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**DISCLOSEABLE TRANSACTION
IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL
OF THE TARGET COMPANY**

THE DISPOSAL

The Board is pleased to announce that on 30 June 2018, the Vendor, the Purchaser and the Target Company entered into the Agreement, pursuant to which, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire, the Sale Shares, and the Consideration shall be settled by the Purchaser to the Vendor or its nominee in accordance with the Agreement.

Upon Completion, the Target Company will cease to be a subsidiary of the Company.

GEM LISTING RULES IMPLICATIONS

As the applicable percentage ratios under Chapter 19 of the GEM Listing Rule in respect of the Disposal exceeds 5% but are below 25%, the Disposal constitutes a discloseable transaction for the Company and is therefore subject to reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

WARNING NOTICE

As Completion is conditional upon fulfilment of the conditions precedents set out in the Agreement, the Disposal may or may not proceed. Shareholders and potential investors should exercise caution when dealing in securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 30 June 2018, the Vendor, the Purchaser and the Target Company entered into the Agreement, pursuant to which, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire, the Sale Shares, and the Consideration shall be settled by the Purchaser to the Vendor or its nominee in accordance with the Agreement. The Sale Shares represents 100% of the issued share capital of the Target Company.

THE AGREEMENT

Date: 30 June 2018

Parties: (i) the Vendor;
(ii) the Purchaser; and
(iii) the Target Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of each of the Company and their respective connected persons.

Assets to be disposed

Pursuant to the Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares.

As at the date of this announcement, the Vendor is the legal and beneficial owner of the Sale Shares.

Upon completion, the Target Company will be beneficially owned as to 100% by the Purchaser and the Target Group will cease to be subsidiaries of the Company.

Consideration

The cash portion of the Consideration (being USD13,800,000) shall be paid by cash by the Purchaser to the Vendor or its nominee, 10% of the Consideration will be paid by the Purchaser to the Vendor within 30 business days after the date of signing of the Agreement, and the remaining balance of the cash portion of the Consideration is to be paid by the Purchaser to the Vendor within 90 calendar days after the date of signing of the Agreement. The non-cash portion of the Consideration (being the 81% of Sky Sparkle upon completion of Assignment Deed and Transfer Documents) is to be settled immediately prior to Completion and upon satisfaction of conditions (ii) and (iii) referred to in section headed "Conditions precedent". If the Agreement is terminated or upon expiry of the Long Stop Date, the Vendor shall refund all monies paid by the Purchaser to the Vendor under the Agreement as at the date of termination or Long Stop Date, as the case may be.

The Consideration was arrived based on normal commercial terms after arm's length negotiations between the Vendor and the Purchaser.

Conditions precedent

Completion is subject to the following conditions being fulfilled or waived (as the case may be):

- (i) (if required) the passing of the resolution by the shareholders of Issuer in a general meeting approving this Agreement and the transactions contemplated hereunder;
- (ii) the Transfer Documents having been duly executed by the Purchaser and the Vendor (or its nominee);
- (iii) the Assignment Deed having been duly executed by the Purchaser;
- (iv) the completion of the Due Diligence by the Purchaser and the resolution of the issues arising from the Due Diligence by the Vendor and the Company in manner satisfactory to the Purchaser, acting reasonably; and
- (v) none of the warranties made by the Vendor under, and other provisions of the Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or (in respect of any of the aforesaid warranties) is misleading or untrue in any material respect.

The Conditions (other than the Condition set out in (ii) and (iii)) are solely for the Purchaser's benefit and the Purchaser may at its sole discretion waive any of the Conditions (save for clause (i) and clause (iii) above) at any time by notice in writing to the Vendor. The Vendor shall use its best endeavours to procure the fulfilment of the Conditions as soon as possible after the date of this Agreement and, in any event, no later than the Long Stop Date.

Completion

Completion shall take place at 5:00 p.m. on the Completion Date after all the conditions of the Agreement have been fulfilled or waived or such date as the Vendor and the Purchaser may agree in writing.

Upon Completion, the Target Group will cease to be subsidiaries of the Company.

INFORMATION ON THE VENDOR AND THE TARGET GROUP

The Vendor is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company.

