December 2021 will not exceed the relevant annual cap, i.e. RMB24.2 million.

Accounting implication of lease under the New Property Lease Agreement

Pursuant to IFRS 16, subject to certain exceptions, leases with a term of more than 12 months will be recognised as right-of-use assets, and the transactions contemplated thereunder will be recognised as an acquisition of right-of-use assets. The right-of-use assets represented the right to use the underlying leased asset over the lease term and the lease liability represented the obligation to make lease payments (i.e. the rent). The asset and the liability arising from the lease are initially measured on present value basis and calculated by discounting the noncancellable lease payments under the relevant agreement, using the incremental borrowing rate as the discount rate. Under IFRS 16 and in the consolidated statement of comprehensive income of the Group, the Group shall recognise (i) depreciation charge over the shorter of the useful life of the assets and the lease term, and (ii) interest expenses amortised from the lease liability over the lease term.

Proposed annual caps

The respective annual caps on the total value of right-of-use assets relating to leases to be entered into by the Group for each of the three years ending 31 December 2024 under the New Property Lease Agreement are as follows:

Period	Total value of right-of-use assets relating to the leases to be entered into by the Group acting as tenant in accordance with the New Property Lease Agreement
	<i>RMB'000</i>
For the year ending 31 December 2022	11,940
For the year ending 31 December 2023	12,236
For the year ending 31 December 2024	12,476

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Basis for the proposed annual caps

In determining the proposed annual caps in respect of the New Property Lease Agreement, the Company has taken into account the following factors:

(i) the historical transaction amounts under the Existing Property Lease Agreement. As explain above under the section of “Historical transaction amounts”, approximately 67.5%, 46.8% and 13.6% of the previous annual cap had been utilised for the years ended 31 December 2019 and 2020 and four months ended 30 April 2021. As discussed with the management of the Company, we understand that the Company has considered the rental under the New Property Lease Agreement is ranged as same as the rental under the Existing Property Lease Agreement and there was rental inflation of 8.0%-15.0% for the properties located in West Fourth Ring Road North in the past three years as advised in the Due Diligence Report on Rental. According to the corresponding rental forecast under the New Property Lease Agreement obtained from the Company, the proposed annual cap is determined by multiplying the expected rental price per square meter by the estimated size of the premises area in accordance with the implication of IFRS 16 taking into account of the year-to-year rental inflation of approximately 8.0% in the coming three years, which falls within the range of the inflation rate advised on the Due Diligence Report on Rental;

(ii) the prevailing market rental of properties of similar size in the vicinity of the Group’s leased properties. As explained above under the section of “Historical Transaction Amounts”, we have obtained the Due Diligence Report on Rental in relation to the comparison of rental executed by CDV Investment and the market rental. The aforementioned report indicated there are at least three properties located on the same road as the properties to be leased to CDV WFOE under the New Property Lease Agreement were compared of their rental per square meter per day and found that the rental payable by CDV WFOE to CDV Investment is not higher than those charged in the market, which is in line with our desktop search on the latest rental sourced from the real estate agency;

(iii) the market rental of leased properties in Beijing, the PRC and the potential increase in market rent for commercial properties in the PRC in the coming years. According to the research on global office impact study and recovery timing issued by the leading global real estate services firm, Cushman & Wakefield in September 2020, the office rent would be rebounded from the negative rate of 5.2% in 2021 to the positive rate of 0.1%, 4.7% and 5.6% in 2022, 2023 and 2024 respectively, in the region of Greater China. In this circumstance, we are of the view that the demand of leased properties in the PRC would turn positive in general. Also, pursuant to the report in relation to the quarterly net absorption reaches 10-year quarterly high in Beijing office in the first quarter of 2021 issued by the leading diversified professional services and investment management company, Colliers International, dated 9 April 2021, the rebound of demand in quarter one of 2021 was mainly due to (i) the rapid macro-economic recovery created a proper environment for business expansion; (ii) the demand, restrained by the pandemic previously, continued to be released; and (iii) the continuous expansion of financial and technology companies; and

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(iv) the value of right-of-use assets calculated by discounting the estimated total annual rents of the future years using the incremental borrowing rate of the CDV WFOE as the discount rate. Pursuant to the calculation of the current annual caps for the New Property Lease Agreement provided by the Company, the annual caps are set on the total value of right-of-use assets relating to the leases to be entered into under the New Property Lease Agreement with consideration of present value basis and discounting factors by using the incremental borrowing rate as the discount rate. As such, the annual caps are fair and reasonable according to the implication of IFRS 16.

