



hmvod Limited

hmvod 視 頻 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8103)

**THIRD QUARTERLY REPORT
FOR THE NINE MONTHS
ENDED 31 DECEMBER 2018**

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “GEM”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of hmvod 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 (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 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.

HIGHLIGHTS

- Turnover for the nine months ended 31 December 2018 amounted to approximately HK\$197.377 million representing an increase of approximately 8.0% over the corresponding period in 2017.
- Profit for the period from continuing operations for the nine months ended 31 December 2018 amounted to approximately HK\$1.4 million (2017: Loss of HK\$42.8 million).
- Basic loss per share from continuing operations for the nine months ended 31 December 2018 was approximately 0.47 HK cents (2017: 35.37 HK cents).
- The Board does not recommend the payment of dividend for the nine months ended 31 December 2018 (2017: Nil).

The board of Directors (“Board”) of the Company presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the three months and nine months ended 31 December 2018, together with the unaudited comparative figures for the corresponding periods in 2017 as follows:–

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

	<i>Notes</i>	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
		2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Turnover	4	14,416	58,113	197,377	182,820
Continuing operations					
Revenue	4	14,416	9,125	43,274	20,316
Other income and gain	5	16,765	1	49,670	30
Subcontractors cost		(14,825)	(11,239)	(38,745)	(15,451)
Gain on change in fair value of financial assets at fair value through profit or loss		—	14,529	—	1,894
Loss on disposal of financial assets at fair value through profit or loss		—	(3,064)	(7,073)	(8,893)
Depreciation of plant and equipment		(147)	(15)	(451)	(52)
Amortisation of intangible asset		(1,722)	(1,081)	(5,166)	(2,383)
Other expenses		(4,120)	(4,893)	(14,567)	(14,341)
Staff cost, including Directors’ emoluments		(2,186)	(2,773)	(7,625)	(7,062)
Finance costs	6	(4,427)	(5,274)	(18,624)	(17,154)
Share of loss of an associate		—	(51)	(99)	(144)
Profit/(loss) before taxation		3,754	(4,735)	594	(43,240)
Income tax expenses	7	284	178	852	393
Profit/(loss) for the period from continuing operations	8a	4,038	(4,557)	1,446	(42,847)
Discontinued operations					
Profit/(loss) for the period from discontinued operations	8b	—	(7,381)	(2,184)	(7,182)
Profit/(loss) for the period		4,038	(11,938)	(738)	(50,029)
Other comprehensive income					
Item that may be reclassified subsequently to profit or loss:					
Exchange difference arising on translation of foreign operations		—	(678)	6,179	(1,905)
Total comprehensive income/(expense) for the period		4,038	(12,616)	5,441	(51,934)

