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## **VOLUNTARY WINDING-UP OF A SUBSIDIARY**

This announcement is made by HMV Digital China Group Limited (the “**Company**”) on a voluntary basis pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the provisions of inside information under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). The purpose of this announcement is to keep the shareholders and potential investors of the Company informed of the latest business development of the Company and its subsidiaries (the “**Group**”).

Reference is made to the announcement of the Company dated 4 December 2018 (the “**Announcement**”). Save as otherwise defined, terms used in this announcement shall have the same meanings as used in the Announcement.

### **VOLUNTARY WINDING-UP OF HMV MARKETING LIMITED**

The board of director of the Company (the “**Board**”) wishes to inform the Shareholders and potential investors of the Company that on 18 December 2018, in the Company’s capacity as an ultimate shareholder of HMV Marketing Limited (“**HMV Retail**”) resolved to voluntarily wind up HMV Retail. On the same day, Mr. Wong Sun Keung and Ms. Tsui Mei Yuk Janice, both of Vision A.S. Limited were acted as the joint and several provisional liquidators of HMV Retail.

### **INFORMATION OF HMV RETAIL**

HMV Retail, a company incorporated in Hong Kong with limited liability, is an indirectly wholly-owned subsidiary of the Company. HMV Retail is running the physical retail stores in Hong Kong.

As both of the consolidated revenue and consolidated total assets of HMV Retail for the year ended 30 June 2018 represents more than 5% of the consolidated revenue and consolidated total assets of the Group for the year ended 30 June 2018. HMV Retail is considered as a major subsidiary of the Company for the purposes of Rule 17.27(2) of the Listing Rules.

### **Reasons for the Voluntary Winding-Up of HMV Retail**

HMV Retail is being placed into creditors' voluntary winding up after taking into consideration, amongst others, its insolvency and the various defaults in payments of the lawsuits previously received by HMV Retail. The Company is under negotiation with the landlords of the settlement plans.

As disclosed in the Announcement, the revenue generated from HMV Retail was approximately HK\$31.55 million, decreased approximately 41% as compared to the corresponding period in 2017.

The HMV Retail chain in Hong Kong has to date been established for 25 years, over this quarter of a century, the HMV Retail business in Hong Kong has faced numerous struggles and ups and downs, witnessing the rise of the record industry and the heyday of CD, VCD and DVD home entertainment systems; but as time changes, the global development of information and economic climate have also changed, and although there were many reforms on the mode of sales for audio visual products, they were no match against the digital tide.

In 2013, HMV Retail's head office in the United Kingdom encountered financial difficulties and filed for bankruptcy, winding up all its branches worldwide. The retail store business in Hong Kong had also plunged into turmoil as HMV Retail strived to shift its business from not only selling traditional audio-visual products, but also a vast variety of lifestyle products, including earphones, speakers and toys, etc., while at the same time guided the general business direction of HMV Retail around the world.

However, the HMV Retail business in Hong Kong experienced drastic changes during the past few months. The emergence of AirPods has resulted in a significant drop in sales for our bestselling earphones, coupled with a seemingly saturated market for speakers, the lack of improvement in the traditional audio-visual sales and a general change in the economic environment, which led to an overall decline in stores sales and in turn a rapid decrease in sales for HMV Retail in the past few months. Suffering from operational difficulties, HMV Retail was unable to escape from the crushing force of the wheel of history. The HMV Retail business in Canada had closed all its 102 stores last year due to the impact of online streaming media, signifying the hardship in operating physical stores; and as HMV Retail stores in Hong Kong faces the same shock in recent months, it became an inevitable decision for us to wind up the business.

HMV Retail has not been generating sufficient revenue to cover its own operating expenses and there is no reasonable prospect of making any significant improvement on its financial performance or operation in the foreseeable future.

The Board believes that it is in the best interests of the Company and its shareholders as a whole to agree to the voluntary winding-up. The Company may be able to reduce its investment losses as well as to allocate more resources and management efforts to develop its existing business.

During the period of liquidation, the liquidator will continually seek new investors to re-commence business operation of HMV Retail.

### **EFFECTS OF THE VOLUNTARY WINDING-UP ON THE GROUP**

The Board is of the view that, the voluntary winding up of HMV Retail will limit the Company's exposures over matters relating to the HMV Retail. The voluntary winding-up shall have no material adverse impact to the financial performance, operation of existing business, including but not limited to artist management, distribution and productions of films, television programmes and music production and money lending of the Group. The Company did not provide any form of corporate guarantee to HMV Retail.

Following the commencement of the winding-up of HMV Retail, HMV Retail will cease to be subsidiary of the Company and effectively be carved out from the Group. The financial position and business operation of the Group remains to be as usual in general.

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

Hong Kong, 18 December 2018

*As at the date of this announcement, the Board comprises Mr. Shiu Stephen Junior (Chairman), Mr. Sun Lap Key, Christopher, Mr. Lee Wing Ho, Albert and Mr. Cheung Hung Lui as executive Directors; Mr. Chan Chi Ho, Mr. Kam Tik Lun and Ms. Yang Yusi as independent non-executive Directors.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the GEM website at [www.hkgem.com](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).*