
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this New SGM Circular or as to the action to be taken, you should consult your licensed securities dealer or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in HMV Digital China Group Limited, you should at once hand this New SGM Circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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HMV Digital China Group Limited **HMV 數碼中國集團有限公司**

(Incorporated in Bermuda with limited liability)

(Stock Code: 8078)

(1) PROPOSED CAPITAL REORGANISATION;
(2) CHANGE IN BOARD LOT SIZE;
AND
(3) NOTICE OF NEW SPECIAL GENERAL MEETING

A notice convening the New SGM to be held at Units B–D, 8/F, D2 Place Two, 15 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong at 3:00 p.m. on Wednesday, 22 May 2019 is set out on pages SGM-1 to SGM-3 of this New SGM Circular.

A form of proxy for use at the New SGM is enclosed with this New SGM Circular. Whether or not you are able to attend the New SGM in person, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the Registrar, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the New SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the New SGM or any adjournment thereof should you so wish.

CHARACTERISTICS OF 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. 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.

CONTENTS

	<i>Page</i>
Definitions	1
Expected timetable	4
Letter from the Board.	6
Notice of New Special General Meeting	SGM-1

DEFINITIONS

In this New SGM Circular, the following expressions shall have the following meanings unless the context requires otherwise:

“Adjournment Announcement”	the announcement of the Company dated 27 March 2019 in relation to, inter alia, the poll results of the Previous SGM and the adjournment of the Previous SGM
“Adjusted Share(s)”	ordinary share(s) of HK\$0.01 each in the issued and unissued share capital of the Company upon the Capital Reorganisation becoming effective
“Announcement”	the announcement of the Company dated 25 January 2019 in relation to, inter alia, the previous proposed capital reorganisation of the Company and the change in board lot size
“Board”	the board of Directors
“Business Day(s)”	day(s) (excluding Saturdays, Sundays and public holidays) on which banks are open for business in Hong Kong
“Bye-laws”	the bye-laws of the Company, as amended from time to time
“Capital Reduction”	the proposed reduction of the issued share capital of the Company whereby: (i) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled (if applicable); and (ii) the nominal value of all the issued Consolidated Shares shall be reduced from HK\$0.50 each to HK\$0.01 each by cancelling the paid up capital to the extent of HK\$0.49 on each issued Consolidated Share
“Capital Reorganisation”	the proposed revised reorganisation of the share capital of the Company comprising the Share Consolidation and the Capital Reduction
“CCASS”	Central Clearing and Settlement System, a securities settlement system used within the Hong Kong Exchanges and Clearing Limited market system
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time
“Change in Board Lot Size”	the change in board lot size of Shares for trading on the Stock Exchange from 20,000 Existing Shares to 8,000 Adjusted Shares
“Companies Act”	the Companies Act 1981 of Bermuda

DEFINITIONS

“Company”	HMV Digital China Group Limited, a company incorporated in Bermuda with limited liability, and the ordinary shares of which are listed on GEM (stock code: 8078)
“Consolidated Share(s)”	the ordinary share(s) of HK\$0.50 each in the issued share capital of the Company upon the Share Consolidation becoming effective
“Convertible Bonds”	as defined under the section headed “ADJUSTMENTS IN RELATION TO OTHER SECURITIES OF THE COMPANY” in the letter from the Board in this New SGM Circular
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Capital Reorganisation shall become effective, which is expected to be Thursday, 23 May 2019
“Existing Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company before the Capital Reorganisation
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	26 April 2019, being the latest practicable date prior to the printing of this New SGM Circular for ascertaining certain information for inclusion in this New SGM Circular
“New SGM”	the new special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, to approve the Capital Reorganisation

DEFINITIONS

“New SGM Circular”	this circular despatched to the Shareholders containing, among other things, details of the Capital Reorganisation and the notice of the New SGM
“Previous SGM”	the special general meeting of the Company held on 27 March 2019 to consider the previous proposed capital reorganisation of the Company, which notice was set out in the Previous SGM Circular, and which was adjourned
“Previous SGM Circular”	the circular of the Company dated 4 March 2019 despatched to the Shareholders containing, among other things, details of the previous proposed capital reorganisation and the notice of the Previous SGM
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, the address of which is at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Share(s)”	the Existing Share(s) and/or the Consolidated Share(s) and/or the Adjusted Share(s), as the case may be
“Share Consolidation”	the proposed consolidation of every fifty (50) Existing Shares of HK\$0.01 each in the issued share capital of the Company into one Consolidated Share of HK\$0.50
“Shareholder(s)”	the holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

The English text of this New SGM Circular shall prevail over the Chinese text for the purpose of interpretation.

