
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, 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 circular and the accompanying form of proxy to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



**(1) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE;
AND
(2) NOTICE OF SGM**

Terms used in this cover shall have the same meanings as defined in this circular.

A notice convening the SGM to be held at 7/F, Zung Fu Industrial Building, 1067 King's Road, Quarry Bay, Hong Kong at 4:00 p.m. on Thursday, 11 May 2017 is set out on pages 16 to 17 of this circular. A form of proxy for the SGM is enclosed herein. Whether or not you are able to attend the meeting in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it 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, as soon as possible but in any event not less than 48 hours before the time appointed for holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish.

24 April 2017

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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
LETTER FROM THE BOARD	4
NOTICE OF SGM	16

DEFINITIONS

In this circular, unless the context otherwise required, the following terms and expressions shall have the following meanings when used herein:

“AID Treasure”	AID Treasure Investment Limited, a wholly-owned subsidiary of AID Partners Technology Holdings Limited which is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM (stock code: 8088);
“Announcement”	the announcement of the Company dated 3 March 2017 in respect of, amongst others, the SM Placing;
“Board”	the board of Directors;
“Business Day(s)”	day(s) (other than Saturday, Sunday and a public holiday) on which banks are open for business in Hong Kong;
“Company”	HMV Digital China Group Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on GEM (stock code: 8078);
“Completion”	completion of the SM Placing Agreement;
“Completion Date”	date of Completion;
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules;
“Director(s)”	the director(s) of the Company;
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Group”	the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“H&S”	Head & Shoulders Securities Limited, a company incorporated in Hong Kong and licensed by the Securities and Futures Commission to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO;

DEFINITIONS

“ICBCI”	ICBC International Securities Limited, a company incorporated in Hong Kong and licensed by the Securities and Futures Commission to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 4 (advising on securities) regulated activities under the SFO;
“Independent Third Party(ies)”	third party(ies) independent of, not connected or acting in concert (as defined in the Hong Kong Code on Takeovers and Mergers) with any directors, chief executive or substantial shareholder(s) of the Company or its subsidiaries and their respective associates (as defined under the GEM Listing Rules);
“KSL”	Kingston Securities Limited, a company incorporated in Hong Kong and licensed by the Securities and Futures Commission to carry on Type 1 (dealing in securities) regulated activity under the SFO;
“Latest Practicable Date”	21 April 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;
“Party(ies)”	the party(ies) to the SM Placing Agreement;
“Placee(s)”	any professional, institutional or other investor(s) or any of their respective subsidiaries or associates procured by the Placing Agents to subscribe for any of the SM Placing Shares pursuant to the Placing Agents’ obligations under the SM Placing Agreement;
“Placing Agents”	(i) KSL; (ii) ICBCI; and (iii) H&S
“Placing Price”	HK\$0.25 per SM Placing Share;
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);

DEFINITIONS

“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the SM Placing;
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	the holder(s) of the Shares;
“SM Placing”	the placing of the SM Placing Shares on a best effort basis pursuant to the terms of the SM Placing Agreement;
“SM Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agents dated 3 March 2017 in relation to the SM Placing;
“SM Placing Shares”	the placing of 2,995,200,000 Shares under the Specific Mandate pursuant to the terms of the SM Placing Agreement;
“Specific Mandate”	a specific mandate to allot and issue new Shares to be sought from the Shareholders at the SGM to satisfy the SM Placing Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiaries”	has the meaning ascribed to it under the GEM Listing Rules;
“%”	per cent.

LETTER FROM THE BOARD

 **hmv** 數碼中國集團
Digital China Group
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*)
Ms. Li Mau (*Co-Chairman*)
Mr. Sun Lap Key, Christopher
Mr. Lee Wing Ho, Albert
Mr. Ho Gilbert Chi Hang

Non-executive Director:

Mr. Wu King Shiu, Kelvin

Independent non-executive Directors:

Mr. Chan Chi Ho
Mr. Kam Tik Lun
Mr. Tam Kwok Ming, Banny

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of
business in Hong Kong:*

7th Floor
Zung Fu Industrial Building
1067 King's Road
Quarry Bay, Hong Kong

24 April 2017

To the Shareholders,

Dear Sir or Madam,

**(1) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE;
AND
(2) NOTICE OF SGM**

INTRODUCTION

Reference is made to the Announcement where, inter alia, the Company proposed to seek Shareholders' approval in respect of, amongst others, the SM Placing Agreement and the transactions contemplated thereunder, including the grant of a Specific Mandate for the allotment and issue of the SM Placing Shares.

