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**HMV Digital China Group Limited**

**H M V 數碼中國集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 8078)**

**DISCLOSABLE TRANSACTION  
ACQUISITION OF VANTAGE METRO LIMITED**

**THE ACQUISITION**

The Board is pleased to announce that on 16 June 2017 (after trading hours), the Company, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendors entered into the Share Purchase Agreement, pursuant to which the Vendors have agreed to sell (and to procure the Minority Shareholders to sell) and the Purchaser has agreed to purchase the Sale Shares, representing the entire issued share capital of the Target Company. The Initial Consideration for the Acquisition payable on Closing Date is US\$6 million, which is to be settled and discharged by the Purchaser by the issue and allotment of the Initial Consideration Shares by the Company. Subject to the achievement of certain performance criteria as set out in the section headed “Share Purchaser Agreement – Consideration” below, an Earn-out Consideration may be payable by the Purchaser to the Vendors by the issue and allotment of the Earn-out Consideration Shares. The aggregate consideration of the Acquisition may therefore be up to approximately HK\$713,418,220 (equivalent to USD91,699,000) subject to the Consideration Shares Cap.

**LISTING RULES IMPLICATION**

As the applicable percentage ratios (as calculated in accordance with Rule 19.06 of the GEM Listing Rules) exceeds 5% but are below 25%, the Acquisition constitutes a disclosable transaction of the Company under the GEM Listing Rules and is subject to the reporting and announcement requirements under the GEM Listing Rules.

A circular containing, among other matters, (i) further details of the Acquisition and the Specific Mandate, and (ii) a notice convening the SGM, is expected to be dispatched to the Shareholders as soon as possible.

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Principal terms of the Share Purchase Agreement are set out below.

## **SHARE PURCHASE AGREEMENT**

Date: 16 June 2017 (after trading hours)

Parties:

- (i) Brilliant Fullway Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company as the Purchaser;
- (ii) Redsox Investment Co., Ltd., as Vendor A;
- (iii) Wealth Synergy Limited, as Vendor B;

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

### **Assets to be acquired:**

Pursuant to the Share Purchase Agreement and subject to the conditions, the Vendors have agreed to sell and to procure the Minority Shareholders to sell, and the Purchaser has agreed to purchase from the Vendors, free from any encumbrances whatsoever, the Sale Shares, representing 100% of the interests in the Target Company as at the date of the Share Purchase Agreement.

**Consideration:**

Pursuant to the Share Purchase Agreement, the Consideration payable to the Vendors comprises the Initial Consideration payable on Closing Date and the Earn-out Consideration which may be payable subject to conditions set out below.

*Initial Consideration:*

The Initial Consideration (being US\$6 million) will be satisfied by the issue and allotment of Initial Consideration Shares at the Issue Price upon Closing Date. The Initial Consideration Shares are subject to restrictions as set out in the paragraph headed “Lock-up Undertakings” below.

*Earn-out Consideration:*

Pursuant to the Share Purchase Agreement, an Earn-out Consideration may be payable by the Purchaser to the Vendors, by the issue and allotment of the Earn-out Consideration Shares on the Earn-out Payment Date in the following manner;

In the event FY2018 Profits is greater than or equal to FY2018 Performance Target, the Earn-out Consideration shall be calculated as follows:

$$\text{Earn-out Consideration} = \text{FY2019 Profits} \times 6.5 - \text{Initial Consideration}$$

In the event FY2018 Profits is less than the FY2018 Performance Target, the Earn-out Consideration shall be calculated as follows:

$$\text{Earn-out Consideration} = \text{FY2019 Profits} \times 3.25 - \text{Initial Consideration}$$

For the avoidance of doubt, Earn-out Payment is not payable if the figure is negative.

The sum of Initial Consideration and Earn-out Consideration shall not exceed the Maximum Consideration Amount, being approximately HK\$713,418,220 (equivalent to USD91,699,000) subject to the Consideration Shares Cap. The Earn-out Consideration Shares are subject to the restrictions set out in the paragraph headed “Lock-up Undertakings” below.

**Basis of consideration**

The Initial Consideration payable on Closing Date and the mechanism for determining the Earn-out Consideration were arrived at after arm’s length negotiation between the Purchaser and the Vendors and on normal commercial terms after taking into account of a number of factors including the following:

- the position of the Target Company and/or its subsidiaries in the entertainment industry;
- the track record of the Target Company’s investment in motion pictures, including but not limited to “Our Times” and

- the business prospects of the Target Company, taking into account of the strategic business relationship with the Vendors and business partners both within and outside of Taiwan.

