



hmv 數碼中國集團
Digital China Group

HMV Digital China Group Limited
(Incorporated in Bermuda with limited liability)
(GEM Stock Code : 8078)

**INTERIM REPORT
2018-2019**

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MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

The Company and its subsidiaries (collectively referred to as the "Group") reported a total revenue of approximately HK\$124.9 million for the six months ended 31 December 2018 (the "Six-month Period"), compared with approximately HK\$264.1 million for the corresponding period in 2017. For the Six-month Period, a loss attributable to owners of the Company of approximately HK\$96.8 million was recorded whilst in the corresponding period of last year, a loss attributable to owners of the Company of approximately HK\$15.8 million was recorded.

Such loss during the Six-month Period was mainly due to reasons as stated in the followings:

Firstly, there is a drastic slowdown in the cultural and entertainment industry in the PRC in the second half year in 2018. This was due to an unexpected change in government policies in the PRC. The artiste management segment of the Company was significantly dropped during the Six-month Period;

Secondly, the slowdown of retail and consumer markets in Hong Kong and the PRC has been notable due to worsening political ties within the US and PRC. And the retail industry further slowed down due to downside asset prices in general in Hong Kong, which affects consumer sentiments in Hong Kong.

Last but not the least, there are no major titles of movies which were distributed in Hong Kong and the PRC during the Six-month Period.

During the Six-month Period, artist management's segment contributed a revenue of approximately HK\$23.5 million (2017: HK\$95.8 million). The revenue from the business segment of distribution and production of films, television programmes and music production was approximately HK\$11.1 million (2017: HK\$29.5 million). The revenue from cinema operation segment was approximately HK\$20.4 million (2017: HK\$18.4 million). The revenue from the money lending business was approximately HK\$19.2 million (2017: HK\$13.7 million). The revenue from the HMV business was approximately HK\$50.7 million (2017: HK\$106.7 million).



BUSINESS REVIEW

The Group is an integrated cultural and entertainment contents and services provider in Hong Kong, the PRC and East Asia. It produces and distributes movies through cinemas, over-the-top platforms across the regions. It is also one of the major artiste management services providers in Hong Kong.

Since the entire cultural and entertainment industry in the PRC slowed down in mid of 2018, the Group has been formulating varieties of organisational restructuring, including but not limited to, (a) cost saving initiative; (b) introduction of new business models; (c) strategic review on possible restructuring of the Group's business segments to achieve cost saving and improve profitability, as well as the financial performance of the Group.

Furthermore, the Group is streamlining the business segments and disposing its loss-making operations to reduce the cash outflow on the business. And the Group is also looking for opportunities to dispose some assets if the prices are fair and satisfactory.

In the rest of 2019, the financial and investment markets are expected to be volatile, including but not limited to US-China political ties and worldwide geopolitical risks. And certain risks in the cultural and entertainment industry remain to be acute and severe. This brings high uncertainty to the artiste management segment, distribution and production of films, television programmes and music production business segments of the Company.

It is expected that the Group will focus on its core strength in movie distribution and production and other promising business segments. And it may further trim down loss-making business segments in order to preserve core values of the Group.

The Group will take cautious and conservative approaches in managing its business segments with the aim to reduce market risks and achieve a better return to the Group and shareholders.

Voluntary Winding-Up of HMV Marketing Limited

On 18 December 2018, the Company in the capacity of ultimate shareholder resolved to voluntarily wind up HMV Marketing Limited ("HMV Retail"), a wholly-owned subsidiary of the Company.

On 9 January 2019, the sole shareholder of HMV Retail resolved to voluntarily wind up HMV Retail and HMV Retail was ceased to be a subsidiary of the Company with effect from 9 January 2019.

Mr. Wong Sun Keung and Ms. Tsui Mei Yuk Janice, of Vision A.S. Limited were appointed as the joint and several liquidators of HMV Retail. The appointment of the liquidators was confirmed at the meeting of creditors of HMV Retail held on 10 January 2019.

Details of the winding up were disclosed in the announcements dated 18 December 2018, 20 December 2018 and 11 January 2019.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, total borrowing of the Group (excluding payables) amounted to approximately HK\$911.2 million (30 June 2018: HK\$908.4 million). During the Six-month Period, the Group's gearing ratio (expressed as a percentage of total borrowing over total assets) was 23.4% (30 June 2018: 24.15%).

In addition to its share capital and reserves, the Group also made use of cash flow generated from operations, fund raising and the borrowings (mainly including other borrowings, convertible bonds, promissory note payable and finance lease payables), to finance its operation. The promissory note payable is denominated in Hong Kong dollars, unsecured, interest-free and has a fixed repayment term.

Other than disclosed above, the Group has no other external borrowings. The Group's bank and cash held on hand were mainly denominated in Hong Kong dollars. The Group managed its foreign exchange risk by closely monitoring the movement of the foreign currency rates. The management conducted periodical review of foreign currency exposure and would take appropriate measures to mitigate the risk should the need arise. The Group experienced no significant exposure to foreign exchange rate fluctuation during the Six-month Period.

CAPITAL STRUCTURE

For the Six-month Period, the capital structure of the Company has changed as follows:

On 15 November 2018, the Company issued the aggregate of 103,448,274 shares at an issue price of HK\$0.3625 per share to Panorama Vendor and Parkway Vendors for the acquisition of Panorama Corporation Limited and Parkway Licensing Company Limited. The number of shares in issue had been increased from 13,495,120,697 shares to 13,598,568,971 shares.