The purpose of this circular is to provide Shareholders with, inter alia, (i) further details of the SM Placing; and (ii) a notice convening the SGM.

LETTER FROM THE BOARD

THE SM PLACING AGREEMENT

On 3 March 2017 (after trading hours), the Company entered into the SM Placing Agreement with the Placing Agents in relation to the placing of a maximum of 2,995,200,000 SM Placing Shares at the Placing Price of HK\$0.25 per SM Placing Share. The principal terms and conditions of the SM Placing Agreement are set out below.

Date: 3 March 2017

Parties

Issuer: the Company

Placing Agents:

- (i) Kingston Securities Limited
- (ii) ICBC International Securities Limited
- (iii) Head & Shoulders Securities Limited

As at the Latest Practicable Date, KSL is interested in 8 Shares. To the best of the Director's knowledge, information and belief having made all reasonable enquiry, each of the Placing Agents and its respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

SM Placing Shares

The Placing Agents have conditionally agreed with the Company to place, on a best effort basis, up to 2,995,200,000 SM Placing Shares, to currently expected to be not less than six independent Placees. KSL will receive a placing commission of 0.5% and each of ICBCI and H&S will receive a placing commissions of 2.5% of the aggregate Placing Price of the SM Placing Shares actually placed in accordance with the SM Placing Agreement.

Assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and the Completion Date, the maximum number of SM Placing Shares represent (i) approximately 25.93% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 20.59% of the issued share capital of the Company as enlarged by the issue of the SM Placing Shares (assuming the maximum number of the SM Placing Shares are placed). Assuming the maximum number of the SM Placing Shares is placed, the gross proceeds from the SM Placing will be approximately HK\$748.80 million and the net proceeds from the SM Placing will be approximately HK\$739.60 million (after deduction of commission and other expenses of the SM Placing). The net SM Placing price per SM Placing Share is approximately HK\$0.247. The SM Placing Shares have an aggregate nominal value of HK\$29,952,000.

Ranking of the Placing Shares

The SM Placing Shares will rank, upon issue, *pari passu* in all respect with the Shares in issue on the date of allotment and issue of the SM Placing Shares.

LETTER FROM THE BOARD

Placees

The SM Placing Shares are currently expected to be placed to not less than six Placees, who will be individuals, corporate, institutional investors or other investors. The Placees and their respective ultimate beneficial owners shall be Independent Third Parties. As at the Latest Practicable Date, the Placing Agents have identified five Placees.

The Placing Agents will use their best endeavour to ensure that none of the Placees will be allotted with SM Placing Shares to the extent that any Placee (together with parties acting in concert with him/her/it) will hold 19.9% or more of the voting rights of the Company as a result of the SM Placing.

Placing Price

The Placing Price in respect of the SM Placing is HK\$0.25 per SM Placing Share, which represents:

- (a) a discount of approximately 16.67% to the closing price of HK\$0.30 per Share as quoted on the Stock Exchange as at the date of the SM Placing Agreement;
- (b) a discount of approximately 14.68% to the average closing price of HK\$0.293 per Share as quoted on the Stock Exchange for the last five trading days immediately preceding the date of the SM Placing Agreement;
- (c) a discount of approximately 14.53% to the average closing price of HK\$0.2925 per Share as quoted on the Stock Exchange for the last ten trading days immediately preceding the date of the SM Placing Agreement;
- (d) a discount of approximately 16.67% to the closing price of HK\$0.30 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (e) a premium of approximately 47.93% compared with the net asset value per Share of approximately HK\$0.169, based on the unaudited net assets value of the Company of HK\$1,949,053,000 as at 31 December 2016 and the 11,550,383,680 Shares in issue at the Latest Practicable Date.