EXPECTED TIMETABLE

The expected timetable for the Capital Reorganisation and the Change in Board Lot Size is set out below, which is subject to the result of the New SGM and is therefore for indicative purposes only.

Events **2019**

Latest date and time for lodging transfer documents in order to
qualify for attending and voting at the New SGM 4:30 p.m. on
Thursday, 16 May

Closure of register of members for determining the entitlement to
attend and vote at the New SGM (both dates inclusive) Friday, 17 May to
Wednesday, 22 May

Latest date and time for lodging forms of proxy for the New SGM 3:00 p.m. on
Monday, 20 May

Record date of the New SGM. Wednesday, 22 May

Expected date and time of the New SGM 3:00 p.m. on
Wednesday, 22 May

Announcement of poll results of the New SGM. Wednesday, 22 May

The following events are conditional upon the fulfilment of the conditions for the Capital Reorganisation as set out in the section headed “Conditions of the Capital Reorganisation” of this New SGM Circular.

Effective date of the Capital Reorganisation Thursday, 23 May

First day of free exchange of existing share certificates for
new share certificates for the Adjusted Shares Thursday, 23 May

Dealing in the Adjusted Shares commences. 9:00 a.m. on
Thursday, 23 May

Original counter for trading in the Existing Shares in board lots of 20,000
Existing Shares (in the form of existing share certificates) temporarily closes 9:00 a.m. on
Thursday, 23 May

Temporary counter for trading in the Adjusted Shares in board lots of 400
Adjusted Shares (in the form of existing share certificates) opens 9:00 a.m. on
Thursday, 23 May

Original counter for trading in the Adjusted Shares in board lots of 8,000
Adjusted Shares (in the form of new share certificates) re-opens. 9:00 a.m. on
Thursday, 6 June

EXPECTED TIMETABLE

Events	2019
Parallel trading in the Adjusted Shares (in the form of new share certificates for the Adjusted Shares and existing share certificates) commences	9:00 a.m. on Thursday, 6 June
Designated broker starts to stand in the market to provide matching services for odd lots of the Adjusted Shares	9:00 a.m. on Thursday, 6 June
Parallel trading in the Adjusted Shares (in the form of new share certificates for the Adjusted Shares and existing share certificates) ends	4:00 p.m. on Thursday, 27 June
Designated broker ceases to stand in the market to provide matching services for odd lots of the Adjusted Shares	4:00 p.m. on Thursday, 27 June
Temporary counter for trading in the Adjusted Shares in board lots of 400 Adjusted Shares (in the form of existing share certificates) closes	4:00 p.m. on Thursday, 27 June
Last day for free exchange of existing share certificates for new share certificates for the Adjusted Shares	4:30 p.m. on Tuesday, 2 July

Note: All times and dates in this New SGM Circular refer to Hong Kong local times and dates. In the event that any special circumstances arise, the Board may extend, or make adjustment to, the timetable if it considers appropriate. Any extension or adjustment to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

LETTER FROM THE BOARD



HMV Digital China Group Limited
HMV 數碼中國集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 8078)

Executive Directors:

Mr. Shiu Stephen Junior (*Chairman*)
Mr. Sun Lap Key, Christopher
Mr. Lee Wing Ho, Albert

Independent Non-executive Directors:

Mr. Lee Wing Lun
Mr. Kam Tik Lun
Ms. Yang Yusi

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place
of business:*

Units B–D, 8/F., D2 Place Two
15 Cheung Shun Street
Cheung Sha Wan
Kowloon, Hong Kong