	<i>Notes</i>	Unaudited		Unaudited	
		Three months ended		Nine months ended	
		31 December		31 December	
		2018	2017	2018	2017
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the period attributable to:					
Owners of the Company		4,153	(11,007)	674	(47,709)
Non-controlling interest		<u>(115)</u>	<u>(931)</u>	<u>(1,412)</u>	<u>(2,320)</u>
		<u>4,038</u>	<u>(11,938)</u>	<u>(738)</u>	<u>(50,029)</u>
Total comprehensive income/(expense) for the period attributable to:					
Owners of the Company		4,153	(11,685)	6,853	(49,614)
Non-controlling interest		<u>(115)</u>	<u>(931)</u>	<u>(1,412)</u>	<u>(2,320)</u>
		<u>4,038</u>	<u>(12,616)</u>	<u>5,441</u>	<u>(51,934)</u>
Earning/(loss) per share from continuing and discontinued operations					
— Basic (HK cents)	<i>10</i>	<u>2.92</u>	<u>(7.74)</u>	<u>(0.47)</u>	<u>(35.37)</u>
— Diluted (HK cents)	<i>10</i>	<u>2.92</u>	<u>(7.74)</u>	<u>(0.47)</u>	<u>(35.37)</u>
From continuing operations					
— Basic (HK cents)	<i>10</i>	<u>2.92</u>	<u>(2.55)</u>	<u>2.01</u>	<u>(30.05)</u>
— Diluted (HK cents)	<i>10</i>	<u>2.92</u>	<u>(2.55)</u>	<u>2.01</u>	<u>(30.05)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share premium <i>HK\$'000</i>	General reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange translation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Non- controlling interest <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2017 (audited)	463,135	3,056	1,200	9,519	(489,853)	(12,943)	2,197	(10,746)
Loss for the period	—	—	—	—	(47,709)	(47,709)	(2,320)	(50,029)
Exchange difference arising on translation of foreign operations	—	—	—	(1,905)	—	(1,905)	—	(1,905)
Total comprehensive expense for the period	—	—	—	(1,905)	(47,709)	(49,614)	(2,320)	(51,934)
Acquisition of subsidiaries	—	—	—	—	—	—	(1,366)	(1,366)
Issue of consideration shares	46,047	—	—	—	—	46,047	—	46,047
At 31 December 2017 (unaudited)	<u>509,182</u>	<u>3,056</u>	<u>1,200</u>	<u>7,614</u>	<u>(537,562)</u>	<u>(16,510)</u>	<u>(1,489)</u>	<u>(17,999)</u>
At 1 April 2018 (audited)	510,565	3,056	1,200	6,348	(575,988)	(54,819)	(5,324)	(60,143)
Profit for the period	—	—	—	—	674	674	(1,412)	(738)
Exchange difference arising on translation of foreign operations	—	—	—	6,179	—	6,179	—	6,179
Total comprehensive expense for the period	—	—	—	6,179	674	6,853	(1,412)	5,441
Disposal of subsidiaries	—	(3,056)	—	(10,854)	13,345	(565)	—	(565)
At 31 December 2018 (unaudited)	<u>510,565</u>	<u>—</u>	<u>1,200</u>	<u>1,673</u>	<u>(561,969)</u>	<u>(48,531)</u>	<u>(6,736)</u>	<u>(55,267)</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Unit B, 29/F, CKK Commercial Centre, 289–295 Hennessy Road, Wanchai, Hong Kong. The Company's shares are listed on the GEM.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group have been prepared in accordance with the applicable Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. The principal accounting policies applied in preparing the unaudited condensed consolidated financial statements for the nine months ended 31 December 2018 are set out in note 3 below.

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the unaudited condensed consolidated financial statements for the nine months ended 31 December 2018 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2018.

The unaudited condensed consolidated financial statements for the nine months ended 31 December 2018 has been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate. The Directors consider that the carrying amounts of financial assets and financial liabilities measured at cost or amortised cost in these unaudited condensed consolidated financial statements approximate their fair values.

4. REVENUE

Revenue represents income from professional services rendered, proprietary trading, money lending business and over the top (“OTT”) services, net of sales related taxes if any.

An analysis of the revenue by principal activities of the operations of the Group during the reporting periods is as follows:

	Unaudited			
	Three months ended 31 December 2018		Nine months ended 31 December 2017	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations				
Revenue from provision of				
— Professional services	1,541	907	2,930	4,948
Proprietary trading	—	1,105	—	3,211
Money lending	38	15	68	288
OTT services	12,837	7,098	40,276	11,869
	<u>14,416</u>	<u>9,125</u>	<u>43,274</u>	<u>20,316</u>
Discontinued operations				
Revenue from provision of				
— Systems development	—	5,688	1,559	11,602
Rent income arising from property investment	—	600	600	1,800
	<u>—</u>	<u>6,288</u>	<u>2,159</u>	<u>13,402</u>
Proceeds from sales of financial assets at fair value through profit or loss	—	42,700	151,944	149,102
Turnover	<u>14,416</u>	<u>58,113</u>	<u>197,377</u>	<u>182,820</u>