The terms of the SM Placing Agreement and the Placing Price were determined by the Company and the Placing Agents after arm's length negotiations and under normal commercial terms with reference to amongst other things, the prevailing trading price of the Shares. The Directors consider that the terms of the SM Placing Agreement and the Placing Price are fair and reasonable under the current market conditions. Hence, the Directors are of the view that the SM Placing is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Conditions of the SM Placing

Completion of the SM Placing is conditional upon:

- (a) there being no breach of or any event render untrue or inaccurate, any of the representations, warranties or undertakings under the SM Placing Agreement;
- (b) the GEM Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the SM Placing Shares;
- (c) there being no government or regulatory body having made a decision that would make the SM Placing void, unenforceable or illegal or impose any additional material conditions or obligations with respect to the SM Placing (other than such orders or decisions as would not have a material adverse effect on the legal ability of the Company to proceed with the SM Placing);
- (d) the SM Placing Agreement has not been rescinded by the Placing Agents; and
- (e) the Shareholders duly passing the resolutions approving, inter alia, the SM Placing Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the SM Placing Shares, at the SGM.

Conditions referred to in paragraph (b), (d) and (e) above may not be waived by the Parties. In the event that the conditions of the SM Placing are not fulfilled on or before prior to 5:00 p.m. on the date falling on the 30th day after the date of the SGM (or such later date to be agreed between the Company and the Placing Agents in writing), the SM Placing Agreement and all rights and obligations thereunder will cease and terminate and no Party will have any claim against the others for costs, damages, compensation or otherwise except for antecedent breach of provisions of the SM Placing Agreement.

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

The Specific Mandate

The SM Placing is subject to the Shareholders' approval. The Company proposes to seek the grant of the Specific Mandate from the Shareholders at the SGM for the allotment and issue of the SM Placing Shares.

Completion of the SM Placing

Completion of the SM Placing is expected to take place within four Business Days following the satisfaction of the conditions of the SM Placing (or such other time or date as the Parties may agree in writing).

LETTER FROM THE BOARD

Termination of the SM Placing

The Placing Agents may terminate the SM Placing Agreement by giving notice in writing to the Company, if at any time prior to the Completion of the SM Placing:

- (1) if there has come to the notice of the Placing Agents:
 - (a) that any statement contained in the SM Placing Agreement was, when the Announcement was issued, or has become, untrue, incorrect or misleading in any respect; or
 - (b) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the Announcement, constitute an omission therefrom; or
 - (c) any material breach of the undertakings, warranties and representations set out in the SM Placing Agreement; or
 - (d) any material breach of any of the obligations imposed upon any Party (other than the Placing Agents); or
 - (e) any of the undertakings, warranties and representations set out in the SM Placing Agreement would be untrue or inaccurate or misleading in any material respect if given at that time; or
 - (f) any adverse change in the business or in the financial or trading position or prospects of any member of the Group taken as a whole which is material in the context of the SM Placing; or
- (2) if there develops, occurs, or comes into effect:
 - (a) any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date hereof) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, whether or not sui generis with any of the foregoing, resulting in a material adverse change in, or which might be expected to result in a material adverse change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the sole and absolute opinion of the Placing Agents would prejudice the success of the SM Placing; or
 - (b) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which, in the sole and absolute opinion of the Placing Agents, would prejudice the success of the SM Placing; or

LETTER FROM THE BOARD

- (c) any change in conditions of local, national or international securities markets occurs which in the sole and absolute opinion of the Placing Agents would prejudice the success of the SM Placing; or
- (d) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or the PRC and if in the sole and absolute opinion of the Placing Agents any such new law or change would materially and adversely affect the business or financial prospects of the Group and/or prejudice the success of the SM Placing; or
- (e) a change or development occurs involving a prospective change of taxation or exchange control (or the implementation of exchange control) in Hong Kong or the PRC which would, in the sole and absolute opinion of the Placing Agents, prejudice the success of the SM Placing; or
- (f) any litigation or claim of material importance of any third party being instigated against any member of the Group, which has or may have a material adverse effect on the business or financial prospects of the Group and which in the sole and absolute opinion of the Placing Agents would materially prejudice the success of the SM Placing.

The Directors are not aware of the occurrence of any of such events as at the Latest Practicable Date.