29 April 2019

To the Shareholders

Dear Sir or Madam,

(1) PROPOSED CAPITAL REORGANISATION;
(2) CHANGE IN BOARD LOT SIZE;
AND
(3) NOTICE OF NEW SPECIAL GENERAL MEETING

INTRODUCTION

References are made to (i) the Announcement; (ii) the Previous SGM Circular; and (iii) the Adjournment Announcement in relation to the capital reorganisation and the change in board lot size. As stated in the Adjournment Announcement, the Board has received opinions and recommendations from a Shareholder implementing a share consolidation with a higher ratio and reducing the board lot size. To the best of Directors' knowledge, such Shareholder is a director of a subsidiary of the Company.

Further reference is made to the announcement of the Company dated 24 April 2019 (the "**Update Announcement**") in relation to the updates of the capital reorganisation and the change in board lot size.

LETTER FROM THE BOARD

The purpose of this New SGM Circular is to provide you with further information regarding the proposed Capital Reorganisation and the Change in Board Lot Size and to give you the notice of the New SGM to consider and, if thought fit, approve the Capital Reorganisation.

PROPOSED CAPITAL REORGANISATION

The Board has taken the comments into consideration and re-considered, amongst other things, the structure of the capital reorganisation of the Company and the change in board lot size. Subsequently, the Board has decided to revise the structure of the capital reorganisation of the Company which now comprises the Share Consolidation and Capital Reduction, which will be put forward for Shareholders' approval at the New SGM. Details of which are as follows:

(1) Share Consolidation

Every fifty (50) issued Existing Shares of a par value of HK\$0.01 each in the issued share capital of the Company be consolidated into one (1) Consolidated Share of a par value of HK\$0.50 each in the issued share capital of the Company.

(2) Capital Reduction

Immediately upon the Share Consolidation becoming effective, the issued share capital of the Company be reduced by (i) rounding down the number of Consolidated Shares in the issued share capital of the Company to the nearest whole number by cancelling any fraction of a Consolidated Share in the issued share capital of the Company; and (ii) cancelling the paid up capital of the Company to the extent of HK\$0.49 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK\$0.50 to HK\$0.01.

Effects of the Capital Reorganisation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$200,000,000 divided into 20,000,000,000 Existing Shares with par value of HK\$0.01 each, of which 13,570,388,971 Existing Shares have been issued and are fully paid or credited as fully paid.

Immediately upon the Capital Reorganisation becoming effective and assuming no further Existing Shares will be issued or repurchased from the Latest Practicable Date up to and including the Effective Date, the authorised share capital of the Company shall remain HK\$200,000,000.00 divided into 20,000,000,000 Adjusted Shares of a par value of HK\$0.01 each, of which 271,407,779 Adjusted Shares have been issued as fully paid or credited as fully paid upon the Capital Reorganisation becoming effective.

The credit of HK\$132,989,811.92 arising from the Capital Reduction will be credited to the contributed surplus account of the Company and the Board will be authorised to utilise credits in the contributed surplus account in such manner as permissible under the Bye-laws and the Companies Act, including to set off accumulated losses of the Company.

LETTER FROM THE BOARD

Upon the Capital Reorganisation becoming effective and assuming that there is no change in the number of issued Shares from the Latest Practicable Date up to and including the date of the New SGM, the share capital structure of the Company will be as follows:

	As of the Latest Practicable Date	Immediately upon Capital Reorganisation becoming effective
Par value	HK\$0.01	HK\$0.01
Authorised share capital	HK\$200,000,000.00	HK\$200,000,000.00
Number of authorised share	20,000,000,000	20,000,000,000
Nominal value of issued share capital	HK\$135,703,889.71	HK\$2,714,077.79
Number of issued shares	13,570,388,971	271,407,779
Number of unissued shares	6,429,611,029	19,728,592,221

Note: The fractional share will be cancelled pursuant to the Capital Reduction.

Upon the Capital Reorganisation becoming effective, the Adjusted Shares will rank *pari passu* in all respects with each other in accordance with the memorandum of association and Bye-laws.