5. OTHER INCOME AND GAIN

	Unaudited			
	Three months ended 31 December 2018		Nine months ended 31 December 2017	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations				
Gain on disposal of subsidiaries	16,759	—	49,663	—
Others	6	1	7	30
	<u>16,765</u>	<u>1</u>	<u>49,670</u>	<u>30</u>
Discontinued operations				
Interest income	—	12	2	18
Others	—	—	1	—
Reversal of impairment losses in respect of				
— trade receivables	—	1,536	17	3,427
— other receivables	—	1	52	60
	<u>—</u>	<u>1,549</u>	<u>72</u>	<u>3,505</u>
	<u>16,765</u>	<u>1,550</u>	<u>49,742</u>	<u>3,535</u>

6. FINANCE COSTS

	Unaudited			
	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations				
Interest on promissory notes	1,848	1,214	8,336	3,410
Interest on short term loans	2,562	3,738	9,303	12,559
Interest on bonds	17	309	853	1,158
Others	—	13	132	27
	<u>4,427</u>	<u>5,274</u>	<u>18,624</u>	<u>17,154</u>
Discontinued operations				
Interest on bank borrowing repayable within one year	—	1,302	2,464	1,302
	<u>4,427</u>	<u>6,576</u>	<u>21,088</u>	<u>18,456</u>

7. INCOME TAX EXPENSES

- (a) Hong Kong profit tax has not been provided for in the unaudited condensed consolidated financial statements as there was no estimated assessable profit derived from Hong Kong during the nine months ended 31 December 2018 and 2017.
- (b) Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the standard tax rate is 25%.

8a. PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS

Profit/(loss) for the period from continuing operations has been arrived at after charging:

	Unaudited			
	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff costs				
Salaries and other benefits	2,073	2,656	7,280	6,760
Retirement benefits scheme contributions	113	117	345	302
	<u>2,186</u>	<u>2,773</u>	<u>7,625</u>	<u>7,062</u>
Amortisation of intangible assets				
assets	1,722	1,081	5,166	2,383
Auditors' remuneration	44	175	414	525
Depreciation	147	36	451	73
Operating leases	1,289	1,331	3,909	3,878
	<u>1,289</u>	<u>1,331</u>	<u>3,909</u>	<u>3,878</u>

8b. PROFIT/(LOSS) FOR THE PERIOD FROM DISCONTINUED OPERATIONS

Profit/(loss) for the period from discontinued operations has been arrived at after charging:

	Unaudited			
	Three months ended 31 December 2018 <i>HKS'000</i>	2017 <i>HKS'000</i>	Nine months ended 31 December 2018 <i>HKS'000</i>	2017 <i>HKS'000</i>
Depreciation	<u>42</u>	<u>160</u>	<u>207</u>	<u>472</u>

9. DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2018 (2017: Nil).

10. EARNINGS/(LOSS) PER SHARE**From continuing and discontinued operations**

The calculation of basic and diluted earnings/(loss) per share attributable to owners of the Company from continuing and discontinued operations is based on the following data:

	Unaudited			
	Three months ended 31 December 2018 <i>HKS'000</i>	2017 <i>HKS'000</i>	Nine months ended 31 December 2018 <i>HKS'000</i>	2017 <i>HKS'000</i>
Profit/(loss) for the period from continuing and discontinued operations attributable to owners of the Company	<u>4,153</u>	<u>(11,007)</u>	<u>674</u>	<u>(47,709)</u>

Number of shares

	Unaudited			
	Three months ended 31 December 2018	2017	Nine months ended 31 December 2018	2017
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<u>142,256,878</u>	<u>142,256,878</u>	<u>142,256,878</u>	<u>134,885,678</u>

From continuing operations

The calculation of the basic and diluted earnings/(loss) per share attributable to owners of the Company from continuing operations is based on the following data:

	Unaudited			
	Three months ended 31 December 2018 <i>HKS'000</i>	2017 <i>HKS'000</i>	Nine months ended 31 December 2018 <i>HKS'000</i>	2017 <i>HKS'000</i>
Profit/(loss) for the period from continuing operations attributable to owners of the Company	<u>4,153</u>	<u>(3,626)</u>	<u>2,858</u>	<u>(40,527)</u>

The denominators used are the same as those detailed above for both basic and diluted earnings/(loss) per share.