Based on the factors and reasons discussed above, we are of the view that each of the proposed annual caps for the continuing connected transactions contemplated under the New Property Lease Agreement were set by the Company after due and careful consideration and are reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

New Supply Framework Agreement

Reasons for and benefits in entering into the New Supply Framework Agreement

As disclosed in the Letter from the Board, prior to the Reorganisation, Xin'aote Group was the Group's operating entity through which the Group carried on its business, including undertaking projects of certain government agencies and military units. Upon completion of the Reorganisation, because of its business network and industry reputation, Xin'aote Group has continued to be invited to bid for the projects of these government agencies and military units. Since 2013, these government agencies and military units have enhanced their internal control by requiring bidders of their projects to possess the qualifications that can only be obtained by non-foreign owned domestic companies (the "**Special Qualifications**"). On the one hand, the Group, as a foreign-invested entity, is not eligible to obtain the Special Qualifications. On the other hand, although Xin'aote Group, as a non-foreign owned domestic company, possesses the Special Qualifications, it does not have the capabilities or expertise in providing digital video technology solutions and services. In order to capture the business opportunities in respect of the projects of certain government agencies and military units, Xin'aote Group has been purchasing solutions, products and services from CDV WFOE on an exclusive basis. CDV WFOE offers solutions that consist of multiple products customized and integrated with the proprietary software of the Group into cohesive systems that enable its customers to streamline the different workflows that take place at the post-production stage and upgrade to more advanced broadcasting standards, and many of the solution contracts include more than one type of solution. The key solutions provided by CDV WFOE include (i) news workflow solutions, (ii) digital broadcast automation solutions, (iii) virtual studio solutions, (iv) program production solutions and (v) media asset management solutions. In terms of the services provided by CDV WFOE, it offers specialized outsourcing services using solutions and products provided by itself and other suppliers to Xin'aote Group, including (i) multi-camera recording and editing, (ii) live sports broadcasting, (iii) graphics template design, (iv) digitization and cataloguing of media assets, and (v) system maintenance. The Directors consider that such arrangement is mutually beneficial to the Group and Xin'aote Group and will allow both the Group and Xin'aote Group to pursue business opportunities that they would not otherwise have access to. In addition, the sale of solutions, services and products by the Group

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to Xin'aote Group will provide a stable and additional source of revenue to the Group. Based on the above, we are of the view that entering into the New Supply Framework Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

Principal terms of New Supply Framework Agreement

- Date:** 17 May 2021
- Parties:** CDV WFOE (as supplier) and Xin'aote Group (as customer)
- Term:** The validity period of the New Supply Framework Agreement is three years, commencing on 1 January 2022 and expiring on 31 December 2024, subject to renewal
- Exclusive supply:** Unless with the written consent of CDV WFOE, Xin'aote Group shall not, upon receiving bidding invitations, bid for projects of certain government agencies and military units (the "**Special Qualification Projects**"), which require the service providers to possess Special Qualifications
- Xin'aote Group has undertaken that it will not provide digital video technology solutions, products and services to its customers on its own or engage in any business that competes or may compete with the business of CDV WFOE
- Unless with the written consent of CDV WFOE, Xin'aote Group shall not purchase digital video technology solutions, products and services from any suppliers other than CDV WFOE
- Bidding process:** Xin'aote Group shall promptly notify CDV WFOE upon receiving any invitation to bid for the Special Qualification Projects
- Xin'aote Group shall consult and obtain prior consent from CDV WFOE in relation to the major terms of the bidding proposal, including the bidding price and the payment schedule
- Payment Term:** The payment terms shall be separately set out in the individual sales agreements to be entered into between CDV WFOE and Xin'aote Group
- Termination:** CDV WFOE may unilaterally terminate the New Supply Framework Agreement by giving 15-day prior written notice. Upon receipt of such notice, Xin'aote Group shall not make new bids for the Special Qualification Projects