Other than the expenses to be incurred in relation to the Capital Reorganisation and the Change in Board Lot Size which are expected to be insignificant in the context of the net asset value of the Company, the implementation of the Capital Reorganisation and the Change in Board Lot Size will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders, save that any fractional Adjusted Shares will not be allocated to Shareholders who may otherwise be entitled. The Directors are of the view that the Capital Reorganisation and the Change in Board Lot Size will not have any material adverse effect on the financial position of the Group and are in the interest of the Company and the Shareholders as a whole.

ADJUSTMENTS IN RELATION TO OTHER SECURITIES OF THE COMPANY

As at the Latest Practicable Date, there are Convertible Bonds of which (i) an outstanding principal amount of HK\$50 million are convertible into 163,934,426 Existing Shares at the prevailing conversion price of HK\$0.305 per Existing Share (the “**Convertible Bonds A**”); and (ii) an outstanding principal amount of HK\$150 million are convertible into 549,450,549 Existing Shares at the prevailing conversion price of HK\$0.273 per Existing Share (the “**Convertible Bonds B**”, together with the Convertible Bonds A, the “**Convertible Bonds**”). As disclosed in the interim report of the Company for the six months ended 31 December 2018, the maturity date of the Convertible Bonds B was due on 2 January 2019 and as at the Latest Practicable Date, the Company is still negotiating with the holder of the Convertible Bonds B for any further actions, including but not limited to repayment, re-financing and extension of the Convertible Bonds B. As such, subject to the negotiation progress with the holders of the Convertible Bonds B and the compliance of the GEM Listing Rules, (i) the conversion price and the number of shares of the Company falling to be issued upon the exercise of the conversion right attaching to the Convertible Bonds B may or may not be adjusted; and (ii) an application may or may not be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Adjusted Shares which may fall to be allotted and issued upon exercise of the Convertible Bonds B outstanding. Further announcement(s) will be made by the Company in accordance with the GEM Listing Rules regarding the material development on the negotiation progress with the holders of the Convertible Bonds B as and when appropriate.

LETTER FROM THE BOARD

The Capital Reorganisation may lead to adjustment to the conversion price and the number of shares of the Company falling to be issued upon the exercise of the conversion right attaching to the Convertible Bonds in accordance with the terms and conditions of the Convertible Bonds, if applicable. The Company will make further announcement(s) on such adjustment(s) as and when appropriate.

Save for the Convertible Bonds, the Company does not have any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into, any Existing Shares, Consolidated Shares or Adjusted Shares, as at the Latest Practicable Date.

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon the following conditions:

- (a) the passing of a special resolution by the Shareholders to approve the Capital Reorganisation at the New SGM;
- (b) the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares in issue and to be issued upon the Capital Reorganisation becoming effective and the Adjusted Shares which may fall to be allotted and issued upon conversion of the Convertible Bonds outstanding;
- (c) the compliance with all applicable rules, regulations and/or laws in Hong Kong and Bermuda to effect the Capital Reorganisation; and
- (d) the compliance with the relevant procedures and requirements under the GEM Listing Rules to effect the Capital Reorganisation.

Subject to the above conditions being fulfilled, the Capital Reorganisation is currently expected to be effective on Thursday, 23 May 2019, being the business day immediately after the date of the New SGM.

As at the Latest Practicable Date, none of the conditions have been fulfilled.

Application for the listing of the Adjusted Shares

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Adjusted Shares to be in issue upon the Capital Reorganisation becoming effective and the Adjusted Shares which may fall to be allotted and issued upon exercise of the Convertible Bonds outstanding (if applicable).

Subject to the granting of the listing of, and permission to deal in, the Adjusted Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the Adjusted Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealing in the Adjusted Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Adjusted Shares to be admitted into CCASS established and operated by HKSCC.

LETTER FROM THE BOARD

None of the Existing Shares are listed or dealt in on any other stock exchange other than the Stock Exchange, and at the time the Capital Reorganisation becomes effective, the Adjusted Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

OTHER ARRANGEMENTS

Fractional entitlement to Adjusted Shares following the Capital Reorganisation

Fractional Adjusted Shares arising from the Capital Reorganisation, if any, will be disregarded and will not be allocated to the Shareholders, but will be aggregated and, if possible, sold for the benefit of the Company. Fractional Adjusted Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of share certificates held by such holder.