From discontinued operation

The calculation of the basic and diluted loss per share attributable to owners of the Company from discontinued operation is based on the following data:

	Unaudited			
	Three months ended 31 December 2018 <i>HKS'000</i>	2017 <i>HKS'000</i>	Nine months ended 31 December 2018 <i>HKS'000</i>	2017 <i>HKS'000</i>
Loss for the period from discontinued operations attributable to owners of the Company	<u>—</u>	<u>(7,381)</u>	<u>(2,184)</u>	<u>(7,182)</u>
Loss per share from discontinued operations — Basic and diluted (<i>HK cents</i>)	<u>—</u>	<u>(5.19)</u>	<u>(1.54)</u>	<u>(5.32)</u>

11. COMPARATIVES FIGURES

Certain comparative figures have been reclassified and restated to conform with the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS PERFORMANCE AND PROSPECT

Professional services

In view of the change of business environment, the Company has strategically broadened our professional services in cyber security services and solutions.

Our professional service team can provide services and solutions in cyber security, including ramp up model advisory, physical and cyber security assessments, build and design of secured IT architecture, implementation of security devices and IT business policy controls.

Our professional service team specializes in enterprise cyber security solutions and risk management, providing a full range of security services and solutions to corporations in the Greater China and Asia Pacific region.

Our professional service team also provide a series of highly skilled services including all level Penetration testing, complete coverage of Vulnerability management as well as DDoS protection.

Our Managed Security Services team can provide a full scale security Managed Security Services, from Firewall healthiness, critical patch management, Attack and Alert, incident management and change management, to endpoint management in order to cover the end-user machines.

The revenue from provision of professional services amounted to approximately HK\$2.9 million for the nine months ended 31 December 2018 (nine months ended 31 December 2017: approximately HK\$4.9 million).

Proprietary trading business

In relation to the Group's proprietary trading business, the global market has been highly volatile in 2018. However, the market is still filled with a lot of uncertainties such as the trigger of trade war and the effect of contractionary monetary policy from US. The Group will adopt a prudent approach in identifying opportunities in securities investment which will create value and will be beneficial to the Group and shareholders of the Company (the "Shareholders"). The Group also maintains a risk management policy in which key risk factors such as government and politic risks, country risks, price risks, interest rate risks, currency risks and economic risks have been identified and will be closely monitored. Turnover (proceeds from sales of financial assets at fair value through profit or loss) for the proprietary trading business amounted to approximately HK\$151.9 million for the nine months ended 31 December 2018 (nine months ended 31 December 2017: approximately HK\$149.1 million).

Money lending business

Though the loan and credit market became very active and intense competition existed during the past few years as a result of the rapid booming housing market in Hong Kong and the global low interest rate environment, the Board is confident that through its long established relationship, history, reputation, network and synergy, the Group is able to participate in the market share of the money lending business and it will become one of the driver of its future profits of the Group. In view of the above, the Board will invest more resources into the business once financing resources have been obtained. In addition to the consumable loan, the Company is planning to offer a variety of loan products to secured mortgage loans to individual, unsecured loan, small and medium sized enterprises loans, debts consolidation loan and corporate loans. Despite the above, the money lending business is suffering from political risk, regulatory risk, credit risk, economic risk and industry risk. The interest income in money lending business amounted to approximately HK\$68,000 for the nine months ended 31 December 2018 (nine months ended 31 December 2017: approximately HK\$288,000).