The Target Company is a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by the Vendor. The Target Group has no assets or liabilities (whether actual, contingent or otherwise) other than its holding of minority stake in a visual effects service provider. Other than the holding of such minority stake, the Target Company is not engaged in any other business.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is a summary of the key financial data of the Target Group extracted from its audited consolidated financial statements for the year ended 30 June 2017 and the unaudited consolidated financial statements for the six months ended 31 December 2017:

	For the six months ended 31 December 2017 (unaudited) HK\$'000	For the year ended 30 June 2017 (audited) HK\$'000
Turnover	—	—
Net profit/(loss) before taxation	(2)	(3)
Net profit/(loss) after taxation	(2)	(3)

According to the audited consolidated financial statements of the Target Group for the year ended 30 June 2017, the Target Group recorded an audited net assets of approximately HK\$10,000.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the entertainment business, with a focus in television program and movie production, distribution, distribution licensing, cinema operation and management in both Hong Kong and the PRC, artists management, money lending activities and acquisitions of corporate bonds, preference shares as well as investment in securities.

The Directors believe that the Disposal is a good opportunity for the Group to realise profit in the investment in the Target Group and receive cash consideration from the Disposal.

The Directors consider that the terms of the Agreement (including the Consideration) and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

Upon completion of the Disposal, the Target Group will cease to be subsidiaries of the Company. It is expected that the Group will record a gain of approximately HK\$5 million from the Disposal, which is calculated with reference to the difference between (i) the Consideration and (ii) the expected net asset value of the Target Group as at Completion. Subject to audit, the actual amount of gain or loss on Disposal to be recognized by the Group will be based on the actual net asset value of the Target Group as at Completion and therefore may vary from the amount mentioned above.

GEM LISTING RULES IMPLICATIONS

As the applicable percentage ratios under Chapter 19 of the GEM Listing Rule in respect of the Disposal exceeds 5% but all less than is below 25%, the Disposal constitutes a discloseable transaction for the Company and is therefore subject to reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

WARNING NOTICE

As Completion is conditional upon fulfilment of the conditions precedent set out in the Agreement, the Disposal may or may not proceed. Shareholders and potential investors should exercise caution when dealing in securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Agreement”	the sale and purchase agreement dated 30 June 2018 entered into among the Vendor, the Purchaser and the Issuer in relation to the Disposal
“Assignment Deed”	the deed of assignment pursuant to which the Purchaser is to licence or procure the licence of the use of all the intellectual property rights of the patented technique of digital resolution conversion to Sky Sparkle
“associates”	has the same meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors

“Business Day(s)”	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	HMV Digital China Group Limited, a company incorporated in the Bermuda with limited liability, whose shares are listed on GEM
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Agreement
“Completion Date”	the two Business Days after the date of fulfillment (or waiver) of all the Conditions set out in the Agreement
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Consideration”	the consideration for the Disposal, being a cash payment in the amount of USD13,800,000 and the 81% interests in Sky Sparkle upon completion of the Assignment Deed and Transfer Documents
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of entire issued share capital of the Target Company pursuant to the terms and conditions of the Agreement
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons (having the meaning ascribed to it under the GEM Listing Rules)
“Listing Committee”	has the meaning ascribed to it under the GEM Listing Rules

“Long Stop Date”	30 September 2018 or such later date as the Vendor and the Purchaser may agree in writing
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Fortune Access International Investment Limited, a limited company incorporated under the laws of Hong Kong
“Sale Shares”	1 ordinary share of the Target Company, representing 100% of the issued share capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sky Sparkle”	Sky Sparkle Limited, a limited liability company incorporated in the British Virgin Islands, which pursuant to the Assignment Deed is to own the technique of digital resolution conversion that is patented with the US Patent and Trademark Office
“Target Company”	Fore Head Limited, a company incorporated in British Virgin Islands with limited liability and a direct wholly owned subsidiary of the Vendor immediately prior to Completion
“Target Group”	the Target Company and its subsidiaries

“Transfer Documents”	means the transfer documents to be entered into between the Purchaser and the Vendor (or its nominee) pursuant to which the Vendor is to transfer 19% of the share capital of Sky Sparkle to the Purchaser;
“Vendor”	First Digital Group Limited, a company incorporated in British Virgin Islands with limited liability, a wholly-owned subsidiary of the Company
“%”	per cent

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

Hong Kong, 13 July 2018

As at the date of this announcement, the Board comprises Mr. Shiu Stephen Junior (Chairman), Ms. Li Mau (Co-Chairman), Mr. Sun Lap Key, Christopher, Mr. Lee Wing Ho, Albert and Mr. Cheung Hung Lui as executive Directors; Mr. Chan Chi Ho, Mr. Kam Tik Lun and Ms. Yang Yusi as independent non-executive Directors.

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.