

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.



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)

**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 25 March 2019, the Vendor, the Company and the New Purchaser entered into the Agreement, pursuant to which, the Vendor has conditionally agreed to sell and the New Purchaser has conditionally agreed to acquire, the Sale Shares, at the Consideration of HK\$33,000,000 shall be paid in cash by the New Purchaser to the Vendor or its nominee upon Completion. Upon Completion, the Target Company will cease to be the subsidiary of the Company.

GEM LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios under Chapter 19 of the GEM Listing Rule in respect of the Disposal is more than 5% but all less than 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.

INTRODUCTION

The Board is pleased to announce that on 25 March 2019, the Vendor, the Company and the New Purchaser entered into the Agreement, pursuant to which, the Vendor has conditionally agreed to sell and the New Purchaser has conditionally agreed to acquire, the Sale Shares, at the Consideration of HK\$33,000,000 shall be paid in cash by the New Purchaser to the Vendor or its nominee upon Completion. The Sale Shares represents 100% of the issued share capital of the Target Company.

THE AGREEMENT

Date: 25 March 2019

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

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the New 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 agree to sell and the New 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 New Purchaser and the Target Group will cease to be the subsidiaries of the Company.

Consideration

The Consideration of HK\$33,000,000 shall be paid by cash by the New Purchaser to the Vendor or its nominee as following manners:

(a) at Completion of the sum of Hong Kong Dollars Twenty One Million Five Hundred Thousand (HK\$21,500,000) ("**Initial Consideration**"); and

- (b) on the Second Payment Date, the sum of Hong Kong Dollars Eleven Million Five Hundred Thousand (HK\$11,500,000) provided that the New Purchaser shall have an option at its absolute discretion to procure the transfer of Settlement Shares to the Vendor (or as the Vendor may direct) in full and final settlement of the sum payable on the Second Payment Date.

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

Completion

Completion shall take place on the Completion Date remotely by exchange of documents.

Upon Completion, the Target Group will be ceased as subsidiaries of the Company.

INFORMATION ON THE VENDOR AND THE TARGET GROUP

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

The Target Company is a company incorporated in 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 New 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 unaudited consolidated financial statements for the year ended 30 June 2018 and the unaudited consolidated financial statements for the six months ended 31 December 2018:

	For the six months ended 31 December 2018 <i>(unaudited)</i> HK\$'000	For the year ended 30 June 2018 <i>(unaudited)</i> HK\$'000
Turnover	–	–
Net loss before taxation	(1)	(2)
Net loss after taxation	(1)	(2)

According to the unaudited consolidated financial statements of the Target Group for the six months ended 31 December 2018, the Target Group recorded the net assets of approximately HK\$168 million.

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, artists management, money lending activities and acquisitions of corporate bonds, preference shares as well as investment in securities.

Reference is made to the announcements of the Company dated 13 July 2018 and 11 September 2018 in relation to the signing of the Previous Agreement between the Vendor and Previous Purchaser pursuant to which the Vendor agreed to dispose and the Previous Purchaser agreed to acquire the entire issued share capital of the Target Company at consideration of US\$34,820,000, which comprises of the cash portion of US\$13,800,000 and the non-cash portion of US\$21,020,000 (being 81% of the IP Right upon completion of the assignment of the IP right pursuant to the Assignment Deed and Transfer Documents).

Due to (i) certain conditions precedent to the Previous Agreement had not been fulfilled as at the date of this announcement; and (ii) the consideration yet to be received from the Previous Purchaser as at the date of this announcement, the disposal has not yet been completed.

In addition, the Company believes that the investment of the Target Group may not record any cash flow within the few years and the Disposal can help to improve the financial situation and cash flow of the Group. Therefore, the Company is of the view that to materialize the investment in the Target Group as soon as possible is in the best interest of the Company and the Shareholders as a whole. Therefore the Directors believe that the Disposal is the best interest of the Company and the Shareholders as a whole as the Disposal can immediately provide cash to the Group for general working capital use.

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 be ceased as subsidiaries of the Company. It is expected that the Group will record a loss of approximately HK\$135 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 one of the applicable percentage ratios under Chapter 19 of the GEM Listing Rule in respect of the Disposal is more than 5% but all less than 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 terms 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 25 March 2019 entered into among the Vendor, the New Purchaser and the Company in relation to the Disposal
“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 day falling 10 Business Days from the date of the Agreement
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Consideration”	the consideration for the Disposal, being HK\$33,000,000
“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 GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries

“HCL”	Horizon Coast Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Target Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“PFW”	Prime Focus World N.V., a private limited company incorporated and existing under the laws of the Netherlands
“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
“Previous Agreement”	the sale and purchase agreement dated 30 June 2018 (and as amended and supplemented by a supplemental agreement dated 10 August 2018) entered into between the Vendor and the Previous Purchaser in relation to the sale and purchase of the Sale Shares
“Previous Purchaser”	Fortune Access International Investment Limited, a limited company incorporated under the laws of Hong Kong
“New Purchaser”	Hero Talent Group Limited, a company incorporated in the British Virgin Islands
“Sale Shares”	1 ordinary share of the Target Company, representing 100% of the issued share capital of the Target Company
“Second Payment Date”	The day falling six months after the Completion Date or if such day is not a Business Day, the next Business Day
“Settlement Shares”	at the New Purchaser’s option in its absolute discretion, 37,500 Class B convertible redeemable shares in PFW with a par value of EUR0.01 per share (or ordinary shares of PFW issued upon conversion of such shares) or such number of ordinary shares of HCL, representing 20% of the issued share capital of HCL as at the Second Payment Date

“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
“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
“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, 25 March 2019

As at the date of this announcement, the Board comprises Mr. Shiu Stephen Junior (Chairman), Mr. Sun Lap Key, Christopher; and Mr. Lee Wing Ho, Albert 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.