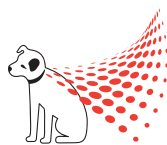


Third Quarterly Report 2017-2018



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)

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This report, for which the directors (the “Directors”) of HMV Digital China Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“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 report 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 report misleading.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

The Company and its subsidiaries (collectively referred to as the “Group”) reported a total revenue of approximately HK\$393 million for the nine months ended 31 March 2018 (the “Nine-month Period”), compared with approximately HK\$445.5 million (restated) for the corresponding period of last year. For the Nine-month Period, a loss attributable to owners of the Company of approximately HK\$16.3 million was recorded whilst in the corresponding period of last year, a profit of HK\$52 million (restated) was recorded.

During the Nine-month Period, artiste management’s segment contributed a revenue of approximately HK\$118.1 million (2017: HK\$81.4 million). The revenue from the business segment of distribution and production of films, television programmes and music production was approximately HK\$66.7 million (2017: HK\$176 million). The revenue from the operation of cinemas was approximately HK\$32.4 million (2017: HK\$25 million), revenue from the money lending business was approximately HK\$17.6 million (2017: HK\$10.4 million). The revenue from HMV business was approximately HK\$158.1 million (2017: HK\$152.8 million).

BUSINESS REVIEW

Acquisitions of Panorama Corporation Limited and Parkway Licensing Company Limited

The Panorama Acquisition

On 9 January 2017, the Company entered into the Sale and Purchase Agreement (“Panorama Agreement”) with Mr. Fung Yu Hing Allan (the “Panorama Vendor”) in relation to the acquisition of 70% of the issued share capital of Panorama Corporation Limited at a consideration of HK\$31,500,000, which shall be satisfied by the issue and allotment of 86,896,551 shares at the issue price of HK\$0.3625 by the Company to the Panorama Vendor.

The Parkway Acquisition

On 9 January 2017, the Company entered into the Sale and Purchase Agreement (“Parkway Agreement”) with Mr. Fung Yu Hing Allan, Mr. Wong Wing Kwong Kelvin and Ingate International Company Limited (the “Parkway Vendors”) in relation to the acquisition of 70% of the issued share capital of Parkway Licensing Limited at a consideration of HK\$7,000,000 which shall be satisfied by cash and issue and allotment of aggregate 16,551,723 shares by the Company to the Parkway Vendors.

Details of the acquisitions were disclosed in the announcement dated 9 January 2017 and 4 August 2017 respectively. The acquisitions were not yet completed.



Acquisition of Vantage Metro Limited

On 16 June 2017, the Company, Brilliant Fullway Limited, a wholly-owned subsidiary of the Company (the "Purchaser"), Redsox Investment Co., Ltd., an independent third party, beneficially interested in 2,258,270 shares in Vantage Metro Limited (the "Target Company") representing approximately 32.26% of the entire issued share capital of the Target Company (the "Vendor A"); and Wealth Synergy Limited, an independent third party, 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 (the "Vendor B"); (collectively the "Vendors") entered into the share purchase agreement, pursuant to which the Vendors have agreed to sell (and to procure 27 other shareholders (the "Minority 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 to sell) and the Purchaser has agreed to purchase 100% interest in the Target Company (the "Sale Shares"), representing the entire issued share capital of the Target Company ("Acquisition").

The aggregate consideration of the Acquisition may be up to approximately HK\$713,418,220 (equivalent to USD91,699,000) subject to the cap of the aggregate of the consideration shares (the "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.

The Consideration Shares to be issued and allotted by the Company to the Vendors and Minority Shareholders for the Acquisition at the issue price of HK\$0.30 per share upon completion.

Details of the Acquisition was disclosed in the announcement dated 16 June 2017. The Acquisition was not yet completed.



CAPITAL STRUCTURE

For the nine months ended 31 March 2018, the capital structure of the Company was changed as follows:

Conversion of Convertible Bond

On 9 January 2018, the bondholder exercised its conversion rights of the Convertible Bond to convert balance of principal amount of HK\$3,500,000 at the conversion price of HK\$0.181 per share. A total of 19,337,017 shares had been issued. The number of shares in issue had been increased to 13,495,120,697 shares.

ISSUE OF CONVERTIBLE BONDS

On 17 November 2017, the Company and Wan Tai Investments Limited (the "Subscriber") entered into a subscription agreement, pursuant to which the Company had conditionally agreed to issue, and the Subscriber had 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 net proceeds from the Convertible Bond and the Notes to be used for the purposes of providing general working capital for the business of the Group; and/or funding investments by the Group into potential business opportunities.

Upon full conversion of the Convertible Bond at the conversion price of HK\$0.273 per conversion share, a total of 549,450,549 conversion shares will be allotted and issued.

The issue of the Convertible Bonds and Notes had been completed on 2 January 2018 and 22 March 2018 respectively. The net proceeds arising from the issue of the Convertible Bonds and Notes, after deducting expenses, was approximately HK\$295 million.