OTT services

OTT business is providing multi-media related services and content in the PRC via different platforms. In view of the growing penetration and the expansion of multi-media segment, the Group is optimistic to such business segment. In addition, consumers are moving beyond traditional media, the multi-media platform is an option used by many companies to brand and market their products. As such, the multi-media platform is playing an increasingly vital role in business marketing strategy. Having considered that our OTT services is equipped with experience in the industry with diversified clientele and being specialized in the provision of OTT services of video-on-demand in Hong Kong and Taiwan via its own digital video rental platform. The revenue from provision of OTT services amounted to approximately HK\$40.3 million for the nine months ended 31 December 2018 (nine months ended 31 December 2017: approximately HK\$11.9 million). The increase of segment profit is primarily due to the steady increase of the number of new subscribers successfully registered on our video-on-demand platform.

FUTURE PROSPECTS

The Group will continue to look for opportunities to create Shareholders' value through making investments into and/or acquiring interests in companies or projects that have promising outlooks and prospects. It goes without saying that the Company will also continue to focus on existing businesses to bring further value to Shareholders.

FINANCIAL PERFORMANCE

During the nine months ended 31 December 2018, the Group recorded a turnover of approximately HK\$197.4 million (nine months ended 31 December 2017: approximately HK\$182.8 million) representing an increase of approximately 8.0% as compared to that of the corresponding period in 2017. The increase in turnover was due to increase in the proceeds received from disposal of listed securities and increase in revenue from OTT services. Net loss on disposal financial assets at fair value through profit or loss reduced to approximately HK\$7.1 million as compared to approximately that of approximately HK\$8.9 million recorded for the corresponding period in 2017. Other expenses from continuing operations increased slightly to approximately HK\$14.6 million as compared to approximately HK\$14.3 million recorded for the corresponding period in 2017. Finance cost from continuing operations increased to approximately HK\$18.6 million as compared to approximately HK\$17.2 million recorded for the corresponding period in 2017, representing an increase of approximately 8.1%. The increase in finance cost was due to increase in interest on bank borrowing, short term loans and promissory notes. There was a profit of approximately HK\$674,000 attributable to the owners of the Company as compared to a loss of approximately HK\$47.7 million recorded for the corresponding period in 2017. This is mainly due to a one-off gain of approximately HK\$49.7 million recognised on disposal of subsidiaries for the nine months ended 31 December 2018.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operations with internally generated cash flow, bank and other borrowings, promissory notes and bonds.

On 17 August 2018, the Company entered into the subscription agreement with the subscriber pursuant to which the Company has conditionally agreed to issue, and the subscriber has conditionally agreed to subscribe for, the convertible bonds in the aggregate principal amount of HK\$45 million with the coupon interest at the rate of 4% per annum. The convertible bonds are convertible into new shares at a conversation price of HK\$1.94 per share. The maturity of the convertible bonds will be the date falling on the first anniversary of the date of issue of the convertible bonds.

Pursuant to the subscription agreement, completion of the subscription is conditional upon the fulfilment of the conditions precedent of the subscription. As at 16 October 2018, all conditions precedent to the subscription have been fulfilled by the Company.

However, despite written request made by the Company to the subscriber, the subscriber has failed to complete the subscription scheduled to take place on 16 October 2018.

The Group issued bonds with principal amount of HK\$20.3 million with the coupon interest of 4.85% to 6% per annum and maturity from September 2019 to July 2022. The Group issued promissory notes with principal amount of HK\$113.4 million with interest of 4% to 6% per annum and maturity from November 2019 to May 2020.

On 20 August 2018, the board lot size of the shares for trading on the Stock Exchange had changed from 20,000 shares to 2,000 shares.