The issue price of HK\$0.30 per Consideration Share represents:

- (i) a premium of approximately 8.33% to the closing price of HK\$0.275 per Share as quoted on the Stock Exchange on 16 June 2017, the date of the Share Purchase Agreement;
- (ii) a premium of approximately 5% over the average closing price of approximately HK\$0.285 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the date of the Share Purchase Agreement; and
- (iii) the average closing price of approximately HK\$0.3 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to the date of the Share Purchase Agreement.

The issue price of HK\$0.3 per Consideration Share was arrived at after arm's length negotiations between the parties with reference to the recent trading price of the Shares and current market conditions. The Directors consider that the issue price is in the interests of the Company and the Shareholders as whole.

### **Consideration Shares and Lock-up undertaking**

The Consideration Shares will be issued under the Specific Mandate to be approved by the Shareholders at the SGM. The Consideration Shares represents approximately 17.65% of the issued share capital of the Company as at the date of this announcement and approximately 15% of the issued share capital of the Company as enlarged by the Consideration Shares.

The Consideration Shares will, upon issue and credited as fully paid, rank pari passu in all respect with all the existing shares of the Company then in issue. Application for the listing of, and permission to deal in, the Consideration Shares will be made by the Company to the Stock Exchange.

Pursuant to the Share Purchase Agreement, each of the Vendors undertakes that it shall not, and shall procure the Minority Shareholders to undertake that he/she/it shall not, and shall procure that its nominee(s) shall not offer, sell, contract to sell, transfer, pledge, create any Encumbrance over or otherwise dispose of, directly or indirectly, the Initial Consideration Shares issued to the Vendors or the Minority Shareholders or its nominee(s), enter into transaction(s) which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of the Initial Consideration Shares for a period of two years commencing immediately after the Initial Consideration Shares have been issued and allotted to them, in any event up to and including 1 July 2019.

Each of the Vendors further undertakes that it shall not, and shall procure the Minority Shareholders to undertake that he/she/it shall not, and shall procure that its nominee(s) shall not offer, sell, contract to sell, transfer, pledge, create any Encumbrance over or otherwise dispose of, directly or indirectly, the Earn-out Consideration Shares issued to the Vendors or the Minority Shareholders or its nominee(s), enter into transaction(s) which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of 50% of the Earn-out Consideration Shares for a period of twelve (12) months commencing immediately after the Earn-out Consideration Shares have been issued and allotted to them, and the remaining 50% of the Earn-out Consideration Shares for a period of twenty-four (24) months from the date of issue.

### **Conditions**

Closing is conditional upon satisfaction or waiver (as the case may be) of, amongst others, the following:

- (i) the passing of the resolution by the Shareholders in the SGM approving the Specific Mandate, the Share Purchase Agreement and the transactions contemplated thereunder;
- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Initial Consideration Shares, which has not been revoked as at Closing;
- (iii) Mr. Hsieh Kuo Liang having entered into a service agreement with the Target Company;
- (iv) all the Minority Shareholders having consented to sell their interests in the Target Company to the Purchaser at Closing in accordance to the terms and conditions in the Sale and Purchase Agreement;
- (v) the Target Group having been operated in the normal course of business during the period between the date of the Share Purchase Agreement and Closing;
- (vi) With respect to “Our Times II” and “Our Times - tv series”, the Target Company having entered into an agreement with relevant parties to the effect that the Target Company is being granted with the production rights and distribution rights set out therein;
- (vii) no material adverse change having occurred to the Target Group prior to Closing.

If the Closing has not taken place on or before 30 September 2017 (or any other date as the parties may agree in writing), any of the Purchaser, the Vendors or the Company may by written notice to the other parties terminate the Share Purchase Agreement. Upon termination of the Share Purchase Agreement, parties shall be released from further obligations in the Share Purchase Agreement.

## Closing

Closing shall take place on the Closing Date after satisfaction (or waiver by the Purchaser).

Upon Closing, the Company will be indirectly interested in 100% equity interests in the Target Company and the Target Company will become a wholly-owned subsidiary of the Company, and Vendor A and Vendor B will cease to have any interest in the Target Company.

Pursuant to the terms of the Share Purchase Agreement, upon Closing, Mr. Hsieh Kuo Liang is to be appointed as an executive Director and an executive committee comprising Mr. Hsieh Kuo Liang and Mr. Wu King Shiu, Kelvin (an existing non-executive Director) will be formed to manage and operate the daily business of the Target Group.

