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CHINA DIGITAL VIDEO HOLDINGS LTD:
WHAT IS THE ROLE THAT BEIJING
IS PLAYING IN THIS COMPANY ?

Mr Zheng Fu Shuang (), the Executive Chairman of China Digital Video Holdings Ltd () (Code: 8280, The **G**rowth **E**nterprise **M**arket [the **GEM**] of The Stock Exchange of Hongkong Ltd) appears to be hand-in-glove with the Government of the People's Republic of China (PRC).

In fact, **TARGET** () would go as far as to state that it is a cast-iron guarantee that Mr Zheng Fu Shuang is more than a little chummy with the bigwigs in Beijing, Beijing, being the Capital City of the PRC.

Not that that is a bad thing, but it appears to this medium that it should have been made readily apparent in the Global Offering Prospectus of China Digital Video, dated June 15, 2016.

After all, is not a prospectus of an **I**nitial **P**ublic **O**ffering (**IPO**), a hand-on-the-heart declaration of all things that are material to the company, pitching its story to the public in order to raise money?

(More about Mr Zheng Fu Shuang, later on in this analysis.)

The IPO

China Digital Video explained its reasons for seeking a listing on the secondary equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) in its Global Offering Prospectus.

The Company Offered 155 million, $US0.00001 Shares at the Indicative Offer Price Per Share, ranging from a low of $HK1.90 to a high of $HK2.57.

Investors of the HKSAR were Offered 15.50 million Shares, with the remaining 139.50 million Shares, reserved for International Investors with, presumably, deep pockets.

At the midpoint of the Indicative Offer Price Per Share, being $HK2.24, Management anticipates that it will net about $HK287 million from this cash-raising exercise.

That amount of money, one is told at Pages 281 and 282 of the Global Offering Prospectus, will be utilised as follows:

- Approximately, 47 percent, that is about $HK134.90 million, '*is expected to be used primarily for business expansion and development, among which, (i) approximately 17%, or HK$48.8 million, will be used to purchase equipment and facilities to mainly enhance quality and capabilities for our services, such as live sports broadcasting, multi-camera recording and editing services and digitization and cataloging of media assets, (ii) approximately 15%, or HK$43.1 million, will be used to invest in cloud-based computing resources for digital video content delivery, (iii) approximately 10%, or HK$28.7 million, will be used to further develop our new business, Meicam, and (iv) the remaining 5%, or HK$14.4 million, will be used to continue to hire skilled personnel*';

- Approximately, 15 percent, that is about $HK43.10 million, '*is expected to be used* *primarily for potential strategic investment and acquisition to increase our portfolio of solutions, services and products. We intend to pursue strategic investment and acquisitions that will enable us to (i) enhance our core technology by accessing new and advanced technologies in international markets, (ii) capture key industry trends, (iii) expand our customer reach to encompass niche customer bases, and (iv) leverage our core technology … As of the Latest Practicable Date* (June 7, 2016), *our Directors confirm that, except as disclosed, we did not identify any target company for acquisition for our use of net proceeds from the Global Offerin*g';

- Approximately, 15 percent, that is about $HK43.10 million, '*is expected to be used primarily for further enhancing our R&D* (**R**esearch and **D**evelopment) *capabilities and upgrading our information technology systems, (i) approximately 7%, or HK$20.1 million, for purchasing non-project based research and testing equipment, (ii) approximately 3%, or HK$8.6 million, for expanding our in-house R&D team, (iii) approximately 3%, or HK$8.6 million, for establishing a R&D center located in Chengdu, Sichuan province in China, which is expected to focus on the fundamental research of digital video technologies, such as design and optimization of software algorithm and architecture, and (iv) approximately 2%, or HK$5.7 million, for upgrading our existing information technology systems, such as ERP system* (**E**nterprise **R**esource **P**lanning), *and purchase new information technology systems, such as office automation system*';

- Approximately, 10 percent, that is about $HK28.70 million, '*is expected to be used to repay certain of our existing bank borrowings. The bank borrowings include a one-year term loan of US$5.0 million (approximately HK$38.8 million) bearing an interest rate of 2.63% per annum payable in August 2016 used for working capital purposes*';

- Approximately, three percent, that is about $HK8.60 million, '*is expected to be used primarily for promotion and marketing, such as advertising through traditional media such as TV and Internet and attending internal or domestic exhibitions*'; and,

- Approximately 10 percent, that is about $HK28.70 million, '*is expected to be used for our working capital and other general corporate purposes.*'

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