COMMITMENTS

Total commitments of the Group as at 31 December 2018 was approximately HK\$711.6 million (30 June 2018: HK\$782.9 million).

NUMBER AND REMUNERATION OF EMPLOYEES

The Group's number of employees as at 31 December 2018 was 254 (31 December 2017: 375), including full time and part time employees. Employees' remuneration was determined in accordance with individual responsibility, performance and experience. To provide incentives or rewards to the employees, the Company has adopted a new share option scheme in July 2014. No option was granted during the Six-month Period.

CONTINGENT LIABILITIES

During the Six-month Period, there is no contingent liabilities of the Company.

LITIGATION

A writ of summon was issued against the Company by Li Shing Hong Credit Limited on 13 December 2018

The Company received an originating summons ("Originating Summons") on 13 December 2018 filed by Lei Shing Hong Credit Limited as the plaintiff ("Plaintiff") against (i) Ocean Bridge Investments Limited (ii) King Universe Inc. Limited and (iii) the Company (collectively, the "Defendants") under action number HCMP 2165/2018 ("Legal Proceedings") in the High Court of Hong Kong.

In the Originating Summons, the Plaintiff claim against the Defendants the payment of all monies due to the Plaintiff under the respective covenants contained in a first legal charge dated 18 December 2017 in relation to the property located at Town House No. 6 together with patio and fore court adjoining thereto No. 25 Black's Link, Hong Kong and car parking space nos. 9 and 10, nos. 1-35 Black's Link, Hong Kong ("Property").

The Property is being put on sale by the Company in the property market and the Company is also seeking legal advice in relation to the Legal Proceedings.

04

Interim Report 2018-2019
HMV Digital China Group Limited

EVENTS AFTER THE REPORTING PERIOD

The Disposal of the entire issued share capital of the CineUnited Circuits Company Limited

On 4 January 2019, Peak Lion Group Limited, a wholly-owned subsidiary of the Company (the "Vendor"), Crown King Corporation Limited (the "Purchaser") and CineUnited Circuits Company Limited (the "Target Company") entered into an agreement for disposal of (i) the entire issued share capital of the Target Company; and (ii) the Group's Loan at the consideration of RMB17,300,000 less the aggregate liability of the Target Group. The consideration paid by the Purchaser will be placed in the Target Group as the general working capital.

Details of the disposal was disclosed in the announcement dated 4 January 2019.

Convertible Bonds and Notes issued to Wan Tai Investments Limited

On 17 November 2017, the Company and Wan Tai Investments Limited (the "Subscriber") entered into a subscription agreement, pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, (i) the convertible bonds in the aggregate principal amount of HK\$150,000,000 ("Convertible Bonds") and (ii) the notes in the aggregate principal amount of HK\$150,000,000 ("Notes").

The maturity date of Convertible Bonds and Notes were due on 2 January 2019 and the Company is still negotiating with the Subscriber for any further actions, including but not limited to repayment, re-financing and extension of Convertible Bonds and Notes.

RESULTS

The Board announces the unaudited condensed consolidated results of the Group for the three months and six months ended 31 December 2018 together with the comparative unaudited figures for the corresponding period in 2017 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 31 December 2018

	Notes	For the three months ended 31 December		For the six months ended 31 December	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	2 & 3	54,524	127,892	124,934	264,144
Other income		1,525	2,269	9,398	4,267
Cost of sales	3	(54,291)	(97,813)	(95,021)	(184,451)
Selling and distribution costs		(26,007)	(28,360)	(51,847)	(53,945)
Administrative expenses		(66,245)	(27,370)	(89,907)	(53,537)
Change in fair value of investments at fair value through profit or loss		26,772	9,750	26,550	13,949
Change in fair value of investment properties		–	(332)	–	(332)
Finance costs		(14,484)	(3,004)	(22,097)	(5,088)
Share of results of associates		(577)	207	315	679
Loss before taxation	4	(78,783)	(16,761)	(97,675)	(14,314)
Income tax credit	5	199	210	409	521
Loss for the period		(78,584)	(16,551)	(97,266)	(13,793)
Loss for the period attributable to: Owners of the Company		(78,005)	(17,660)	(96,811)	(15,812)
Non-controlling interests		(579)	1,109	(455)	2,019
		(78,584)	(16,551)	(97,266)	(13,793)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the three months and six months ended 31 December 2018

Note	For the three months ended 31 December		For the six months ended 31 December	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Other comprehensive loss				
Exchange differences on translating foreign operation	(1,395)	(1,874)	(2,213)	(2,314)
Change in fair value of investments at fair value through other comprehensive income	(854)	(10,008)	(34,168)	(15,006)
Total other comprehensive loss for the period, net of tax	(2,249)	(11,882)	(36,381)	(17,320)
Total comprehensive loss for the period	(80,833)	(28,433)	(133,647)	(31,113)
Total comprehensive loss for the period attributable to:				
Owners of the Company	(80,254)	(29,542)	(133,192)	(33,132)
Non-controlling interests	(579)	1,109	(455)	2,019
	(80,833)	(28,433)	(133,647)	(31,113)
Loss per share	6			
Basic	(HK0.58 cents)	(HK0.13 cents)	(HK0.72 cents)	(HK0.12 cents)
Diluted	(HK0.55 cents)	(HK0.13 cents)	(HK0.68 cents)	(HK0.12 cents)