## EFFECT OF THE ACQUISITION ON THE SHAREHOLDING STRUCTURE

	As at the date of this Announcement		Immediately after Closing and issue of Consideration Shares (assuming Maximum Consideration Amount)	
	No. of Shares	Approx. %	No. of Shares	Approx. %
Vendor A			767,162,392	4.84
Vendor B			623,289,718	3.93
Minority Shareholders			987,608,622	6.23
Shiu Stephen Junior ( <i>Note 1</i> )	283,840	0.00	283,840	0.00
AID Partners Urban Development Company Limited ( <i>Note 2</i> )	518,213,964	3.85	518,213,964	3.27
AID Treasure Investment Limited ( <i>Note 3</i> )	2,236,438,356	16.60	2,236,438,356	14.11
Public Shareholders	<u>10,720,847,520</u>	<u>79.55</u>	<u>10,720,847,520</u>	<u>67.62</u>
<b>Total:</b>	<b><u>13,475,783,680</u></b>	<b><u>100</u></b>	<b><u>15,853,844,413</u></b>	<b><u>100</u></b>

### Notes:

1. Mr. Shiu Stephen Junior is the Chairman and executive Director of the Company.
2. AID Partners Urban Development Company Limited, a company that is owned as to 60% by Mr. Wu King Shiu, Kelvin, who is a non-executive Director of the Company.
3. AID Treasure Investment Limited, a wholly-owned subsidiary of AID Partners Technology Holdings Limited, a listed company on the GEM Board of the Stock Exchange.

## INFORMATION OF THE TARGET COMPANY AND TARGET GROUP AND THE VENDORS

The Target Company is a company established in Cayman Islands with limited liability. The Target Company is principally engaged in, amongst other things, the business of an investment company. 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 which are one of the highest grossing Taiwanese films, namely, “Our Times”, in the People’s Republic of China. The Target Group also has distributed other Taiwanese box office hits and Golden Horse Award Winner.

As at the date of the Share Purchase Agreement, Vendor A is interested in 32.26% equity interests in the Target Company and Vendor B is interested in 26.21% interests in the Target Company.

Vendor A is principally engaged in, amongst other things, the business of an investment company.

Vendor B is principally engaged in, amongst other things, the business of an investment company.

## FINANCIAL INFORMATION OF THE TARGET GROUP

The Target Company was formed in 22 January 2016. Before the establishment of the Target Company, 華聯國際多媒體股份有限公司 (Hualien Media Intl. Co., Ltd.) was the primary operating company of the Target Group. The following is a summary of the audited financial information of the Target Group for the year ended 31 December 2015 and the unaudited consolidated financial information of the Target Group for the year ended 31 December 2016 respectively:

	<b>For the year ended 31 December 2015</b>	<b>For the year ended 31 December 2016</b>
	<i>US\$</i>	<i>US\$</i>
Revenue	3,361,018.13	4,605,943.24
Profit/(Loss) before tax	512,563.04	(1,327,766.52)
Profit/(Loss) after tax	512,564.04	(1,628,942.74)

## REASONS FOR ENTERING INTO OF THE ACQUISITION

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

The Board believes that the Acquisition is in line with the Company’s strategy to expand and broaden its territorial reach and allows the Company to strengthen its presence for the movie production and distribution business segments in Asia-Pacific, and therefore, the Acquisition is in the interest of the Company and its shareholders as a whole.

**Listing Rules Implications**

As the applicable percentage ratios (as calculated in accordance with Rule 19.06 of the GEM Listing Rules) exceeds 5% but are below 25%, the Acquisition constitutes a disclosable transaction of the Company under the GEM Listing Rules and is subject to the reporting and announcement requirements under the GEM Listing Rules.

The Consideration Shares will be issued under the Specific Mandate to be sought at the SGM. Applications will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Initial Consideration Shares.

The SGM will be convened and held for the purpose of considering and, if thought fit, approving, inter alia, the Share Purchase Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate.

A circular containing, among other matters, (i) further details of the Acquisition and the Specific Mandate, and (ii) a notice convening the SGM, is expected to be dispatched to the Shareholders as soon as possible.

