

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.



HMV Digital China Group Limited

H M V 數碼中國集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8078)

**SUPPLEMENTAL AGREEMENT
AND
COMPLETION OF ISSUE OF (i) CONVERTIBLE BONDS
UNDER GENERAL MANDATE AND (ii) NOTES**

References are made to the announcement of the Company dated 17 November 2017 (the “**Announcement**”) in relation to the proposed issue of (i) Convertible Bonds under General Mandate and (ii) the Notes. Unless otherwise stated, capitalized terms used herein shall have the same meanings as defined in the Announcement.

THE SUPPLEMENTAL AGREEMENT

The board of directors of the Company announces that on 2 January 2018, the Company and the Subscriber entered into the Supplemental Agreement pursuant to which the Subscription Agreement is being amended and supplemented to reflect the following:

- (i) As there are to be two tranches of closing pursuant to which the Company is to issue the Convertible Bonds and Note I upon Closing I and Note II upon Closing II, closing conditions have been amended to reflect two tranches of closing;
- (ii) Closing I shall take place upon satisfaction of Closing Conditions I (which are substantially the same as conditions set out in the Announcement);
- (iii) Closing II shall take place upon satisfaction of Closing Conditions II (which are substantially the same as Closing Conditions I and are amended to reflect the closing of Note II only);
- (iv) At Closing I, the Company is to issue the Convertible Bonds and Note I;
- (v) At Closing II, the Company is to issue the Note II;

- (vi) Closing I and Closing II are not conditional upon each other;
- (vii) At Closing I, Mr. Shiu Stephen Junior (“**Mr. Shiu**”) is to execute the Shiu Share Charge as security to the Subscription Agreement.

All other terms and conditions of the Subscription Agreement remain unchanged.

Closing Conditions I:

Closing I is conditional upon, among others:

- (i) the Company having provided to the Subscriber a copy of the 2017 annual general minutes of the Company approving the general mandate to show that the creation, allotment and issuance by the Company of the Convertible Bonds and the Conversion Shares are authorised in accordance with the general mandate and no extraordinary shareholders’ approval of the Company is required for the creation, issuance or allotment of the Convertible Bonds or the Conversion Shares;
- (ii) the Stock Exchange having granted the listing of and the permission to deal in the Conversion Shares and such approval remaining valid and effective;
- (iii) all necessary regulatory filings, notifications and approvals to the relevant Government Authorities to enter into the transaction documents and security documents and perform the obligors’ obligations having been made and obtained, and such filings, notifications and approvals remaining valid and effective, and no Government Authority having taken or initiated any action which would prohibit the transactions contemplated under any transaction documents;
- (iv) a number of Shares to be deposited to securities accounts to be established as charged shares at a value of equal to or more than HK\$379,500,000, to be calculated based on the arithmetic average Closing Price of the Shares for each of the previous 30 Trading Days prior to the Closing Date I;
- (v) there having been no material adverse change that has a material adverse effect on, the business, operations, financial positions, earnings, conditions or prospects of the Group;
- (vi) there having been no event of default;
- (vii) all obligations under the transaction documents and the security documents required to be performed by any of the obligors before the Closing Date I having been performed, and no breach of any provision of any transaction document or the security document by any of the obligors having occurred before the Closing Date I;
- (viii) the Subscriber having satisfied with the results of its due diligence on the Company and any Group Company in its sole discretion;

- (ix) the warranties under the Subscription Agreement remaining true, accurate and not misleading in each case in accordance with their terms; and
- (x) the Subscriber having received legal opinions in a form satisfactory to the Subscriber.

If the Closing Conditions I are not either waived or satisfied, as the case may be, on the Long Stop Date I or such later date as may be agreed between the Company and the Subscriber the Subscription Agreement shall automatically terminate and no party will have any claim against the other for costs, damages, compensation or otherwise.