06

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	31 December 2018 (Unaudited) HK\$'000	30 June 2018 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	7	91,235	97,916
Investment property	8	298,000	298,000
Intangible assets	9	247,350	247,473
Interest in associates	10	34,150	33,801
Goodwill	15	1,080,372	1,050,455
Interest in a joint venture		107	107
Investments at fair value through other comprehensive income	12	193,520	131,130
Prepayments, deposits and other receivables	13	276,054	237,081
Film rights and films production in progress	7	379,812	386,954
Loans receivables	14	3,694	70,633
Deferred tax assets		8,447	7,218
		2,612,741	2,560,768
Current assets			
Investment at fair value through other comprehensive income	12	167,789	167,789
Inventories	16	8,926	21,709
Loans receivables	14	422,109	445,321
Trade receivables	17	122,831	206,983
Prepayments, deposits and other receivables	13	409,994	205,154
Investments at fair value through profit or loss	18	119,763	23,444
Pledged bank deposits		3,688	3,674
Bank and cash balances		23,254	125,927
		1,278,354	1,200,001

07

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2018

	Note	31 December 2018 (Unaudited) HK\$'000	30 June 2018 (Audited) HK\$'000
Current liabilities			
Trade payables		63,415	70,223
Accruals, deposits received and other payables		502,876	237,633
Other borrowings	20	317,063	314,169
Convertible bonds		151,185	151,185
Promissory note payable		188,214	188,214
Finance lease payables		133	133
Derivative financial instruments		8,624	8,624
		1,231,510	970,181
Net current assets		46,844	229,820
Total assets less current liabilities		2,659,585	2,790,588
Non-current liabilities			
Accruals, deposits received and other payables		22,106	22,106
Promissory note payables		191,347	191,347
Finance lease payables		1,661	1,740
Provision for asset retirement		16,822	16,960
Convertible bonds		44,825	44,825
Derivative financial instruments		8,114	8,114
Deferred tax liabilities		26,843	27,251
		311,718	312,343
NET ASSETS		2,347,867	2,478,245
Capital and reserves			
Share capital		135,986	134,951
Reserves		2,218,908	2,343,676
Equity attributable to owners of the Company		2,354,894	2,478,627
Non-controlling interests		(7,027)	(382)
TOTAL EQUITY		2,347,867	2,478,245

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 31 December 2018

	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Foreign currency translation		Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
				reserve HK\$'000	reserve HK\$'000				
At 1 July 2017	134,758	2,518,619	(60,668)	(2,012)	(9,455)	2,581,242	(73)	2,581,169	
Total comprehensive loss for the period	-	-	(15,006)	(2,314)	(15,812)	(33,132)	2,019	(31,113)	
At 31 December 2017	134,758	2,518,619	(75,674)	(4,326)	(25,267)	2,548,110	1,946	2,550,056	
At 1 July 2018	134,951	2,523,239	(173,836)	(2,644)	(3,083)	2,478,627	(382)	2,478,245	
Total comprehensive loss for the period	-	-	(34,168)	(2,213)	(96,811)	(133,192)	(455)	(133,647)	
Issue of share upon acquisition	1,035	13,443	-	-	-	14,478	(6,190)	8,288	
Buy-back of shares	-	(4,948)	-	-	-	(4,948)	-	(4,948)	
Transaction cost attributable to issues of shares	-	(71)	-	-	-	(71)	-	(71)	
At 31 December 2018	135,986	2,531,663	(208,004)	(4,857)	(99,894)	2,354,894	(7,027)	2,347,867	

09

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2018

	For the six months ended 31 December	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Net cash used in operating activities	(45,865)	(52,319)
Net cash used in investing activities	(34,818)	(168,975)
Net cash (used in)/generated from financing activities	(22,032)	90,111
Net decrease in cash and cash equivalents	(102,715)	(131,183)
Effect of foreign exchanges rate changes	56	(3,084)
Cash and cash equivalents at beginning of the period	129,601	162,148
Cash and cash equivalents at end of the period	26,942	27,881
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	26,942	27,881

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Group's unaudited quarterly financial statements have been prepared in accordance with the applicable disclosure requirement of Chapter 18 of the GEM Listing Rules. The amounts included in the unaudited consolidated results are computed based on all Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The accounting policies adopted in preparing the unaudited consolidated financial statements for the six months ended 31 December 2018 are consistent with those followed in the annual report of the Company for the year ended 30 June 2018, except in relation to the new and revised standards, amendments and interpretations that affect the Company and its subsidiaries and are adopted for the first time for the preparation of current period's consolidated financial statements.

The unaudited condensed consolidated financial statements for the six months ended 31 December 2018 have not been audited or reviewed by the Company's auditors, but have been reviewed by the audit committee of the Company.

2. REVENUE

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

- (a) Artiste management services fee income is recognised when the services are provided.
- (b) Income from film production and licensing of corresponding rights is recognised when the production is completed and released and the amount can be measured reliably.
- (c) Income from the distribution of films is recognised when the Group's entitlement to such payments has been established which is upon the delivery of the master copy or materials to the customers or when the notice of delivery is served to the customers.
- (d) Income from box office takings is recognised when the services have been rendered to the buyers.
- (e) Interest income from a financial asset (including money lending) is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.
- (f) Rental income is recognised on a straight-line basis over the term of the lease.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

2. REVENUE (Continued)

Revenue recognition (Continued)

- (g) Revenue from sales of goods is recognised, net of discounts and returns, on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customers.
- (h) Revenue from sales of food and beverage is recognised, net of discounts, in profit or loss at the point of sale to customers.

