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INSIDER INFORMATION – POTENTIAL ACQUISITION OF AN ENTERTAINMENT GROUP BASED IN TAIWAN

This announcement is made by HMV Digital China Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 17.10(2) of the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

THE LOI

The board of directors of the Company (the “**Board**”) is pleased to announce that on 6 February 2017, the Company has entered into a non-binding letter of intent (“**LOI**”) with a third party independent from the Company and its connected persons (as defined under the GEM Listing Rules) relating to the potential acquisition of the entire issued share capital of a Taiwan-based company (the “**Target**”, together with its subsidiaries, the “**Target Group**”) by the Company (the “**Potential Transaction**”).

Pursuant to the LOI, the Potential Transaction is conditional upon, amongst others: (i) satisfaction of due diligence on the Target Group by the Company; (ii) issue of legal opinions from counsels of relevant jurisdictions on, amongst other things, the legality of corporate structure and business of Target Group; (iii) no material adverse change to the business of the Target Group from the date of the LOI; (iv) execution and completion of definitive agreement(s) in the form and substance mutually acceptable to relevant parties; and other reasonable and customary conditions reasonably requested by the Company. It is expected that the consideration of the Potential Transaction is to be settled by way of cash and issue of consideration shares by the Company (which shall be subject to lock-up arrangement).

The Target Group is an integrated entertainment group primarily engaged in the investment in and production of motion pictures projects, including but not limited to a number of blockbuster movies, including box office hits and Golden Horse Award winning movies, which are one of the highest grossing Taiwanese film in the People's Republic of China, namely, "Our Times". The Target Group also has some upcoming projects in development. The Target Group is one of the main investors for "Our Times", and has the right to produce "Our Times" series movies and video products. Subsequent to the Potential Transaction, the Target Company will be a wholly-owned subsidiary of the Company. The Board believes that the Potential Transaction is in line with the Group's strategic to expand and broaden its territorial reach and allows the Group to strengthen its presence for the movie production and distribution business segments in Asia-Pacific.

Save for the LOI, the Company (or any of its subsidiaries) have not entered into any agreement(s) relating to the Potential Transaction.

LISTING RULES IMPLICATIONS

It is expected that the Potential Transaction, if proceeded with by the Company, will constitute a notifiable transaction of the Company under Chapter 19 of the GEM Listing Rules. Further announcement will be made by the Company as and when appropriate in accordance with the GEM Listing Rules.

Shareholders and potential investors should note that the LOI only sets out the understanding with regard to the Potential Transaction, and that the LOI is not legally binding save and except for the provisions afore-mentioned. In the event that a legally binding definitive agreement is agreed or signed, further announcement(s) will be made by the Company in compliance with the Listing Rules as and when appropriate. As the Potential Transaction may or may not proceed, shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 6 February 2017

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. Ho Gilbert Chi Hang as executive Directors; Mr. Wu King Shiu, Kelvin as non-executive director; Mr. Chan Chi Ho, Mr. Kam Tik Lun and Mr. Tam Kwok Ming, Banny 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.