Details of the issue of Convertible Bonds and Notes were disclosed in the announcement dated 17 November 2017, 2 January 2018 and 22 March 2018 respectively.



RESULTS

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

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

For the three months and nine months ended 31 March 2018

	Notes	For the three months ended 31 March		For the nine months ended 31 March	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000 (restated)
Revenue	2 & 3	128,853	198,014	392,997	445,549
Other income		1,134	907	5,401	10,618
Cost of sales		(69,729)	(127,212)	(254,180)	(283,421)
Selling and distribution costs		(14,066)	(8,863)	(68,011)	(44,334)
Administrative expenses		(43,657)	(39,146)	(97,194)	(72,434)
Change in fair value of investments at fair value through profit or loss		3,300	258	17,249	1,974
Change in fair value of investment properties		–	–	(332)	–
Finance costs		(6,191)	(4,129)	(11,279)	(6,922)
Share of results of associates		80	141	759	436
Share of results of a joint venture		–	(1)	–	–
(Loss)/profit before taxation		(276)	19,969	(14,590)	51,466
Taxation	4	210	357	731	567
(Loss)/profit for the period		(66)	20,326	(13,859)	52,033
(Loss)/profit for the period attributable to:					
Owners of the Company		(455)	21,552	(16,267)	51,987
Non-controlling interests		389	(1,226)	2,408	46
		(66)	20,326	(13,859)	52,033
Other comprehensive (loss)/income					
Exchange differences on translating foreign operation		(2,110)	(1,895)	(4,424)	(3,039)
Change in fair value of investments at fair value through other comprehensive income		(14,083)	3,132	(29,089)	1,827
Total other comprehensive (loss)/income for the period, net of income tax		(16,193)	1,237	(33,513)	(1,212)
Total comprehensive (loss)/income for the period		(16,259)	21,563	(47,372)	50,821
Total comprehensive (loss)/income for the period attributable to:					
Owners of the Company		(16,648)	22,789	(49,780)	50,775
Non-controlling interests		389	(1,226)	2,408	46
		(16,259)	21,563	(47,372)	50,821
(Loss)/profit per share (2017: restated)	5				
Basic & diluted		(HK0.01 cents)	HK0.2 cents	(HK0.12 cents)	HK0.49 cents

NOTES:

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 nine months ended 31 March 2018 are consistent with those followed in the annual report of the Company for the year ended 30 June 2017, 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 condensed consolidated accounts have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

2. 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 production of films, television programmes and music production is recognised when the production is completed and released and the amount can be measured reliably.
- (c) Income from the distribution of films and television programmes 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.
- (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.



NOTES: (Continued)

2. Revenue Recognition (Continued)

	Three months ended		Nine months ended	
	31 March		31 March	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000 (restated)
An analysis of the Group's revenue for the period is as follows:				
Artiste management services	22,313	13,066	118,137	81,438
Distribution and production of films, television programmes and music production	37,123	107,260	66,705	175,957
Money Lending – Loan interest income	3,909	3,962	17,611	10,392
Operation of cinemas	14,076	7,750	32,434	24,953
HMV Business	51,432	65,976	158,110	152,809
Total	128,853	198,014	392,997	445,549



NOTES: (Continued)

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 bond 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.

4. Taxation

No provision for Hong Kong Profits Tax has been made for the three months and nine months period ended 31 March 2018 as the Group has statutory tax loss brought forward from prior years (three months and nine months ended 31 March 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.

5. (Loss)/Profit Per Share

The calculation of the basic (loss)/profit per share is based on the loss for the Nine-month Period attributable to owners of the Company of approximately HK\$16,267,000 (2017: profit of approximately HK\$51,987,000 (restated)) and the weighted average number of 13,481,570,670 ordinary shares of the Company in issue during the Nine-month Period (2017: 10,580,981,393).

The calculation of the diluted (loss)/profit per share for the Nine-month Period is based on the loss attributable to owners of the Company of approximately HK\$16,267,000 (2017: profit of approximately 51,987,000 (restated)) and the weighted average number of 13,645,505,097 ordinary shares for the purpose of diluted profit per share during the Nine-month Period (2017: 10,590,352,210 (restated)).