	Three months ended 31 December		Six months ended 31 December	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
An analysis of the Group's revenue for the period is as follows:				
Artiste management services	9,764	53,260	23,532	95,824
Distribution and production of films, television programmes and music production	7,465	10,769	11,138	29,582
Money lending				
– Loan interest income	9,328	1,866	19,195	13,702
Operation of cinemas	8,809	8,920	20,362	18,358
HMV Business				
– Sales of goods	19,009	52,815	50,377	106,056
– Sales of food and beverage	149	233	330	517
– Concession stores income	–	29	–	105
	54,524	127,892	124,934	264,144

3. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has identified operating segments based on similar products and service provided. The operating segments are identified by senior management who is designated as "Chief Operating Decision Maker" to make decisions about resource allocation to the segments and assess their performance.

The Group has six reportable segments, (i) artiste management services, (ii) distribution and production of films, television programmes and music production, (iii) money lending, (iv) securities and bonds investment, (v) operation of cinemas, and (vi) HMV Business. The segmentation is based on the information about the operations of the Group that Chief Operating Decision Maker uses to make decisions.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

3. SEGMENT INFORMATION (Continued)

Segment revenue and results

The following is an analysis of the Group's revenues and results by reportable segment for the current and prior years:

	Distribution and production of films, television		Securities and bonds investment		Operation of cinemas		HMV Business		Total	
	Artiste management services		Money lending		Six months ended		Six months ended		Six months ended	
	Six months ended 31 December	2018 HK\$'000	Six months ended 31 December	2018 HK\$'000	Six months ended 31 December	2018 HK\$'000	Six months ended 31 December	2018 HK\$'000	Six months ended 31 December	2018 HK\$'000
Segment revenue										
Revenue from external customers	23,532	95,824	11,138	29,582	19,195	13,702	-	-	20,362	18,358
									50,707	106,678
									124,934	264,144
Segment results	182	4,367	(44,170)	(4,785)	16,293	11,616	26,550	13,949	(6,278)	(10,757)
									(45,011)	(8,432)
									(52,434)	5,958
Bank interest income									13	131
Unallocated corporate expenses, net									(23,472)	(15,994)
Finance costs									(22,087)	(5,088)
Shares of results of associates									315	679
Share of results of a joint venture									-	-
Loss before taxation									(97,675)	(14,314)
Income tax credit									409	521
Loss for the period									(97,266)	(13,793)

The accounting policies on segment reporting are the same as the Group's accounting policies. Segment results represent the profit earned by or loss incurred from each segment without allocation of central administration costs, bank interest income, finance costs, shares of results of associates, share of results of a joint venture and taxation. This is the measure reported to the Chief Operating Decision Maker for the purpose of resource allocation and performance assessment.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

4. LOSS BEFORE TAXATION

	Three months ended 31 December		Six months ended 31 December	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Loss before taxation has been arrived at after charging/(crediting):				
Staff costs, including directors' remuneration				
– Basic salaries and allowances	25,596	14,169	38,533	28,259
– Retirement benefits scheme contributions	1,128	666	1,799	1,308
Total staff costs	26,724	14,835	40,332	29,567
Depreciation of property, plant and equipment	2,282	2,690	6,255	5,302
Minimum lease payments under operating leases:				
– Land and buildings	17,640	16,208	33,534	31,627
Exchange loss/(gain)	562	1,148	562	(876)

5. TAXATION

No provision for Hong Kong Profits Tax has been made for the Six-month Period as the Group has statutory tax loss brought forward from prior years (six months ended 31 December 2017: Nil).

No provision for income tax in respect of operations in overseas has been made as the Group has no assessable profits in the respective jurisdictions for both periods.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

6. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the Six-month Period attributable to owners of the Company of approximately HK\$96,811,000 (2017: loss of approximately HK\$15,812,000) and the weighted average number of 13,521,544,980 ordinary shares of the Company in issue during the Six-month Period (2017: 13,475,783,680).

The calculation of the diluted loss per share for the Six-month Period is based on the loss attributable to owners of the Company of approximately HK\$96,811,000 (2017: loss of approximately HK\$15,812,000) and the weighted average number of 14,234,929,962 ordinary shares for the purpose of diluted loss per share during the Six-month Period (2017: 13,659,055,123).

7. PROPERTY, PLANT AND EQUIPMENT AND FILM RIGHTS

An analysis of movements of the assets of the Group for the Six-month Period is as follows:

	Property, plant and equipment (Unaudited) HK\$'000	Film rights (Unaudited) HK\$'000	Film production in progress (Unaudited) HK\$'000
CARRYING AMOUNTS			
At 1 July 2018	97,916	51,238	335,716
Exchange realignment	(2,269)	–	–
Acquisition of subsidiaries	1,738	775	–
Additions	105	3,310	10,177
Transfer to film rights	–	127,539	(127,539)
Depreciation and amortisation	(6,255)	(21,404)	–
 At 31 December 2018	 91,235	 161,458	 218,354

FILM RIGHTS AND FILMS PRODUCTION IN PROGRESS

In light of the circumstances of film industry, the Group regularly reviewed its library of film rights to assess the marketability of respective film rights and the corresponding recoverable amounts for the periods under review. The recoverable amount of the relevant assets had been determined on the basis of the present value of expected future revenue net of the relevant expenses arising from distribution and licensing of distribution rights of each of the films, by reference to the recent market information of the film industry. No impairment loss has been recognised for the period under review.