The SM Placing is subject to termination by the Placing Agents under certain circumstances as set out in the sub-paragraph headed “Termination of the SM Placing” above in this circular. In the event that any or all of the Placing Agent(s) exercises its/their right to terminate the SM Placing Agreement in accordance with the terms therein, the SM Placing will not proceed.

APPLICATION FOR LISTING OF SM PLACING SHARES

An application will be made to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the SM Placing Shares.

REASONS FOR THE SM PLACING AND USE OF PROCEEDS

The Company is a company incorporated in Bermuda with limited liability, and the Group is principally engaged in the entertainment business, with a focus in television program and movie production, distribution, distribution licensing, cinema operation and management in both Hong Kong and the PRC, artists management, money lending activities and acquisitions of corporate bonds, preference shares as well as investment in securities.

The Directors consider that the SM Placing can strengthen the financial position of the Group and provide working capital to the Group to meet any future development and obligations. The Directors consider that the terms of the SM Placing Agreement are fair and reasonable, on normal and commercial terms and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

On the assumption that the SM Placing is completed in full, it will raise gross proceeds of approximately HK\$748.8 million. The net proceeds from the SM Placing, which would be approximately HK\$739.60 million, will be applied as follows: (i) approximately HK\$60 million will be applied towards the construction of HMV shopping malls in the PRC; (ii) approximately HK\$60 million will be applied towards the development of “OTT” platform of the Group; (iii) approximately HK\$80 million will be applied towards the production of movie “Sai Ying Pun 西營盤”; (iv) approximately HK\$20 million will be applied towards the production of movie “The Desperate Cinema 絕命上映”; (v) approximately HK\$50 million will be applied towards the production of television drama “Below the Same Roof 同一屋簷下”; (vi) approximately HK\$300 million will be applied towards potential acquisition of variety show production group. The variety show production group is one of the largest creators and producers of television entertainment content in Korea with the celebrity management and marketing agency. Its headquarters are located in Seoul. The customers of the target company includes but not limited to Korean Broadcasting System (KBS), Munhwa Broadcasting Corporation (MBC), Seoul Broadcasting System (SBS); (vii) approximately HK\$32 million will be applied towards the potential acquisition of an entertainment group in Taiwan, please refer to the announcement of the Company dated 6 February 2017 for details; and (viii) approximately HK\$137.60 million will be applied towards the general working capital and/or possible investment and/or development of the Group’s business. If the potential acquisitions stated in items (vi) and (vii) do not materialise, the net proceeds from the SM Placing will be applied towards the Group’s money lending and other existing businesses.

As the parties are still negotiating major commercial terms of the potential acquisition of the variety show production group, disclosure of further details in this circular at this stage will be premature and will confuse shareholders and potential investors.

Capital requirement and funding needs of the Company in the next 15 months

Based on the above and assuming the SM Placing is completed in full, and barring any unforeseen circumstances, the estimated capital requirements and funding needs of the Company in the next 15 months are as follows:

- (a) **From April to June 2017** – the Company is expected to utilise approximately HK\$111.5 million, of which approximately: (i) HK\$10 million for the preparation work, including proposal plan, design and drawing for construction of HMV shopping malls in the PRC, HMV shopping comprises approximately 5,000 sq. m. which will including outlets, cinema and theatre; (ii) HK\$10 million for the development of “OTT” platform of the Group, including upgrade system and applications, acquire new movies’ rights; (iii) HK\$2 million for production of the movie “Sai Ying Pun 西營盤”, including research, deposit money for engagement of production executives, production crew, actors; (iv) HK\$1 million for production of the movie “The Desperate Cinema 絕命上映”, including research, deposit money for engagement of production executives and actors; and (v) HK\$2 million for production of the movie “Below the Same Roof 同一屋簷下”, including research, deposit money for engagement of production executives and actors; (vi) HK\$50 million for deposit money for potential acquisition of variety show production group; (vii) HK\$10 million for deposit money for potential acquisition of Taiwan entertainment group; (viii) HK\$26.5 million for three months general working capital, including but not limited to HK\$7.2 million for staff salary, HK\$16.5 million for rental fee for office and outlets; HK\$0.9 million for promotion and advertising, HK\$1.9 million for administrative expenses;

LETTER FROM THE BOARD

If the potential acquisitions stated in items (vi) and (vii) do not materialize, the net proceeds HK\$60 million will be utilized to approximately (a) HK\$30 million for money lending business; (b) HK\$20 million for expansion and/or possible investment plan on cinemas and/or operation rights of cinemas in the PRC; and (c) HK\$10 million for investment and/or production of movies and/or acquire the distribution rights of movies.