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Terms

The validity period of the New Supply Framework Agreement is three year, commencing on 1 January 2022 and expiring on 31 December 2024. Based on our research in the website of the Stock Exchange, we have reviewed 27 announcements regarding continuing connected transactions related to supply framework agreement dated from 1 May to 16 May 2021 (same transaction announced by both parties would be classified as one announcement). We consider the review period is sufficient as it covers the latest practicable days in May 2021 before the entering of the New Supply Framework Agreement. Also, the number of samples is appropriate for the analysis as it is not less than the number of announcements reviewed for the assessment on the fairness and reasonableness of the terms in relation to the Existing Supply Framework Agreement stated in the corresponding circular dated 12 December 2018. The samples represent an exhaustive list which fulfilled the selection criteria as described above, including the nature of the transaction and the chosen period, and are relevant for the purpose of the assessment of the terms for the New Supply Framework Agreement based on the best knowledge and information available on the website of the Stock Exchange. We find 10 out of 25 supply related agreements have a three-year agreed term. Therefore, we are of the view that the agreed term under the New Supply Framework Agreement is fair and reasonable.

Below are the details of the selected samples:

	Stock Code	Name of the reviewed companies	Date of the announcement/ Transaction date	Terms of the transactions
1	01528	Red Star Macalline Group Corporation Ltd.	14 May 2021	3 years
2	00538	Ajisen (China) Holdings Limited	14 May 2021	3 years
3	00285	BYD Electronic (International) Company Limited	14 May 2021	Approximately 2.5 years ^(Note 1)
4	01797	Koolearn Technology Holding Limited	14 May 2021	1 year
5	06888	Freetech Road Recycling Technology (Holdings) Limited	14 May 2021	Approximately 10 months to 1 year ^(Note 2)
6	09983	Central China New Life Limited	13 May 2021	Approximately 2.5 years ^(Note 3)
7	09983 ^(Note 4)	Central China New Life Limited	13 May 2021	1 year
	00832	Central China Real Estate Limited		

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	Stock Code	Name of the reviewed companies	Date of the announcement/ Transaction date	Terms of the transactions
8	00832 ^(Note 4)	Central China Real Estate Limited	13 May 2021	Approximately 10 years to 2.5 years ^(Note 3)
9	00305	Wuling Motors Holdings Limited	13 May 2021	Approximately 2 years 7 months
10	00346	Yanchang Petroleum International Limited	13 May 2021	2 years and 6 months
11	00196	Honghua Group Limited	12 May 2021	3 years
12	00968	Xinyi Solar Holdings Limited	11 May 2021	1 year
	00868	Xinyi Glass Holdings Limited		
13	02727	Shanghai Electric Group Company Limited	11 May 2021	3 years
14	00270	Guangdong investment Limited	10 May 2021	3 years
15	01104	APAC Resources Limited	10 May 2021	3 years
16	01461	Luzheng Futures Company Limited	10 May 2021	3 years
17	02006	Shanghai Jin Jiang Capital Company Limited	10 May 2021	3 years
18	00124	Guangdong Land Holdings Limited	10 May 2021	Approximately 7 months
19	02898	Longrun Tea Group Company Limited	10 May 2021	Approximately 13 years and 10 months
20	02528	Forward Fashion (International) holdings Company Limited	6 May 2021	Approximately 10.5 years
21	02099	China Gold International Resources Corp. Ltd.	6 May 2021	Approximately 2.5 years ^(Note 1)
22	01205	CITIC Resources Holdings Limited	5 May 2021	5 years to 7 years ^(Note 2)

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	Stock Code	Name of the reviewed companies	Date of the announcement/ Transaction date	Terms of the transactions
23	02317	Vedan International (Holdings) Limited	4 May 2021	3 years
24	02019	Dexin China Holdings Company Limited	3 May 2021	Approximately 1 year to 2.5 years ^(Note 1 and 2)
25	02588	BOC Aviation Limited	3 May 2021	3 years

Notes:

1. From the effective date (when the independent shareholders' approval is obtained and other conditions are satisfied) to 31 December 2023. Please find further details in the corresponding announcement.
2. The announcement covers various service transactions which consists of different periods. Please find further details in the corresponding announcement.
3. From the date on which the shares of the connected person/subsidiary of the company are first listed and from which dealings in them first commence on the main board of the Stock Exchange to 31 December 2023. Please find further details in the corresponding announcement.
4. There are two announcements in relation to different service transactions published by the same company on the same date. Please find further details in the corresponding announcement.