Films production in progress represents films under production. During the period ended 31 December 2018, the Directors of the Company assessed of which no impairment loss is necessary in respect of the films production in progress (six months ended 31 December 2017: Nil). The estimated recoverable amount was determined based on the best estimation of the management on expected future revenue less the relevant costs arising from the distribution and sub-licensing of the film products.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

8. INVESTMENT PROPERTY

	2018 HK\$'000
At 1 July	
Additions on acquisition of subsidiaries (Note 21)	298,000
Fair value change	—
At 31 December 2018	298,000

Investment properties were revalued at 31 December 2018 on market basis and the direct comparison method is adopted where comparison based on prices realised on actual sales of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of value by Ian Ng – International Valuation Limited, an independent party of Registered Professional Surveyor.

At 31 December 2018, the carrying amount of investment properties pledged as security for the Group's other borrowings amounted to approximately HK\$213,000,000.

9. INTANGIBLE ASSETS

	Trademarks HK\$'000 Note (a)	Club membership HK\$'000 Note (b)	Management contracts HK\$'000	Total HK\$'000
Cost:				
At 1 July 2018 and 31 December 2018	244,340	2,930	731	248,001
Accumulated amortization and impairment:				
At 1 July 2018	—	—	528	528
Charged for the period	—	—	123	123
At 31 December 2018	—	—	651	651
Carrying amounts:				
At 31 December 2018	244,340	2,930	80	247,350
At 30 June 2018	244,340	2,930	203	247,473

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

9. INTANGIBLE ASSETS (Continued)

Notes:

- (a) Trademarks arose from the acquisition of HMV Business on 3 August 2016. Trademarks represent the rights to use the name "HMV", the various HMV trademarks and trade mark applications, and the HMV domain names for the purposes of conducting the retail business of "HMV" operating through retail stores selling music, movies and television series related contents and products located in Hong Kong and any other business to be conducted in the PRC, Hong Kong and Singapore. The average remaining amortisation period of the patents and trademarks has indefinite useful life.

The recoverable amounts of the trademarks are determined on the basis of fair value less costs of disposal using discounted cash flow method (level 3 fair value measurements). The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and revenue are based on past practices and expectations on market development. The discount rate used was 16%.

- (b) The Group's club membership of approximately HK\$2,930,000 (30 June 2018: HK\$2,930,000) at 31 December 2018 is assessed as having indefinite useful life because there is no time limit that the Group can enjoy the services provided by that club.

The recoverable amounts of the club membership is determined on the basis of fair value less costs of disposal by reference to market price as at 31 December 2018 and 30 June 2018 (level 3 fair value measurements).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

10. INTERESTS IN ASSOCIATES

	As at 31 December 2018 (Unaudited) HK\$'000	As at 30 June 2018 (Audited) HK\$'000
Unlisted investments		
Share of net assets	4,882	4,533
Goodwill	29,268	29,268
	34,150	33,801

The following table show, in aggregate, the Group's share of the amounts of all individually immaterial associates that are accounted for using the equity method.

	As at 31 December 2018 (Unaudited) HK\$'000	As at 30 June 2018 (Audited) HK\$'000
Group's share of carrying amount of interests	34,150	33,801
	For the six months ended 31 December	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Profit from operations	315	679
Profit and total comprehensive income for the period	315	679

Note:

(a) Disposal of 51% interest in Mystery Apex Limited ("Mystery Apex")

On 28 June 2018, the Group disposed 51% equity interest in Mystery Apex, a former wholly owned subsidiary, to an independent third party of the Group, at a consideration of HK\$28,050,000. Mystery Apex becomes an associate of the Group after the disposal.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

11. COMMITMENTS

(a) Operating lease commitments

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December 2018 (Unaudited) HK\$'000	As at 30 June 2018 (Audited) HK\$'000
In respect of:		
Rented premises		
Within one year	59,949	70,443
In the second to fifth year, inclusive	128,591	147,822
Over fifth year	176,207	188,375
Total	364,747	406,640

The Group is the lessee in respect of a number of office premises in Hong Kong and cinemas in the PRC held under operating leases. The leases typically run for one to twenty years.

Rentals are fixed over the lease term and no arrangement has been entered into for contingent rental payments.

(b) Other commitments

	As at 31 December 2018 (Unaudited) HK\$'000	As at 30 June 2018 (Audited) HK\$'000
Amounts contracted for but not provided in the consolidated financial statements in respect of:		
Film production costs	167,427	215,346
Guaranteed sum to be paid under distributors agreements	140,962	122,380
Others	38,500	38,500
	346,889	376,226

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

12. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Notes	As at 31 December 2018 (Unaudited) HK\$'000	As at 30 June 2018 (Audited) HK\$'000
Listed securities		
– Equity securities listed in Hong Kong, at fair value	(a) 96,520	124,130
Unlisted securities, at fair value	(b) 264,789	174,789
	361,309	298,919

Notes:

- (a) These investments are designated as at fair value through other comprehensive income in order to avoid volatility to the profit or loss arising from the changes in fair values of the investments.
- (b) During the year ended 30 June 2018, Creative Projects Company Limited ("Creative Projects"), a wholly-owned subsidiary of the Company, acquired 12% interests in GMEH at a cash consideration of HK\$2,000,000 and 10% interests on Touchbase Tech. Inc. at a cash consideration of approximately HK\$19,700,000.