- (b) **From July to September 2017** – the Company is expected to utilise approximately HK\$135.5 million, of which approximately: (i) HK\$15 million for rental deposit, leasehold improvement for construction of HMV shopping malls in the PRC; (ii) HK\$15 million for the development of “OTT” platform of the Group, including acquire new movies rights and TV series rights; (iii) HK\$8 million for production of the movie “Sai Ying Pun 西營盤”, including engagement of production executives, production crew, actors; (iv) HK\$4 million for production of the movie “The Desperate Cinema 絕命上映”, including engagement of production executives and actors; and (v) HK\$3 million for production of the movie “Below the Same Roof 同一屋簷下”, including engagement of production executives and actors; (vi) HK\$50 million for potential acquisition of variety show production group; (vii) HK\$10 million for potential acquisition of Taiwan entertainment group; (viii) HK\$30.5 million for three months general working capital, including but not limited to HK\$7.2 million for staff salary, HK\$16.5 million for rental fee for office and outlets; HK\$4 million for set up new outlet, HK\$0.9 million for promotion and advertising, HK\$1.9 million for administrative expenses;

If the potential acquisitions stated in items (vi) and (vii) do not materialize, the net proceeds HK\$60 million will be utilized to approximately (a) HK\$30 million for money lending business; (b) HK\$20 million for expansion and/or possible investment plan on cinemas and/or operation rights of cinemas in the PRC; and (c) HK\$10 million for investment and/or production of movies and/or acquire the distribution rights of movies.

- (c) **From October to December 2017** – the Company is expected to utilise approximately HK\$231.5 million, of which approximately: (i) HK\$15 million for leasehold improvement for construction of HMV shopping malls in the PRC; (ii) HK\$20 million for the development of “OTT” platform of the Group, including acquire new movies rights, TV series rights and setup TV library; (iii) HK\$50 million for production of the movie “Sai Ying Pun 西營盤”, including daily production expenses, engagement of production crew and actors; (iv) HK\$3 million for production of the movie “The Desperate Cinema 絕命上映”, including engagement of production executives and actors; and (v) HK\$5 million for production of the movie “Below the Same Roof 同一屋簷下”, including engagement of production executives and actors; (vi) HK\$100 million for potential acquisition of variety show production group; (vii) HK\$12 million for potential acquisition of Taiwan entertainment group; (viii) HK\$26.5 million for three months general working capital, including but not limited to HK\$7.2 million for staff salary, HK\$16.5 million for rental fee for office and outlets, HK\$0.9 million for promotion and advertising, HK\$1.9 million for administrative expenses;

If the potential acquisitions stated in items (vi) and (vii) do not materialize, the net proceeds HK\$112 million will be utilized to approximately (a) HK\$50 million for money lending business; (b) HK\$30 million for expansion and/or possible investment plan on cinemas and/or operation rights of cinemas in the PRC; and (c) HK\$32 million for investment and/or production of movies and/or acquire the distribution rights of movies.

LETTER FROM THE BOARD

- (d) **From January to March 2018** – the Company is expected to utilise approximately HK\$215.5 million, of which approximately: (i) HK\$20 million for leasehold improvement and acquire equipment and machinery for construction of HMV shopping malls in the PRC; (ii) HK\$15 million for the development of “OTT” platform of the Group, including acquire new movies rights, TV series rights, acquire variety shows rights; (iii) HK\$20 million for production of the movie “Sai Ying Pun 西營盤”, including post production expenses, promotion and advertising; (iv) HK\$9 million for production of the movie “The Desperate Cinema 絕命上映”, including daily production expenses; and (v) HK\$25 million for production of the movie “Below the Same Roof 同一屋簷下”, including daily production expenses; (vi) HK\$100 million for potential acquisition of variety show production group; (vii) HK\$26.5 million for three months general working capital, including but not limited to HK\$7.2 million for staff salary, HK\$16.5 million for rental fee for office and outlets, HK\$0.9 million for promotion and advertising, HK\$1.9 million for administrative expenses;

If the potential acquisitions stated in items (vi) do not materialize, the net proceeds HK\$100 million will be utilized to approximately (a) HK\$50 million for money lending business; (b) HK\$30 million for expansion and/or possible investment plan on cinemas and/or operation rights of cinemas in the PRC; and (c) HK\$20 million for investment and/or production of movies and/or acquire the distribution rights of movies.