**DEFINITIONS**

In this announcement, unless the context otherwise requires, capitalized terms used shall have the following meanings:

“%”	percent;
“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendors pursuant to the Share Purchase Agreement;
“Agreed Proportion”	the respective shareholdings percentage of each of the Vendors and the Minority Shareholders holds in the Target Company;
“Board”	the board of Directors;
“Business Day(s)”	a day (other than Saturday and Sunday) on which banks in Hong Kong are generally open for business;



“Company”	HMV Digital China Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the GEM Board of the Stock Exchange;
“Closing”	the completion of the Acquisition and transactions contemplated under the Share Purchase Agreement in accordance with the terms therein;
“Consideration Shares”	the Initial Consideration Shares and the Earn-out Consideration Shares;
“Consideration”	the sum of Initial Consideration and the Earn-out Consideration, to be paid by the Purchaser to the Vendors and the Minority Shareholders for the Sale Shares in such time, mode and manner as set out in the Share Purchase Agreement;
“Consideration Shares Cap”	the cap of the aggregate Consideration Shares to be issued and allotted by the Company in connection with the Acquisition, being 15% of the enlarged issued share capital of the Company;
“Director(s)”	the director(s) of the Company;
“Earn-out Consideration Shares”	new Shares to be allotted and issued to the Vendors and the Minority Shareholders in Agreed Proportion at the Issue Price on the Earn-out Payment Date;
“Earn-out Consideration”	an amount payable by the Purchaser to the Vendors and the Minority Shareholders in the Agreed Proportion as part of the Consideration;
“Earn-out Payment Date”	The date being the 10th Business Days after the issue of the audited consolidated financial statements of the Target Group in respect of the financial year ended 30 June 2019;
“FY2018 Performance Target”	being US\$2,500,000;
“FY2018 Profits”	the actual net profit after tax as show in the audited consolidated financial statements of the Target Group for the financial year ending 30 June 2018;

“FY2019 Profits”	the actual net profit after tax as show in the audited consolidated financial statements of the Target Group for the financial year ending 30 June 2019;
“GEM Listing Rules”	The Rules Governing the Listing of Securities on the Growth Enterprise market of the Stock Exchange;
“Group”	The Company and its subsidiaries;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“Initial Consideration Shares”	155,600,000 new Shares to be allotted and issued to the Vendors and the Minority Shareholders at the Issue Price of HK\$0.3 per Share upon Closing in the Agreed Proportion as settlement of the Initial Consideration;
“Initial Consideration”	being US\$6,000,000.00;
“Issue Price”	HK\$0.3 per Consideration Shares;
“Maximum Consideration Amount”	being approximately HK\$713,418,220 (equivalent to USD91,699,000);
“Minority Shareholders”	27 other shareholders of the Target Company holding in aggregate 2,906,633 shares in the Target Company, representing approximately 41.53% of the entire issued share capital of the Target Company;
“PRC”	People’s Republic of China;
“Purchaser”	Brilliant Fullway Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company;
“Share Purchase Agreement”	the share purchase agreement dated 16 June 2017 entered into between the Company, the Purchaser and the Vendors in relation to the Acquisition;
“Sale Shares”	100% interest in the Target Company as at the date of the Share Purchase Agreement;

“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Share Purchase Agreement and the Specific Mandate;
“Share(s)”	ordinary shares of HK\$0.01 each in the issued share capital of the Company as at the date of this announcement;
“Shareholder(s)”	holder(s) of the Share(s);
“Specific Mandate”	the specific mandate to be granted to the Directors by the Shareholders at the SGM for the allotment and issue of the Initial Consideration Shares and the Earn-out Consideration Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Vantage Metro Limited;
“Target Group”	the Target Company and its subsidiaries;
“Vendor A”	Redsox Investment Co., Ltd., an independent third party, legally and beneficially interested in 2,258,270 shares in the Target Company, representing approximately 32.26% of the entire issued share capital of the Target Company;
“Vendor B”	Wealth Synergy Limited, an independent third party, legally and beneficially interested in 1,835,097 shares in the Target Company, representing approximately 26.21% of the entire issued share capital of the Target Company;
“Vendors”	Vendor A and Vendor B.

By Order of the Board  
**HMV Digital China Group Limited**  
**Shiu Stephen Junior**  
*Executive Director and Chairman*

Hong Kong, 19 June 2017

*As at the date of this announcement, the Board comprises Mr. Shiu Stephen Junior (Chairman) and Mr. Sun Lap Key, Christopher, Mr. Lee Wing Ho, Albert, Mr. Ho Gilbert Chi Hang and Ms. Li Kelly Mau 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](http://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](http://www.china3d8078.com).*