During the period ended 31 December 2018, Blueway Corporation Limited, a wholly-owned subsidiary of the Company, acquired 2,148 shares of Bintan Mining Corporation at consideration of fully paid up upon capitalization of the loans of HK\$90,000,000 advanced by Quick Money Finance Limited, a wholly-owned subsidiary of the Company to the borrowers.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December 2018 (Unaudited) HK\$'000	As at 30 June 2018 (Audited) HK\$'000
Prepayments	312,828	234,491
Deposits and other receivables	373,220	207,744
	686,048	442,235

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

The amount of prepayments, deposits and other receivables is analysed for reporting purpose as follows:

	As at 31 December 2018 (Unaudited) HK\$'000	As at 30 June 2018 (Audited) HK\$'000
– Non-current portion		
Prepayments	250,262	204,834
Deposits	25,792	32,247
	276,054	237,081
– Current portion		
Prepayments	62,566	29,657
Deposits	91,343	6,811
Other receivables	256,085	168,686
	409,994	205,154
	686,048	442,235

Note:

Prepayments, deposits and other receivables mainly represent upfront payments for film productions, distribution rights and prepaid administrative expenses. As at 31 December 2018, the amount of prepayments, deposits and other receivables that were expected to be settled within twelve months from the end of the reporting period was classified as current assets. The remaining balances were classified as non-current assets.

14. LOAN RECEIVABLES

	As at 31 December 2018 (Unaudited) HK\$'000	As at 30 June 2018 (Audited) HK\$'000
Loan receivables	425,803	515,954
Analysed as:		
Non-current assets	3,694	70,633
Current assets	422,109	445,321
	425,803	515,954

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

14. LOAN RECEIVABLES (Continued)

As at 31 December 2018, all loan receivables are denominated in Hong Kong dollars, secured by customers' pledged properties, carried at fixed interest rate ranging from 5% to 25% (30 June 2018: 5% to 25%) per annum with the payment term ranging from 3 months to 10 years (30 June 2018: 3 months to 10 years).

The following is an aged analysis for the loan receivables at the end of the Six-month Period:

	As at 31 December 2018 (Unaudited) HK\$'000	As at 30 June 2018 (Audited) HK\$'000
0–30 days	203,610	185,887
31–90 days	23,567	–
91–180 days	70,352	143,712
181–365 days	124,580	132,735
Over 365 days	3,694	53,620
	425,803	515,954

22

15. GOODWILL

Group

	HK\$'000
Cost:	
At 1 July 2018	1,054,119
Acquisition of subsidiaries (Note 21)	29,917
At 31 December 2018	1,084,036
Accumulated impairment losses:	
At 1 July 2018 and 31 December 2018	3,664
Net carrying amount:	
At 31 December 2018	1,080,372
At 30 June 2018	1,050,455

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

16. INVENTORIES

	As at 31 December 2018 (Unaudited) HK\$'000	As at 30 June 2018 (Audited) HK\$'000
Finished goods	8,926	21,709

17. TRADE RECEIVABLES

The Group allows credit periods of up to 60 days to its trade debtors. Based on the repayment pattern of the debtors of the Group, trade receivables which are past due but not impaired are eventually recoverable. The management of the Group closely monitors the credit quality of debtors and considers the trade receivables that are neither past due nor impaired to be of a good credit quality with reference to their repayment history. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables net of impairment loss based on the due date at the end of the Six-month Period:

	As at 31 December 2018 (Unaudited) HK\$'000	As at 30 June 2018 (Audited) HK\$'000
Current	122,831	206,983

18. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2018 (Unaudited) HK\$'000	As at 30 June 2018 (Audited) HK\$'000
Equity securities listed in Hong Kong, at fair value	119,763	23,444

The fair value of all the financial assets are based on their current bid prices.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

19. MATERIAL RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with its related parties during the period.

	As at 31 December 2018 (Unaudited) HK\$'000	As at 31 December 2017 (Unaudited) HK\$'000
Film production cost paid to related company (Note (i))	1,500	–
Film production cost paid to directors (Note (i))	2,000	40

Notes:

- (i) The amount represent final payment for film production paid to the director of the Company.

20. OTHER BORROWINGS

	As at 31 December 2018 (Unaudited) HK\$'000	As at 30 June 2018 (Audited) HK\$'000
Secured	260,346	279,621
Unsecured	56,717	34,548
	317,063	314,169

Other borrowings of HK\$260,346,000 (30 June 2018: HK\$279,621,000) are secured by the followings:

	As at 31 December 2018 (Unaudited) HK\$'000	As at 30 June 2018 (Audited) HK\$'000
Personal guaranteed by a director	10,000	10,000
Personal guaranteed by a Director and post dated cheque	30,000	50,000
Pledged property	213,000	213,000
Equity securities listed in HK	7,346	6,621
	260,346	279,621

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

20. OTHER BORROWINGS (Continued)

Interest rate of other borrowings are as follows:

	As at 31 December 2018 (Unaudited) HK\$'000	As at 30 June 2018 (Audited) HK\$'000
Hong Kong Interbank Offered Rate +2.6% per month	3,358	–
Hong Kong Interbank Offered Rate +3% per month	173,000	173,000
Hong Kong Best Lending Rate +2.75% per month	1,699	–
8% per annum	46,370	37,930
9% per annum	3,000	3,000
10% per annum	30,000	50,000
12% per annum	19,636	10,239
15% per annum	40,000	40,000
	317,063	314,169

21. ACQUISITION OF A SUBSIDIARY

(i) Acquisition of 70% interests in Panorama Corporation Limited

During the period ended 31 December 2018, the Company, acquired 70% interests in Panorama Corporation Limited ("Panorama Corporation") at a consideration of approximately HK\$12,158,000 from independent third party.