- (e) **From April to June 2018** – the Company is expected to utilise approximately HK\$45.4 million, of which approximately: (i) HK\$3 million for production of the movie “The Desperate Cinema 絕命上映”, including post production expense, promotion and advertising; and (ii) HK\$15 million for production of the movie “Below the Same Roof 同一屋簷下”, including post production expenses, promotion and advertising; (iii) HK\$27.4 million for three months general working capital, including but not limited to HK\$8.1 million for staff salary, HK\$16.5 million for rental fee for office and outlets, HK\$0.9 million for promotion and advertising, HK\$1.9 million for administrative expenses;

The above estimated capital requirements and funding needs of the Company is based on the result of preliminary timetabling discussions between the Parties.

The installment based structure of the payment for the potential acquisitions of the variety show production group and the Taiwan entertainment group is the result of commercial discussions between the Parties. The Directors believe that the installment based payment structure will be better for the cash flow and financial position of the Group than if a one-off payment was made.

We are currently performing due diligence on the Taiwan entertainment group and working out the future working capital needs of the Taiwan entertainment group, as well as discussing major deal terms that are to be included in a definitive agreement.

Except for any material changes to the business development plan that may alter the estimated capital requirements and funding needs as stated above, the Company is not expected to have additional capital requirement and funding needs in the next 15 months. As at the Latest Practicable Date, the Company does not expect to have material changes to the business development plan.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had not carried out any other equity fund raising activities in the past twelve months prior to the date of the Announcement.

EFFECT ON THE SHAREHOLDING OF THE COMPANY FOLLOWING COMPLETION OF THE SM PLACING

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, set out below are the existing shareholding structure of the Company as at the Latest Practicable Date and the effect on the shareholder structure of the Company, assuming all the SM Placing Shares are placed by the Placing Agents:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the SM Placing	
	Number of Shares	Approximate % (note 3)	Number of Shares	Approximate % (note 3)
Shiu Stephen Junior (Note 1)	283,840	0.00	283,840	0.00
AID Partners Urban Development Company Limited (Note 2)	518,213,964	4.49	518,213,964	3.56
AID Treasure Places	2,236,438,356	19.36	2,236,438,356	15.38
Other public Shareholders	8,795,447,520	76.15	8,795,447,520	60.47
Total	<u>11,550,383,680</u>	<u>100.00</u>	<u>14,545,583,680</u>	<u>100.00</u>

Note:

- (1) Mr. Shiu Stephen Junior is the Chairman and executive Director of the Company.
- (2) AID Partners Urban Development Company Limited, a company that is owned as to 60% by Mr. Wu King Shiu, Kelvin, who is the non-executive Director of the Company.
- (3) The percentages are subject to rounding differences, if any.

After the SM Placing, to the best knowledge of the Directors, it is currently expected that none of the Placees will become substantial shareholders of the Company.

ISSUE AND ALLOTMENT OF THE SM PLACING SHARES

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

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Shares.

LETTER FROM THE BOARD

SGM

The SGM will be held at 7/F, Zung Fu Industrial Building, 1067 King's Road, Quarry Bay, Hong Kong at 4:00 p.m. on Thursday, 11 May 2017 for the purpose of considering and, if thought fit, approving the SM Placing Agreement and the transactions contemplated thereunder, including the grant of a Specific Mandate for the allotment and issue of the SM Placing Shares.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the SM Placing. As such, no Shareholders of the Company would be required to abstain from voting in respect of the resolution(s) approving the SM Placing Agreement and the transactions contemplated thereunder, including the grant of a Specific Mandate for the allotment and issue of the SM Placing Shares.