Exclusive supply

Under the New Supply Framework Agreement, (i) Xin'aote Group shall not purchase digital video technology solutions, products and services from any suppliers other than CDV WFOE under the agreed terms and conditions of the agreement; (ii) Xin'aote Group undertakes not to provide digital video technology solutions, products and services to its customers by itself in any event or engage in any business that competes or may compete with the business of CDV WFOE; and (iii) unless with the written consent of CDV WFOE, Xin'aote Group shall not bid for the Special Qualification Projects upon obtaining bidding invitations. Due to these terms, the Group can maintain stable source of sales and diminish the competition they may face.

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Bidding Process

Under the New Supply Framework Agreement, (i) Xin'aote Group shall notify CDV WFOE promptly after it receives any invitation to bid for any Special Qualification Projects; and (ii) Xin'aote Group shall consult and obtain prior consent from CDV WFOE in relation to the major terms of the bidding proposal, including the bidding price and payment schedule. As mentioned, since the Group is a foreign owned company, the Group cannot obtain the qualification to bid for projects of certain government agencies and military units. Xin'aote Group is a non-foreign owned domestic company which has the qualification to bid for Special Qualification Projects. The New Supply Framework Agreement provides opportunities to the Group to indirectly undertake the Special Qualification Projects through Xin'aote Group. Besides, no charge will be imposed by Xin'aote Group to the Group for passing the orders of Special Qualification Projects to the Group.

Based on the above and under the section of "Exclusive Supply", we are of the view that entering into the New Supply Framework Agreement is in the interests of the Company and its Shareholders as a whole.

Payment and settlement

Payment and settlement schedule shall be set out in the specific sales agreements with Xin'aote Group. We have reviewed four sales agreements entered into between the Group and Xin'aote Group during the two years ended 31 December 2020 and the four months ended 30 April 2021 and compared the price and terms of the sales agreement with the sales agreements entered into between the Group and Independent Third Parties. The samples represented approximately 21% of the total historical transaction amounts under the Existing Supply Framework Agreement for the two years ended 31 December 2020 and the four months ended 30 April 2021. We find that the terms of the agreements entered into with Xin'aote Group and Independent Third Parties were similar and the prices offered to Independent Third Parties were lower than those offered to Xin'aote Group. We are therefore of the view that the pricing policy under the New Supply Framework Agreement is on normal commercial terms and is fair and reasonable.

Historical transaction amounts

Set out below is the details of historical transaction amounts under the Existing Supply Framework Agreement for the years ended 31 December 2019 and 2020, and four months ended 30 April 2021.

	For the year ended 31 December 2019	For the year ended 31 December 2020	For the four months ended 30 April 2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total historical transaction amounts	5,900	15,300	5,700
Previous annual cap	36,000	41,000	47,000
Utilisation	16.4%	37.3%	12.1%

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As shown in the table, the historical transaction amounts under the Existing Supply Framework Agreement for the years ended 31 December 2019 and 2020, and four months ended 30 April 2021 were approximately RMB5.9 million, RMB15.3 million and RMB5.7 million, respectively, approximately 16.4%, 37.3% and 12.1% of the previous annual cap had been utilised. As confirmed by the Directors, the transaction amount under the Existing Supply Framework Agreement for the year ending 31 December 2021 will not exceed the relevant annual cap, i.e. RMB47.0 million. The low utilisation rates for the two years ended 31 December 2020 were due to the impact caused by the political tensions with the United States in 2019 and the outbreak of pandemic in 2020, which resulted in the delay of projects. As such, the actual procurement amounts relating to digital video technology solutions, products and services were lower than the expected amounts under the Existing Supply Framework Agreement for the two years ended 31 December 2020. As discussed with the management of the Company, Company believed the transaction would resume as expected in the coming three years when the business operation returns to normal by 2021.

Proposed annual caps

The proposed annual caps under the New Supply Framework Agreement for the years ending 31 December 2022, 2023 and 2024 are RMB47.0 million, RMB54.0 million and RMB62.0 million, respectively.