The fair value of the identifiable assets and liabilities of Panorama Corporation as at its date of acquisition is as follows:

	HK\$'000
Net liabilities acquired	(19,425)
Goodwill on acquisition	25,756
Non-controlling interest	5,827
	12,158
Satisfied by: 86,896,551 ordinary shares of the Company	12,158
Net cash inflow arising on acquisition: Cash and cash equivalents acquired	6,335
	6,335

25

2018-2019 Interim Report
HMV Digital China Group Limited

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

21. ACQUISITION OF A SUBSIDIARY (Continued)

(ii) Acquisition of 70% interests in Parkway Licensing Company Limited

During the period ended 31 December 2018, the Company, acquired 70% interests in Parkway Licensing Company Limited ("Parkway Licensing") at a consideration of approximately HK\$3,316,000 from independent third parties.

The fair value of the identifiable assets and liabilities of Parkway Licensing as at its date of acquisition is as follows:

	HK\$'000
Net liabilities acquired	(1,208)
Goodwill on acquisition	4,161
Non-controlling interest	363
	<hr/>
	3,316
Satisfied by:	
Cash	1,000
16,551,723 ordinary shares of the Company	2,316
	<hr/>
	3,316
Net cash outflow arising on acquisition:	
Cash consideration	1,000
Cash and cash equivalents acquired	(87)
	<hr/>
	913

22. COMPARATIVE FIGURES

Certain comparative figures have been re-stated to conform with the current period presentation to align with the financial statements presentation of the Group.

DIVIDEND

The Board did not recommend the payment of an interim dividend for the Six-month Period (31 December 2017: Nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2018, the interests and short positions of the Directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in shares of the Company

Name of Director	Capacity/ Nature of Interests	Number of ordinary/ underlying shares held	Approximate percentage holding
Mr. Shiu Stephen Junior (Note 1)	Beneficial owner	1,114,883,840	8.20%

Note:

- 1 Mr Shiu Stephen Junior is the Chairman and executive Director of the Company. 1,110,000,000 shares were pledged to Wan Tai Investments Limited, a subsidiary of CCB International Group Holdings Limited on 2 January 2018.

Save as disclosed above, as at 31 December 2018, none of the Directors or chief executive of the Company nor their associates had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SHARE OPTION SCHEME AND DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At the special general meeting of the Company held on 9 July 2014, the shareholders of the Company approved the adoption of a new share option scheme which became effective from 9 July 2014 and is valid for the next ten years.

The Company had not granted any option under the new share option scheme during the Six-month Period.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

Save as disclosed below, so far as known to the Directors, as at 31 December 2018, the Directors were not aware of any other person (other than the Directors and chief executive of the Company as disclosed above) who had any interests or short position in the shares or underlying shares or debentures of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

(i) Interests in the Shares

Name	No. of shares	Percentage
AID Treasure Investment Ltd (Note)	2,394,938,356 shares	17.61%

Note:

AID Treasure Investment Ltd is an indirect wholly-owned subsidiary of AID Life Science Holdings Limited, a listed company on GEM (Stock code: 8088).

(ii) Interests in the Convertible Bonds

Name	Conversion Price HK\$	No. of Underlying Shares	Percentage
AID Treasure Investment Ltd (Note 1)	0.305	163,934,426	1.21%
Wai Tai Investments Limited (Note 2)	0.273	549,450,549	4.04%

Notes:

1. AID Treasure Investment Ltd is an indirect wholly-owned subsidiary of AID Life Science Holdings Limited, a listed company on GEM (Stock code: 8088). The conversion price was adjusted with effect from 12 June 2017.
2. Wan Tai Investments Limited is a limited liability business company incorporated under the laws of the British Virgin Islands and an indirectly wholly-owned special purpose vehicle of CCB International (Holdings) Limited. CCB International (Holdings) Limited is an investment services flagship which is a wholly-owned by China Construction Bank Corporation, a joint stock company incorporated in the PRC and listed on the Main Board of the Stock Exchange (stock code: 0939) and the Shanghai Stock Exchange (stock code: 601939).

COMPETING INTERESTS

Up to the reporting date, Mr. Shiu Stephen Junior ("Mr. Shiu"), the Chairman and Executive Director of the Company, is a director of One Dollar Movies Productions Limited ("ODMP"), a company engaged in the production of movies, and together with his associate(s) hold indirectly as to 60% equity interests in ODMP. The businesses of ODMP may constitute competition with the business of the Group.