The Board continues to look for opportunities to attract more investors, extend the Shareholders base, reduce the accumulated loss and improve the flexibility of fund raising.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Company entered into the swap agreement on 9 May 2018 with the creditor pursuant to which the Company has conditionally agreed to swap the entire issued share capital of Top Insight Holdings Limited (“Target Share”) at the consideration of HK\$136 million with the creditor for (i) the Loan and (ii) the provision of the credit facility such that immediately after the completion, the creditor (or its nominee) shall acquire the Target Share in exchange of the assignment of the Loan and provision of the credit facility to the Company (the “Swap”). Top Insight Holdings Limited through its wholly-owned subsidiary, which is the legal and beneficial owner of the property situated at the 9th Floor, Global Trade Square, No. 21 Wong Chuk Hang Road, Hong Kong, together with 3 car parking spaces at Global Trade Square. The Creditor is the legal and beneficial owner of the Loan. Immediately after the signing of the swap agreement, the Company and the creditor have entered into the credit facility agreement pursuant to which the creditor grants the credit facility to the Company. The Swap has completed on 10 July 2018.

The Company and the purchaser entered into the sale and purchase agreement on 27 July 2018 pursuant to which the purchaser has conditionally agreed to acquire the entire issued share capital of Tongfang Electronic Company Limited, a directly wholly owned subsidiary of the Company, and its subsidiaries (collectively “Tongfang Group”) at the consideration of HK\$100,000. Tongfang Group are principally engaged in research, development and provision of integrated management information system for power plants and for banks in the PRC. The business is principally divided into system development and professional services, of which include consultancy, information technology engineering and technical support services in relation to the development of new system products that is tailor made in accordance with clients’ specification. The transaction has completed on 27 July 2018.

The Company and the purchaser entered into the sale and purchase agreement on 21 May 2018 pursuant to which the purchaser has conditionally agreed to acquire the entire issued share capital of Jovial Tycoon Holdings Limited, the indirectly wholly owned subsidiary of the Company at the consideration of HK\$100 million. Jovial Tycoon Holdings Limited owns 20% shareholding interest of the project group which is principally engaged in the operation of the project, a Build-Operate-Transfer Project of Shantou City Chaoren Port Cultural Park (汕頭市潮人碼頭文化公園特許經營項目). According to the said sale and purchase agreement, the consideration of HK\$100,000,000 will be satisfied upon Completion by way of setting off with the principal value of HK\$100 million promissory note which issued by the Company in favour of the purchaser in full. Moreover, upon completion, the purchaser will waive all interest accrued on the promissory note payable by the Company to the purchaser. The transaction has completed on 13 November 2018.

Loss on disposal of financial assets at fair value through profit or loss is as follows:

Stocks	Nine months ended 31 December 2018
	<i>HK\$'000</i>
Goldin Financial Holdings Limited (#530)	(2,501)
Inno-Tech Holdings Limited (#8202)	(1,725)
Code Agriculture (Holdings) Limited (#8153)	(1,440)
CNC Holdings Limited (#8356)	(1,388)
Others	(19)
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Net realised loss	(7,073)
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SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at an annual general meeting of the Company held on 12 November 2014, the Company approved and adopted a share option scheme. There were no movement in the share options during the nine months ended 31 December 2018 and there were no outstanding share options as at 31 December 2018 and 31 December 2017 respectively.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2018, none of the Directors and chief executive of the Company were interested 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 (Chapter 571, the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to the required standard of dealing by the Directors under the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SECURITIES

As at 31 December 2018, the persons (other than a director or chief executive of the Company) who have interests or short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who are, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, were as follows:

Long position in shares of the Company:

Name of the shareholder	Capacity	Number of shares held	Approximate percentage of shareholding (note 1)
Full Times Investment Limited ("Full Times") (note 2)	Beneficial owner	36,777,000	25.85%
HMV Digital China Group Limited ("HMV Digital") (note 2)	Interest in controlled corporation	37,957,000	26.68%
	Beneficial owner	3,348,000	2.35%

Notes:

- As at 31 December 2018, the issued share capital of the Company was 142,256,878 shares.
- 37,957,000 shares refer to the aggregate of (a) 36,777,000 shares held by Full Times and (b) 1,180,000 shares held by New Smart International Creation Limited ("New Smart"). Both Full Times and New Smart are direct wholly-owned subsidiaries of HMV Digital (stock code: 8078), whose shares are listed on the GEM of the Stock Exchange.