Exchange of share certificates

Subject to the Capital Reorganisation becoming effective, which is currently expected to be on Thursday, 23 May 2019, being the business day immediately after the date of the New SGM, Shareholders may between 9:00 a.m. and 4:30 p.m. on any business day during the period from Thursday, 23 May 2019 to Tuesday, 2 July 2019 (both days inclusive), submit share certificates for the Existing Shares (in green colour) to the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong to exchange for new share certificates for the Adjusted Shares (in blue colour) at the expense of the Company.

Shareholders should note that after the prescribed time for free exchange of share certificates, a fee of HK\$2.50 each (or such higher amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders to the Registrar for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the Adjusted Shares, whichever the number of share certificates involved is higher.

After 4:00 p.m. on Thursday, 27 June 2019, trading will only be in Adjusted Shares which share certificates will be issued in blue colour. Existing share certificates in green colour for the Existing Shares will cease to be valid for trading and settlement purpose, but will remain valid and effective as documents of title.

CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Shares are traded in board lots of 20,000 Existing Shares. Conditional upon the Capital Reorganisation becoming effective, the Board, after taking the comments of a Shareholder into consideration, has also decided to revise the proposed new board lot for the Adjusted Shares, as such, the Board now proposes to change the board lot size for trading on the Stock Exchange from 20,000 Existing Shares to 8,000 Adjusted Shares with effect from Thursday, 23 May 2019.

Based on the closing price of HK\$0.01 per Existing Share (equivalent to the theoretical closing price of HK\$0.50 per Adjusted Share) as quoted on the Stock Exchange at the Latest Practicable Date, the value of each existing board lot of 20,000 Existing Shares is HK\$200 and the theoretical value for each new board lot of 8,000 Adjusted Shares, would be HK\$4,000.

LETTER FROM THE BOARD

The Change in Board Lot Size will not result in change in the relative rights of the Shareholders.

Arrangement on odd lot trading

In order to alleviate the difficulties arising from the existence of odd lots of the Adjusted Shares arising from the Capital Reorganisation (if any), the Company has appointed Kingston Securities Limited as an agent to provide matching services, on a best efforts basis, to those Shareholders who wish to acquire odd lots of the Adjusted Shares to make up a full board lot, or to dispose of their holding of odd lots of the Adjusted Shares. Shareholders who wish to take advantage of this facility should contact Mr. James Lee of Kingston Securities Limited at 72/F, The Center, 99 Queen's Road Central, Central, Hong Kong at telephone number (852) 2298 6228 from 9:00 a.m. on Thursday, 6 June 2019 to 4:00 p.m. on Thursday, 27 June 2019. Shareholders should note that successful matching of the sale and purchase of odd lots of the Adjusted Shares is not guaranteed. Shareholders who are in any doubt about the odd lots matching arrangement are recommended to consult their own professional advisers.

Please refer to the section headed "EXPECTED TIMETABLE" on pages 4 to 5 of this New SGM Circular for the period during which the Company will provide matching service for the sale and purchase of odd lots of the Adjusted Shares.

REASONS FOR THE CAPITAL REORGANISATION AND THE CHANGE IN BOARD LOT SIZE

Share Consolidation

Pursuant to Rule 17.76 of the GEM Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or proceed with a consolidation or splitting of securities. In this regard, the Share Consolidation would enable the Company to comply with the trading requirements under the GEM Listing Rules.

At the request of the Stock Exchange, the Board proposes to implement the Share Consolidation. The Share Consolidation will increase the nominal value of the Shares and will reduce the total number of Shares currently in issue. As such, it is expected that the Share Consolidation will bring about a corresponding upward adjustment in the trading price of the Shares. When determining the basis of the Share Consolidation, the Company has taken into account the effect of its possible equity issuing during the twelve months period from the date of the Update Announcement. As at the Latest Practicable Date, the Company confirms that it will not carry out any share subdivision and/or other corporate actions during the twelve months period from the date of the Update Announcement which would have a contradictory effect to the Share Consolidation.

