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HMV Digital China Group Limited

HMV 數碼中國集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8078)

VOLUNTARY ANNOUNCEMENT

STRATEGIC COOPERATION AGREEMENT

This is a voluntary announcement made by HMV Digital China Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”).

The board of directors (the “**Board**”) of HMV Digital China Group Limited (the “**Company**”) is pleased to announce that on 22 March 2017, the Company entered into a strategic cooperation agreement (the “**Strategic Cooperation Agreement**”) with 北京奇藝世紀科技有限公司, a subsidiary of iQIYI Motion Pictures (the “**iQIYI**”), setting out the major terms of cooperation between the parties for the exclusive internet broadcast rights in the People’s Republic of China (“**PRC**”).

By entering into the Strategic Cooperation Agreement, the Company authorizes iQIYI to have an exclusive internet broadcast right for the Movies in PRC, including (i) the overseas movies, namely “The Expandabells aka The Belles”, “Angel Has Fallen”, “Final Score”, “Stoic” and “Unchained”; (ii) the movies produced by the Company, namely “29+1”, “The Sinking City From the Space Capsule”, “The Yuppie Fantasia 33D” and “Agent Mr. Chan”; and (iii) the co-invest movies, namely “Death Notify”, “Iceman 2” and “Dynasty Warriors” (collectively, “**Movies**”).

According to the Strategic Cooperation Agreement, iQIYI will have the exclusive internet broadcast rights of the Movies in PRC for a period from twelve years to fifteen years respectively. The minimum guarantee of the exclusive internet broadcast rights will be paid by iQIYI to the Company for the Movies is RMB133.5 million and also the profit sharing of the box office of the Movies.

Information relating to the iQIYI

According to information provided by iQIYI, iQIYI is the largest video platform in the PRC. In addition to its online movie library which boasts the largest storage of movies in the PRC,

according to iResearch mUserTracker's latest data, as at July 2015, the monthly user coverage of iQIYI has reached 219 million, ranking at fourth in China's mobile internet market in terms of amount of users per month, behind only to WeChat, QQ and Taobao. In terms of length of usage, the monthly total effective usage time of iQIYI has reached 1,816 million hours, behind only to WeChat and QQ. In the area of video viewing, iQIYI is first in almost every statistical category including average users per day, monthly users, average length of usage per day and monthly length of usage.

This strategic cooperation with iQIYI not only fully demonstrated that iQIYI has confidence in the Group's movies production, but also enable the Group to extend its movie coverage towards movie fans across all of the PRC in the future through iQIYI's extensive network in the PRC, thus achieving synergy effects. The strategic cooperation enables the Group to further expand its movie business in the PRC and the Group believes that ideal return will be generated in terms of revenue from the PRC business in the future. The Board believes that entering into a cooperation relationship with iQIYI is in the best interests of the Company and its shareholders as a whole.

By Order of the Board
HMV Digital China Group Limited
Shiu Stephen Junior
Chairman

Hong Kong, 22 March 2017

Executive Directors: Mr. Shiu Stephen Junior (*Chairman*)
Ms. Li Mau (*Co-Chairman*)
Mr. Sun Lap Key, Christopher
Mr. Lee Wing Ho, Albert
Mr. Ho Gilbert Chi Hang

Non-Executive Director: Mr. Wu King Shiu, Kelvin

Independent Non-executive Directors: Mr. Chan Chi Ho
Mr. Kam Tik Lun
Mr. Tam Kwok Ming, Banny

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

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for seven days from the day of its posting and on the website of the Company at www.china3d8078.com.