Basis for the proposed annual caps

In determining the proposed annual caps in respect of the New Supply Framework Agreement, the Company has taken into account the following factors:

- (i) the historical transaction amounts under the Existing Supply Framework Agreement. As confirmed with the Company, the low utilisation rate in 2019 distributed to the delay of the projects executed by the ending customer of Xin'aote Group;
- (ii) the number of bidding invitations for Special Qualification Projects that Xin'aote Group is expected to receive and the number of Special Qualification Projects that Xin'aote Group is expected to undertake in the next few years after taking into account the historical bidding invitation amounts of Xin'aote Group. Specifically, for the years ended 31 December 2019 and 2020 and the four months ended 30 April 2021, Xin'aote Group recorded a growth rate of approximately 15% for the bidding invitations in terms of the contracted amounts and it is expected that the bidding invitations in terms of the contracted amounts for Xin'aote Group for the years of 2023 and 2024 will remain stable at 15%. The bidding invitation for Xin'aote Group for the year of 2022 is estimated to be in the aggregated contracted amount of approximately RMB 170.4 million, which is calculated based on the estimated demand of the customers of Xin'aote Group. For the years ended 31 December 2019 and 2020 and the four months ended 31 April 2021, Xin'aote Group recorded the bid winning rate of 28.1%, 28.1% and 27.7%, respectively. Based on the historical data, it is expected that the bid winning rate of Xin'aote Group will remain at 28% in the three years ending 31 December 2024; and
- (iii) the expected increase in the Group's operating costs in respect of its provision of solutions, products and services.

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To assess the fairness and reasonableness of the proposed annual caps, we have reviewed the historical sales transactions between the Group and Xin'aote Group during the two years ended 31 December 2020 and the four months ended 30 April 2021, we find that there was positive growth in transaction amount from the year ended 31 December 2019 to the year ended 31 December 2020 by approximately 159.3%. As confirmed by the Directors, the Xin'aote Group obtained a new qualification (i.e. on top of its current qualification) in 2019, it was invited to bid more projects for government agencies and military unit. Assuming Xin'aote Group would acquire the solutions, products and services from CDV WFOE to produce the uncompleted projects from 2019 due to the delay of demand from its ending customer in the coming three years ending 31 December 2024, the procurement of services for the year ending 31 December 2022 (the first year of the New Supply Framework Agreement) would be the same as the relevant annual cap for the year ending 31 December 2021 under the Existing Supply Framework Agreement (the last year of the Existing Supply Framework Agreement), that is approximately RMB47.0 million. Assuming that the growth rate of total transaction amounts in 2023 and 2024 without the new qualification is approximately 14.8%, the additional projects which CDV WFOE expected to provide solutions, products and services to Xin'aote Group would be approximately RMB54.0 million and RMB62.0 million respectively for the years ending 31 December 2023 and 2024. Based on the above, the Directors believe that the total transaction amount for the year ending 31 December 2022 would remain the same as the existing annual caps for the year ending 31 December 2021 and an increase of 14.8% for the years ending 31 December 2023 and 2024 respectively. As confirmed with the management of the Company, 2021 is the beginning year of the 14th Five-Year Plan for Economic and Social Development of the People's Republic of China and there is a tendency that the transactions occurred in the first year is less than its expectation. Having said that, the coming transactions for the year ending 31 December 2022 under the New Supply Framework Agreement are expected to be at least recuperated to the extent which the existing annual cap for the year ending 31 December 2021 has been set initially. For the determination of proposed annual caps for the two years ending 31 December 2024, the Directors believe that since the estimated total transaction amount for the year ending 31 December 2022 would stay the same as the existing annual caps for the year ending 31 December 2021, it is reasonable to assume the growth rate of the transaction amounts for the years ending 31 December 2023 and 2024 as approximately one-tenth times of the growth rate for the year ended 31 December 2020 (i.e. approximately 159.3%). Besides, the management of the Company expects an increase of approximately 15.0% of the bidding invitation in terms of the contracted amount for Xin'aote Group for the years of 2023 and 2024 according to the historical aggregated contracted amount of the bidding invitations from 2019 to 2020 obtained from the Company. Based on the above factors considered by the Company, we are of the view that the year-on-year growth rate of approximately 15.0% is fair and reasonable. Also, as confirmed by the management of the Company, the political tensions with the US in 2019 and the outbreak of pandemic in 2020 may cause significant impact on the production plans in various industries, including the field which the ending customers of Xin'aote Group has engaged in, for instance, business would fully deploy to fight the epidemic and therefore non pandemic related operation and business activities are not the most prioritised jobs for the majority of corporations, having said that the production has been rebounded to the pre-pandemic condition eventually from this year and the Company is confident that the estimated transaction amount of provision of solutions, products and services from CDV WFOE to Xin'aote Group shall meet the expected production plan for the year ending 31 December 2024 taking into account of the recovery of economy and above aforementioned factors. Furthermore, pursuant to the 14th Five-Year Plan for Economic and Social Development of the People's Republic of China, the government would promote the implementation of the peaceful China initiative to a higher level and basically achieve the

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modernization of China's national defence and the military in the coming years. As such, we are of the view that the Company would require such annual caps for the three years ending 31 December 2024 in order to meet the growing transactions for the coming three years as expected by the Company.