Capital Reduction

The Company is prohibited from issuing new shares at below their par value under the Bye-laws and the Companies Act. The Capital Reduction will give the Company greater flexibility in pricing any future issue of shares. Furthermore, the credit in the contributed surplus account arising from the Capital Reduction will enable the Company to set off its accumulated losses as may arise from time to time and may be applied in the future for distribution to the Shareholders or in any manner permitted by the Companies Act and the Bye-laws. The Board considers that the Capital Reduction is beneficial to and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Change in Board Lot Size

Subject to the Capital Reorganisation becoming effective, the Board also proposes to change the board lot size for trading from 20,000 Existing Shares to 8,000 Adjusted Shares. The Change in Board Lot Size will offer the trading value for each board lot at a reasonable level to attract investors, and that such change in the board lot size would offer the public a reasonable entry level to invest in the Adjusted Shares. The Change in Board Lot Size will not result in change in the relative rights of the Shareholders. The Board considers that the Change in Board Lot Size is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Reasons for revising the structure of the capital reorganisation and the change in board lot size

The Board initially proposed the capital reorganisation comprising (a) the share consolidation of every forty (40) issued Existing Shares into one (1) consolidated share of par value of HK\$0.40 each, and (b) the capital reduction (i) to cancel any fraction of a consolidated share in the issued share capital of the Company and (ii) to cancel the paid up capital of the Company to the extent of HK\$0.39 on each of the then issued consolidated shares such that the par value of each issued consolidated share will be reduced from HK\$0.40 to HK\$0.01. Subsequent to the issue of the Previous SGM Circular, the Board has received opinion and recommendations from a Shareholder on increasing the share consolidation ratio and change in board lot size and have taken them into consideration while revising the capital reorganisation and the change in board lot size proposal. The Directors consider that the increase in share consolidation ratio would provide greater opportunity for and more flexibility in the Company's possible equity fund raising in the future and have therefore revised the capital reorganisation proposal. The Directors have also adopted the recommendations from such Shareholder regarding the change in board lot size. The Directors consider that the proposed new board lot size of 8,000 would create less odd lots as compared to previously proposed board lot size.

NEW SGM

The Capital Reorganisation will be proposed at the New SGM for the Shareholders' consideration and, if thought fit, approval.

A notice convening the New SGM to be held at Units B–D, 8/F, D2 Place Two, 15 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong at 3:00 p.m. on Wednesday, 22 May 2019 is set out on pages SGM-1 to SGM-3 of this New SGM Circular.

A form of proxy for use at the New SGM is enclosed with this New SGM Circular. Whether or not you are able to attend the New SGM in person, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the Registrar, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the New SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the New SGM or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, all resolutions will be put to vote by way of poll at the New SGM. An announcement on the results of the vote by poll will be made by the Company after the New SGM in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, no Shareholder has an interest in the Capital Reorganisation. Therefore, no Shareholder is required to abstain from voting on the resolutions to be proposed at the New SGM.

For determining the entitlement to attend and vote at the New SGM, the register of members of the Company will be closed from Friday, 17 May 2019 to Wednesday, 22 May 2019 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the New SGM, all transfers, accompanied by the relevant certificates, must be lodged with the Registrar, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Thursday, 16 May 2019.

RECOMMENDATION

The Board considers that the Capital Reorganisation is in the interest of the Company and the Shareholders as a whole and so recommends all Shareholders to vote in favour of the resolution approving the Capital Reorganisation at the New SGM.

RESPONSIBILITY STATEMENT

This New SGM Circular, 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 New SGM Circular 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 New SGM Circular misleading.