Save as disclosed above, as at 31 December 2018, no long positions and short positions of other persons or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations were recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Group was a party and in which a Director had a material interest, whether directly or indirectly, subsisted as at 31 December 2018 or at any time during the nine months ended 31 December 2018.

DIRECTORS' COMPETING INTERESTS

As at 31 December 2018, none of the Directors or their respective associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group.

INTERESTS OF COMPLIANCE ADVISER

Pursuant to the directions of the GEM Listing Committee of the Stock Exchange, the Company has appointed Grand Moore Capital Limited as the independent compliance adviser (the “Compliance Adviser”) on an on-going basis consultation on compliance with the GEM Listing Rules for a period of two years with effect from 22 June 2018. As at 31 December 2018, as notified by the Compliance Adviser, except for the compliance adviser’s agreement entered into between the Company and the Compliance Adviser, neither the Compliance Adviser nor any of its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and the Corporate Governance Code (the “Code”).

The primary duties of the audit committee includes reviewing the internal accounting procedures, considers and reports to the Board with respect to other auditing and accounting matters, including selection of independent auditors, fees to be paid to the independent auditors and the performance of the independent auditors.

As at 31 December 2018, the audit committee consists of three independent non-executive Directors namely Mr. Hau Chi Kit, Mr. Ma Stephen Tsz On and Mr. Ho Siu King, Stanley.

The unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2018 have been reviewed by the audit committee of the Company, and is of the opinion that the preparation of such statements comply with the applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions of the Code contained in Appendix 15 of the GEM Listing Rules as its own code on corporate governance practices. In the opinion of the Directors, the Company has complied with the code provisions as set out in the Code and there have been no material deviations from the Code during the nine months ended 31 December 2018.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors’ securities transactions in securities of the Company.

Having made specific enquiry, all Directors have confirmed that they have complied with the required standard of dealings and there is no event of non-compliance throughout the nine months ended 31 December 2018.

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

During the nine months period under review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CHANGE OF DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, there are some changes in the information of the Directors subsequent to the date of the Company's 2017/2018 annual report.

Mr. Ma Stephen Tsz On and Mr. Ho Siu King, Stanley were appointed as an independent non-executive Director, members of each of the audit committee, remuneration committee and nomination committee of the Board with effect from 20 July 2018.

On 20 July 2018, Mr. Yuen Koon Tung has been re-designated from an independent non-executive Director to an executive Director; Mr. Leung Chung Nam has resigned as an executive director and an authorised representative of the Company and Mr. Lau Kelly and Mr. Yuen Koon Tung has been appointed as an authorised representative of the Company.

On 14 September 2018, Dr. Wan Ho Yuen, Terence has resigned as an independent non-executive Director and the chairman of each of the audit committee, remuneration committee and nomination committee of the Board. Following the resignation of Mr. Wan Ho Yuen, Terence, Mr. Ho Siu King, Stanley has been re-designated as chairman of each of the audit committee, remuneration committee and nomination committee with effect from 14 September 2018.

By Order of the Board of
hmvod Limited
Lau Kelly
Executive Director

Hong Kong, 11 February 2019

As at the date of this report, the Board comprises the following Directors:

Executive Directors:

Mr. Lau Kelly (*Chief Executive Officer*)
Ms. Ho Chi Na
Mr. Yuen Koon Tung

Independent non-executive Directors:

Mr. Hau Chi Kit
Mr. Ma Stephen Tsz On
Mr. Ho Siu King, Stanley

This report will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at <http://www.hmvod.com.hk>.