Given the fact that (i) the total amount of transaction significantly increased by approximately 159.3% for the year ended 31 December 2020 from 31 December 2019; (ii) the expected growing production as rebounded from the pandemic; and (iii) it is more realistic to assume a growth rate of 14.8% for the years ending 31 December 2023 and 2024, we are of the view that the proposed annual caps for the New Supply Framework Agreement are fair and reasonable.

INTERNAL CONTROL MEASURES GOVERNING THE NEW PROPERTY LEASE AGREEMENT AND THE NEW SUPPLY FRAMEWORK AGREEMENT

As confirm by the Director, the Company will adopt the following internal control procedures to govern the continuing connected transactions of the Company under the New Property Lease Agreement:

Before entering into the individual lease agreements under the New Property Lease Agreement, the relevant member of the Group would gather the rental information of at least two properties of similar specification and sizes in similar locations and negotiate based on such market terms to make sure that the terms offered by CDV Investment would not be less favourable than those offered by Independent Third Parties on the market. Under the Company's internal policy, the independent non-executive Directors will review the rental when entering into the individual lease agreements under the New Property Lease Agreement to ensure that the individual lease agreements are (i) entered into in the ordinary and usual course of business of the Company; (ii) on normal commercial terms and on terms that are no less favourable than those offered by other Independent Third Parties; and (iii) in accordance with the provisions of the New Property Lease Agreement. The finance department of the Company will collect the real-time statistics of the rental payment on regular basis ensure that the aggregate rental for all the individual lease agreements will not exceed the annual cap for the relevant year and that term of the individual lease agreements will not exceed the amount under the New Property Lease Agreement.

In relation to the transactions under the New Supply Framework Agreement, the Company has adopted the following internal control procedures to ensure that the sales prices under these transactions are fair and reasonable:

- (a) The business departments will compare the price of specific solutions, products or services against their respective market prices;
- (b) The business departments will also review the reasonableness of the pricing on regular basis according to the latest market intelligence;

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- (c) before entering into individual contracts, the head of the business department and marketing department, is responsible for supervising whether the transaction terms, pricing and other terms specified in individual contracts are in compliance with the principles set out in the New Supply Framework Agreement, whether the price conformed with the range of the then market price applicable to same type of services, as well as comprehensively evaluating the fairness of the transaction terms for terms and conditions and contract amount of individual contract, and reporting relevant information to the senior management of the Company in time;
- (d) the finance department of the Company will collect the real-time statistics of the transaction amounts on regular basis to ensure that the aggregate transaction amount for all the individual agreement will not exceed the amount under the New Supply Framework Agreement; and
- (e) The independent non-executive Directors will conduct annual review on the transactions under the New Supply Framework Agreement to ensure that such transactions are (i) entered into on normal commercial terms which are fair and reasonable; and (ii) in accordance with the provisions of the New Supply Framework Agreement.

We have obtained sample of internal control documents such as the Due Diligence Report on Rental to ensure the price charged for the individual lease agreements under the New Property Lease Agreement are no less favourable than those offered by other Independent Third Parties. As confirmed with the management of the Company, we understand the Company will review the reasonableness of the pricing on regular basis according to the latest market intelligence as to determine the price to be charged under the New Supply Framework Agreement based on the principle that the terms offered by CDV WFOE to Xin'aote Group shall not be more favourable than the terms offered by CDV WFOE to Independent Third Parties. Since the series of internal control measure and risk management arrangement for the transactions remain unchanged as those under the Existing Property Lease Agreement and the Existing Supply Framework Agreement, we believe the Group will adopt the same procedures to govern the continuing connected transactions and they would be sufficient and adequate to ensure that such transactions will be conducted under normal commercial terms and are not prejudicial to the interest of the Company and its minority Shareholders.