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

NOTICE OF NEW SPECIAL GENERAL MEETING



HMV Digital China Group Limited HMV 數碼中國集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8078)

NOTICE OF NEW SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a new special general meeting (the “**New SGM**”) of HMV Digital China Group Limited (the “**Company**”) will be held at Units B–D, 8/F, D2 Place Two, 15 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong at 3:00 p.m. on 22 May 2019 to consider and, if thought fit, to approve the following resolution as a special resolution of the Company:

SPECIAL RESOLUTION

“**THAT**, conditional upon (i) compliance by the Company with the requirements of section 46(2) of the Companies Act 1981 of Bermuda to effect the Capital Reduction (as defined below) and (ii) the GEM Listing Committee of The Stock Exchange of Hong Kong Limited granting approval of the listing of, and permission to deal in, the Adjusted Shares (as defined below) in issue, with effect from the business day immediately following the date of passing this resolution:

- (a) every fifty (50) issued shares of the Company of a par value of HK\$0.01 each (the “**Existing Shares**”) in the issued share capital of the Company be consolidated into one (1) consolidated share of a par value of HK\$0.50 each (the “**Consolidated Shares**” and each a “**Consolidated Share**”) in the issued share capital of the Company (the “**Share Consolidation**”);
- (b) immediately following the Share Consolidation, the issued share capital of the Company be reduced by (i) cancelling any fraction of a Consolidated Share in the issued share capital of the Company; and (ii) cancelling the paid up capital of the Company to the extent of HK\$0.49 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK\$0.50 to HK\$0.01 (the “**Adjusted Shares**” and each an “**Adjusted Share**”) (the “**Capital Reduction**”, together with the Share Consolidation, the “**Capital Reorganisation**”);
- (c) all of the Adjusted Shares resulting from the Capital Reorganisation shall rank *pari passu* in all respects with each other in accordance with the memorandum of association and bye-laws of the Company;
- (d) the credit arising from the Capital Reduction be transferred to the contributed surplus account of the Company which may be applied by the directors of the Company (“**Director(s)**”) in accordance with the bye-laws of the Company and all applicable laws, including towards setting off the accumulated losses of the Company;

NOTICE OF NEW SPECIAL GENERAL MEETING

- (e) fractional Consolidated Shares will be disregarded and will not be issued to the shareholders of the Company but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company; and
- (f) any one Director be and is hereby authorised, for and on behalf of the Company, to enter into any agreement, deed or instrument and/or to execute and deliver all such documents and/or do all such acts on behalf of the Company as he/she may consider necessary, desirable or expedient to complete, implement and give effect to any and all the arrangements in relation to the Capital Reorganisation.”

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

Hong Kong, 29 April 2019

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place
of business:*
Units B–D, 8/F., D2 Place Two
15 Cheung Shun Street
Cheung Sha Wan
Kowloon, Hong Kong

Notes:

1. A member entitled to attend and vote at the New SGM convened by the above notice is entitled to appoint a proxy or, if such member is a holder of more than one share, more than one proxy to attend and vote instead of such member. Where a member appoints more than one proxy the instrument of proxy shall state which proxy is entitled to vote on a poll. A proxy need not be a member of the Company.
2. To be valid, a form of proxy must be delivered to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not less than 48 hours before the meeting or adjourned meeting. If a form of proxy is signed under a power of attorney, the power of attorney or other authority relied on to sign it (or an office copy) must be delivered to the branch share registrar of the Company in Hong Kong with the form of proxy, except that the power of attorney which has already been registered with the Company need not be so delivered. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the New SGM or any adjournment thereof should he so wish.
3. Where there are joint holders of a share of the Company, any one of such holders may vote at the meeting, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such holders are present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding. Several executors or administrators of a deceased member in whose name any share stands shall for this purpose be deemed joint holders thereof.
4. The register of members of the Company will be closed from 17 May 2019 to 22 May 2019 (both dates inclusive), during which period no transfer of shares in the Company will be registered. In order to qualify for attending and voting at the New SGM, all transfers, accompanied by the relevant certificates, must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong by no later than 4:30 p.m. on 16 May 2019.
5. The votes to be taken at the New SGM for the resolution will be by way of a poll.

NOTICE OF NEW SPECIAL GENERAL MEETING

6. A proxy form for use at the New SGM is enclosed. Whether or not you intend to attend the New SGM in person, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon.
7. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or if the appointer is a corporation, either under its seal or under the hands of any officer or attorney duly authorised.
8. Completion and return of a proxy form shall not preclude a member from attending and voting in person at the New SGM or any adjournment thereof (as the case may be) and, in such event, the proxy form appointing a proxy shall be deemed to be revoked.

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