NOTES: (Continued)

6. Condensed Consolidated Statement of Changes in Equity (Unaudited)
For the nine months ended 31 March 2018

	Attributable to owners of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained earnings/ (accumulated losses) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 July 2016	38,328	342,305	(59,863)	(1,833)	(29,307)	289,630	1,762	291,392
Total comprehensive income for the period	-	-	1,827	(3,039)	51,987	50,775	46	50,821
Issue of shares upon bonus issues	54,711	(54,711)	-	-	-	-	-	-
Issue of shares upon acquisition	17,469	1,644,536	-	-	-	1,662,005	-	1,662,005
Issue of shares upon placing	4,302	117,648	-	-	-	122,950	-	122,950
Issue of shares upon conversion of convertible bond	94	3,406	-	-	-	3,500	-	3,500
Transaction cost attributable to issue of shares	-	(2,347)	-	-	-	(2,347)	-	(2,347)
Acquisition of partial interest in a subsidiary	-	-	-	-	(3,222)	(3,222)	(634)	(3,856)
At 31 March 2017	115,504	2,050,837	(58,036)	(4,872)	19,458	2,122,891	1,174	2,124,065
At 1 July 2017	134,758	2,518,619	(60,668)	(2,012)	(9,455)	2,581,242	(73)	2,581,169
Total comprehensive income for the period	-	-	(29,089)	(4,424)	(16,267)	(49,780)	2,408	(47,372)
Issue of shares upon conversion of convertible bond	193	5,435	-	-	-	5,628	-	5,628
At 31 March 2018	134,951	2,524,054	(89,757)	(6,436)	(25,722)	2,537,090	2,335	2,539,425

7. Comparative figures

Certain comparative figures have been re-classified to conform with the presentation of current period.



LITIGATION

A writ of summons was issued against the Company by Green Giant Investments Limited on 12 February 2015

A writ of summons (the "Writ") was issued against the Company by Green Giant Investments Limited ("Green Giant") on 12 February 2015. It was alleged in the Writ that the Company refused and/or unreasonably withheld to register a transfer of the promissory note (the "Note") or issue a new promissory note as requested upon transfer of the Note by Dragonlott Holdings Limited to Green Giant.

Green Giant claims the principal amount of the Note of HK\$14,160,000, interest thereon from the time of presentment for payment until payment in full at the rate of 10% per annum pursuant to the terms of the Note, incurred expenses and costs. The claim is disputed and the action is being defended.

DIVIDEND

The Board did not recommend the payment of a dividend for the nine months ended 31 March 2018 (nine months ended 31 March 2017: Nil).

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

As at 31 March 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	8.26%
Ms. Li Mau (note 2)	Family interest	518,213,964	3.84%
Mr. Cheung Hung Lui	Beneficial owner	40,000	0%

Note:

- 1,110,000,000 shares were pledged to Wan Tai Investments Limited, a subsidiary of CCB International Group Holdings Limited on 2 January 2018.



2. AID Partners Urban Development Company Limited (“AID Partners”) owns 518,213,964 shares. 60% of the issued share capital of AID Partners are held by Mr. Wu King Shiu, Kelvin (“Mr. Wu”), the former non-executive director of the Company. Accordingly, Mr. Wu is deemed to be interested in the shares held by AID Partners. Ms. Li Mau (“Ms. Li”) is the spouse of Mr. Wu. Ms. Li is also deemed to be interested in the shares held by AID Partners.

Save as disclosed above, as at 31 March 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 Nine-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 March 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 (<i>Note</i>)	2,876,438,356 shares	21.31%

Note:

AID Treasure Investment Ltd ("AID Treasure") is an indirect wholly-owned subsidiary of Healthoo International Technology Holdings Limited (formerly known as AID Partners Technology 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 (<i>Note 1</i>)	0.305	163,934,426	1.21%
Wan Tai Investments Limited (<i>Note 2</i>)	0.273	549,450,549	4.07%

Notes:

- AID Treasure Investment Ltd is an indirect wholly-owned subsidiary of Healthoo International Technology Holdings Limited (formerly known as AID Partners Technology Holdings Limited), a listed company on GEM (Stock code: 8088). The conversion price was adjusted with effect from 12 June 2017.
- 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 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

As at 31 March 2018, 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

As at 31 March 2018, 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 the end of the year or at the time during the Nine-month Period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period of the nine months ended 31 March 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 Nine-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. Yusi Yang. 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 report, quarterly reports and monthly reports and to provide advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing and monitoring the Company's internal control procedures. The Group's unaudited results for the nine months ended 31 March 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.

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 QUARTERLY RESULTS

The unaudited consolidated results of the Group for the Nine-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 three Independent Non-executive Directors of the Company, namely Mr. Kam Tik Lun, Mr. Chan Chi Ho and Ms. Yusi Yang.



COMPLIANCE OF CODE FOR DIRECTORS' SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors have complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors adopted by the Company throughout the nine months ended 31 March 2018.

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

During the Nine-month Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 11 May 2018

As at the date hereof, the Board comprises:

Executive Directors:

Mr. Shiu Stephen Junior (*Chairman*)
Ms. Li Mau (*Co-Chairman*)
Mr. Sun Lap Key, Christopher
Mr. Lee Wing Ho, Albert
Mr. Cheung Hung Lui

Independent Non-executive Directors:

Mr. Kam Tik Lun
Mr. Chan Chi Ho
Ms. Yusi Yang