RECOMMENDATION

Having taken the above principal factors and reasons, we considered that (i) the New Property Lease Agreement and the New Supply Framework Agreement are in the ordinary and usual course of business of the Group, and are on normal commercial terms; (ii) the terms of the New Property Lease Agreement and the New Supply Framework Agreement are fair and reasonable, and that it is in the interests of the Company and the Shareholders as a whole to enter into the proposed transactions; and (iii) the proposed annual caps for the three years ending 31 December 2024 for each of the New Property Lease Agreement and the New Supply Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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Accordingly, we advise the Independent Board Committee to recommend, the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM approving the New Property Lease Agreement and the New Supply Framework Agreement, the transactions contemplated thereunder and the related proposed annual caps.

Yours faithfully,
For and on behalf of
Vinco Capital Limited
Alister Chung
Managing Director

Note: Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Vinco Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.

1. RESPONSIBILITY STATEMENT

This circular, 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 circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, the interests and short positions held by the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they are taken or deemed to have taken under such provisions of the SFO), or which will be required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long position in the shares, underlying shares and debentures of the Company

Name of Shareholder	Capacity	Number of Shares or underlying shares	Approximate percentage of interest in the Company
Mr. Zheng	Founder of a discretionary trust ¹	214,278,278	33.99%
Mr. Liu Baodong	Beneficial owner ²	17,118,669	2.72%
Mr. Pang	Beneficial owner ³	405,000	0.06%
Mr. Frank Christiaens	Beneficial owner ³	300,000	0.05%
Ms. Cao Qian	Beneficial owner ³	300,000	0.05%

Notes:

- Mr. Zheng is the settlor and a beneficiary of Future Success Trust. Future Success Trust holds the entire issued share capital of ZFS Holdings Limited, which in turn holds the entire issued share capital of Wing Success Holdings Limited, the controlling shareholder of the Company. Therefore, Mr. Zheng is deemed to be interested in the Shares held by Wing Success Holdings Limited.
- Mr. Liu Baodong held 14,118,669 Shares and the remaining interest is the options representing 3,000,000 underlying shares of the Company upon full exercise of such options.
- Interests in options granted pursuant to the share option scheme of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the shares of the Company

Name of shareholder	Capacity	Number of shares held	Approximate percentage of interest in the Company
Mr. Zheng	Founder of a discretionary trust ¹	214,278,278	33.99%
Wickhams Cay Trust Company Limited	Trust and interest of controlled corporation ²	214,278,278	33.99%
ZFS Holdings Limited	Interest of controlled corporation ²	214,278,278	33.99%
Wing Success Holdings Limited	Beneficial owner ²	214,278,278	33.99%
Eagle Eyes Investment Limited	Interest of controlled corporation ³	98,098,000	15.56%
New Horizon Capital III, L.P.	Interest of controlled corporation ³	98,098,000	15.56%
New Horizon Capital Partners III Ltd	Interest of controlled corporation ³	98,098,000	15.56%
Carvillo Success Limited	Beneficial owner ³	98,098,000	15.56%
Mr. Guo Langhua	Beneficial owner	39,034,053	6.19%

Notes:

1. Mr. Zheng is the settlor and a beneficiary of Future Success Trust. Future Success Trust holds the entire issued share capital of ZFS Holdings Limited, which in turn holds the entire issued share capital of Wing Success Holdings Limited. Therefore, Mr. Zheng is deemed to be interested in the Shares held by Wing Success Holdings Limited.
2. Wickhams Cay Trust Company Limited is the trustee of Future Success Trust and holds the entire issued share capital of ZFS Holdings Limited which in turn holds the entire issued share capital of Wing Success Holdings Limited. Therefore, Wickhams Cay Trust Company Limited and ZFS Holdings Limited are deemed under the SFO to be interested in the Shares held by Wing Success Holdings Limited.
3. New Horizon Capital Partners III Ltd is the controlling shareholder of New Horizon Capital III, L.P., who in turn is a controlling shareholder of Eagle Eyes Investment Limited, which holds 80% interest in Carvillo Success Limited. Therefore, New Horizon Capital Partners III Ltd, New Horizon Capital III, L.P. and Eagle Eyes Investment Limited are deemed to be interested in the Shares held by Carvillo Success Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

3. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date,

- (a) save for (i) Mr. Zheng's interest in the New Property Lease Agreement and the New Supply Framework Agreement; and (ii) Mr. Pang's interest in the New Supply Framework Agreement, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group; and
- (b) none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since 31 December 2020, the date to which the latest published audited consolidated financial statements of the Company were made up.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service agreement with any member of the Group which will not expire or is not determinable within one year without payment of compensation other than statutory compensation.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, controlling shareholders and his/her respective associates was considered to have an interest in a business which competed or was likely to compete, enter directly or indirectly, with the business of the Group other than those business to which the Directors and his/her associates were appointed to represent the interests of the Company and/or the Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, the date to which the latest published audited consolidated financial statements of the Company were made up.

7. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert which has given its opinion or advice which is contained in this circular:

Name	Qualification
Vinco Capital	A licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Vinco Capital was not interested in any Shares or shares in any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Vinco Capital did not have any direct or indirect interest in any asset which had been, since 31 December 2020, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Vinco Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Unit 1303, 13/F Hua Fu Commercial Building, 111 Queen's Road West, Hong Kong from the date of this circular and up to and including the date which is 14 days from the date of this circular:

- (a) the New Property Lease Agreement;
- (b) the New Supply Framework Agreement;
- (c) the letter from the Board, the text of which is set out in this circular;
- (d) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (e) the letter from the Independent Financial Adviser, the text of which is set out in this circular;
- (f) the consent letter of Vinco Capital as referred to in the section headed "7. Qualification and Consent of Expert" in this appendix; and
- (g) this circular.

9. MISCELLANEOUS

In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

NOTICE OF EGM

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



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of China Digital Video Holdings Limited (the “**Company**”) will be held on Wednesday, 30 June 2021 at 10:30 a.m. at 1/F, China Digital Video Technical Plaza, No. 131 West Fourth Ring Road N, Haidian District, Beijing, PRC for the purpose of considering and, if thought fit, passing the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the entering into of the property lease agreement dated 17 May 2021 (the “**Property Lease Agreement**”) between China Digital Video (Beijing) Limited (新奧特(北京)視頻技術有限公司) (“**CDV WFOE**”), an indirect wholly-owned subsidiary of the Company, and China Digital Video Investment Group Co., Ltd. (新奧特投資集團有限公司) (“**CDV Investment**”) (a copy of which is marked “A” and produced to the Meeting and initialled by the chairman of the Meeting for identification purpose), pursuant to which CDV WFOE has agreed to lease certain office and warehouse premises from CDV Investment during the period from 1 January 2022 to 31 December 2024, the transactions contemplated thereunder and the proposed annual caps be and are hereby approved, ratified and confirmed; and
- (b) any director of the Company be and is hereby authorised to execute the Property Lease Agreement and all such other documents and to do all such acts or things for and on behalf of the Company as he/she may consider appropriate, necessary or desirable to give effect to the transactions contemplated under the Property Lease Agreement.”

NOTICE OF EGM

2. **“THAT:**

- (a) the entering into of the supply framework agreement dated 17 May 2021 (the “**Supply Framework Agreement**”) between CDV WFOE and Xin’aote Group Co. Ltd. (北京新奥特集团有限公司) (“**Xin’aote Group**”) (a copy of which is marked “B” and produced to the Meeting and initialled by the chairman of the Meeting for identification purpose), pursuant to which Xin’aote Group has agreed to purchase solutions, products and services from CDV WFOE on an exclusive basis during the period from 1 January 2022 to 31 December 2024, the transactions contemplated thereunder and the proposed annual caps be and are hereby approved, ratified and confirmed; and
- (b) any director of the Company be and is hereby authorised to execute the Supply Framework Agreement and all such other documents and to do all such acts or things for and on behalf of the Company as he/she may consider appropriate, necessary or desirable to give effect to the transactions contemplated under the Supply Framework Agreement.”

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

Hong Kong, 15 June 2021

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

This notice, 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 of Hong Kong Limited 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 notice 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 notice misleading.

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

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

NOTICE OF EGM

3. In order to be valid, the instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered to the office of the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the Meeting and, in such event, the form of proxy shall be deemed to be revoked.
4. No instrument appointing a proxy shall be valid after expiration of 12 months from the date named in it as the date of its execution, except at an adjourned Meeting or on a poll demanded at the Meeting or any adjournment thereof in cases where the Meeting was originally held within 12 months from such date.
5. Where there are joint holders of any shares, any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint holding.
6. To ascertain shareholders' eligibility to attend and vote at the Meeting, the register of members of the Company will be closed from Friday, 25 June 2021 to Wednesday, 30 June 2021 (both days inclusive), during which period no share transfer will be effected. In order to qualify for attending and voting at the Meeting, unregistered holders of shares of the Company should ensure that all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 24 June 2021.
7. A form of proxy for use at the Meeting is enclosed.