The notice convening the SGM is set out on pages 16 to 17 of this circular. A form of proxy for use at the SGM is also enclosed to this circular. Whether or not you are able to attend the SGM and/or vote at the SGM in person, you are requested to complete and return the enclosed form of proxy to the Company's Hong Kong branch share registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

Shareholders and potential investors should note that Completion is subject to the fulfillment of the conditions under the SM Placing Agreement as set out in the section headed "Conditions of the SM Placing". As the SM Placing may or may not proceed to Completion, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members of the Company will be closed from Monday, 8 May 2017 to Thursday, 11 May 2017, both dates inclusive, for the purpose of determining shareholders' entitlements to attend and vote at the SGM. In order to qualify for the right to attend and vote at the SGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 5 May 2017.

RECOMMENDATION

The Board considers that the SM Placing Agreement and the allotment and issuance of SM Placing Shares under Specific Mandate were determined by the Company and the Placing Agents after arm's length negotiations and under normal commercial terms, are fair and reasonable and in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favor of the resolutions as set out in the notice of SGM.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This 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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

Yours faithfully,
By Order of the Board
HMV DIGITAL CHINA GROUP LIMITED
Shiu Stephen Junior
Chairman

NOTICE OF SGM



hmv 數碼中國集團
Digital China Group
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 SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (“**Meeting**”) of HMV Digital China Group Limited (the “**Company**”) will be held at 7/F, Zung Fu Industrial Building, 1067 King’s Road, Quarry Bay, Hong Kong at 4:00 p.m. on Thursday, 11 May 2017 for the purpose of considering and, if thought fit, passing the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the terms and conditions of the conditional placing agreement dated 3 March 2017 (the “**SM Placing Agreement**”) entered into between the Company, Kingston Securities Limited, ICBC International Securities Limited and Head & Shoulders Securities Limited (together, the “**Placing Agents**”), pursuant to which the Placing Agents have conditionally agreed with the Company to place, on a best effort basis, up to 2,995,200,000 ordinary shares of the Company (the “**SM Placing Shares**”) to currently expected to be not less than six independent Placees (as defined in the circular of the Company dated 24 April 2017) (a copy of which has been produced to the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification), be and are hereby approved, confirmed and ratified;
- (b) the grant of the specific mandate (“**Specific Mandate**”) to the directors (the “**Directors**”) of the Company to allot and issue up to 2,995,200,000 SM Placing Shares to the Placees pursuant to the SM Placing Agreement be and is hereby approved, confirmed and ratified. The Specific Mandate is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company prior to the passing of this resolution;
- (c) the allotment and issue of up to 2,995,200,000 SM Placing Shares at the placing price of HK\$0.25 per SM Placing Share to the Placees in accordance with the SM Placing Agreement be and is hereby approved, confirmed and ratified; and

NOTICE OF SGM

- (d) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the SM Placing Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the SM Placing Shares to the Placees.”

On behalf of the Board
HMV DIGITAL CHINA GROUP LIMITED
Shiu Stephen Junior
Chairman

Hong Kong, 24 April 2017

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

*Head office and principal place of
business in Hong Kong:*
7th Floor
Zung Fu Industrial Building
1067 King's Road
Quarry Bay, Hong Kong

Notes:

1. A form of proxy for use at the Meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer or attorney duly authorised.
3. Any shareholder of the Company entitled to attend and vote at the Meeting convened by the above notice shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar 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 time appointed for holding of the above Meeting or any adjournment thereof (as the case may be).
5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the Meeting convened or at any adjourned meeting (as the case may be) and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the Meeting, whether in person or by proxy, the most senior shall alone be entitled to vote. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.
7. As at the date of this notice, the Directors are Mr. Shiu Stephen Junior (Chairman), Mr. Sun Lap Key, Christopher, Mr. Lee Wing Ho, Albert, Mr. Ho Gilbert Chi Hang and Ms. Li Mau as executive Directors; Mr. Wu King Shiu, Kelvin as non-executive Director; Mr. Chan Chi Ho, Mr. Kam Tik Lun and Mr. Tam Kwok Ming, Banny as independent non-executive Directors.