Save as disclosed above, the Directors believe that none of the Directors nor the controlling shareholders of the Company (as defined in the GEM Listing Rules) had any interest in a business which causes or may cause significant competition with the business of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in notes 19 to the financial statements, no other contracts of significance in relation to the Group business to which the Company, any of the subsidiaries or its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at Six-month Period.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 (the "Required Standard of Dealings") of the GEM Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Required Standard of Dealings throughout the six months ended 31 December 2018.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period of the six months ended 31 December 2018, the Company has complied with the code provisions ("Code") set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules, except for the following deviation of Code A.2.1.

Code A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The positions of Chairman of the Board and Chief Executive Officer ("CEO") of the Company are both currently carried on by the same person. The Board considers that this structure does not undermine the balance of power and authority between the Board and the management. The Board members have considerable experience and qualities which they bring to the Company and there is a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). Given the composition of the Board, the Board believes that it is able to ensure that the balance of power between the Board and the management is not impaired. The Board believes that having the same person performing the roles of both Chairman and CEO does provide the Group with strong and consistent leadership and that, operating in this manner allows for more effective and efficient overall strategic planning of the Group.

CORPORATE GOVERNANCE

The Board has adopted various policies to ensure compliance with the code provisions of the Code. During the Six-month Period, the Board is pleased to confirm that the Company has complied fully with the Code except with the deviation from Code A.2.1 which requires the role of chairman and chief executive officer be separate and not be performed by the same individual. Currently, Mr. Shiu Stephen Junior holds the offices of Chairman and CEO of the Company. The Board considers that the current structure of vesting the roles of Chairman and CEO in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Board also believes that the current structure provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants.

The audit committee (the "Audit Committee") comprises three Independent Non-executive Directors, namely Mr. Kam Tik Lun, Mr. Chan Chi Ho and Ms. Yang Yusi. Mr. Kam Tik Lun is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review the Company's annual report and accounts, half-year reports, quarterly reports and monthly reports and to provide advice and comments thereon to the board of Directors. The Audit Committee is also responsible for reviewing and monitoring the Company's internal control procedures. The Group's unaudited results for the six months ended 31 December 2018 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results has complied with applicable accounting standards and requirements and that adequate disclosures have been made.

30

REMUNERATION COMMITTEE

A remuneration committee (the “Remuneration Committee”) consisting of three Independent Non-executive Directors and one Executive Director was set up by the Company in accordance with the Code. The major responsibilities of the Remuneration Committee include: (i) to make recommendations to the Board on the Company’s policy and structure for all remuneration of directors’ and senior management and in the establishment of a formal and transparent procedure for developing such remuneration policy; (ii) to review and determine the remuneration packages of the executive directors and senior management and to ensure that no director is involved in deciding his own remuneration; and (iii) to review and make recommendations to the Board about the overall remuneration policy of the Company.

NOMINATION COMMITTEE

A nomination committee (the “Nomination Committee”) consisting of three Independent Non-executive Directors and one Executive Director was set up by the Company in accordance with the Code. The Nomination Committee has adopted a written nomination procedure specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company. The Nomination Committee will base the priority of the criteria in the procedure (such as appropriate experience, personal skills and time commitment, etc.) to identify and commend proposed candidates to the Board.

REVIEW OF INTERIM RESULTS

The unaudited consolidated results of the Group for the Six-month Period have not been audited nor reviewed by the Company’s auditor, ZHONGHUI ANDA CPA Limited, but have been reviewed by the Audit Committee of the Company, who is of the opinion that the preparation of such results has complied with the applicable accounting standards and requirements and that adequate disclosures have been made. As at the date hereof, the Audit Committee comprises the three Independent Non-executive Directors of the Company, namely Mr. Kam Tik Lun, Mr. Chan Chi Ho and Ms. Yang Yusi.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Six-month Period, the Company repurchased its own shares through the Stock Exchange as follows:

Date of Repurchase	Number of shares repurchased	Aggregate Consideration	Price per share repurchased
16 November 2018	9,260,000	HK\$1,631,880	HK\$0.174 – HK\$0.185
19 November 2018	3,900,000	HK\$718,920	HK\$0.179 – HK\$0.200
20 November 2018	1,320,000	HK\$231,360	HK\$0.171 – HK\$0.180
21 November 2018	820,000	HK\$142,400	HK\$0.172 – HK\$0.175
22 November 2018	1,580,000	HK\$277,940	HK\$0.175 – HK\$0.180
23 November 2018	1,040,000	HK\$182,900	HK\$0.173 – HK\$0.186
26 November 2018	680,000	HK\$118,740	HK\$0.173 – HK\$0.177
27 November 2018	1,480,000	HK\$256,940	HK\$0.171 – HK\$0.177
28 November 2018	3,120,000	HK\$541,940	HK\$0.167 – HK\$0.180
29 November 2018	3,120,000	HK\$526,980	HK\$0.166 – HK\$0.172
30 November 2018	1,580,000	HK\$256,760	HK\$0.159 – HK\$0.169
3 December 2018	280,000	HK\$43,560	HK\$0.153 – HK\$0.160
Total:	28,180,000	HK\$4,930,320	

The above shares were cancelled on 17 January 2019.

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

Hong Kong, 13 February 2019

As at the date hereof, the Board comprises:

Executive Directors: Mr. Shiu Stephen Junior (*Chairman*)
Mr. Sun Lap Key, Christopher
Mr. Lee Wing Ho, Albert

Independent Non-executive Directors: Mr. Kam Tik Lun
Mr. Chan Chi Ho
Ms. Yang Yusi