Closing Conditions II

Closing II of the subscription of the Note II is conditional upon, among others:

- (i) conditions set out in paragraphs (iii), (v), (vi), (ix) above under section headed “Closing Conditions I” remained satisfied with any reference to “Closing Date I” therein being substituted with “Closing Date II”;
- (ii) a number of Shares to be deposited to securities accounts to be established as charged shares at a value of equal to or more than 1.5 times of the aggregate principal amount of the Convertible Bonds, the Note I and Note II, to be calculated based on the arithmetic average Closing Price of the Shares for each of the previous 30 Trading Days prior to the Closing Date II;

If the Closing Conditions II are not either waived or satisfied, as the case may be, on the Long Stop Date II or such later date as may be agreed between the Company and the Subscriber, the Subscription Agreement shall automatically terminate and no party will have any claim against the other for costs, damages, compensation or otherwise.

Listing Rules Implications

Mr. Shiu is a Director and is a connected person of the Company within the meaning of the GEM Listing Rules. As such, the entering into of the Shiu Share Charge is financial assistance to the Company and accordingly, constitute a connected transaction under Chapter 20 of the GEM Listing Rules.

As the Shiu Share Charge would be provided for the benefit of the Company on normal commercial terms or better and no security over the assets of the Group would be granted in respect thereof, the Shiu Share Charge would therefore be exempted from the reporting, announcement and independent Shareholders’ approval requirements under the GEM Listing Rules.

COMPLETION

The Board is also pleased to announce that all Closing Conditions I have been satisfied and Closing I took place on 2 January 2018 in accordance with the terms and conditions of the Subscription Agreement.

The following table shows the shareholding structure immediately before and after the exercise in full of the conversion rights attaching to the Convertible Bonds at the Conversion Price of HK\$0.273 per Conversion Share (assuming there is no other change in the number of issued shares of the Company between the date of this announcement and the full conversion of the Convertible Bonds):

	As at the date of this announcement		Immediately after the allotment and issue of the Conversion Shares upon full exercise of the conversion rights attached to the Convertible Bond	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Shiu Stephen Junior (<i>Note 1</i>)	1,114,883,840	8.27	1,114,883,840	7.95
Cheung Hung Lui (<i>Note 2</i>)	40,000	0.00	40,000	0
AID Partners Urban Development Company Limited (<i>Note 3</i>)	518,213,964	3.85	518,213,964	3.69
AID Treasure Investment Limited (<i>Note 4</i>)	3,040,372,782	22.56	3,040,372,782	21.68
Subscriber	–	–	549,450,549	3.92
Public Shareholders	<u>8,802,273,094</u>	<u>65.32</u>	<u>8,802,273,094</u>	<u>62.76</u>
Total:	<u><u>13,475,783,680</u></u>	<u><u>100</u></u>	<u><u>14,025,234,229</u></u>	<u><u>100</u></u>

Notes:

1. Mr. Shiu Stephen Junior is the chairman and executive Director of the Company.
2. Mr. Cheung Hung Lui is executive Director of the Company.

3. AID Partners Urban Development Company Limited (“**AID Partners**”) owns 518,213,964 shares. 60% of the issued share capital of AID Partners are held by Mr. Wu King Shiu, Kelvin (“**Mr. Wu**”), the former non-executive director of the Company. Accordingly, Mr. Wu is deemed to be interested in the shares held by AID Partners. Ms. Li Mau (“**Ms. Li**”) is the executive director of the Company and the spouse of Mr. Wu. Ms. Li is also deemed to be interested in the shares held by AID Partners.
4. AID Treasure Investment Limited, a wholly-owned subsidiary of Silver Alpine Limited, which is in turn a wholly-owned subsidiary of AID Partners Technology Holdings Limited, a listed company on the GEM Board of the Stock Exchange.

The net proceeds arising from the issue of the Convertible Bonds and Note I, after deducting expenses, is approximately HK\$250.5 million, which shall be applied towards general working capital and funding investments by the Group into potential business opportunities. As Closing Date II approaches, the Company will consider the financial position of the Company to decide whether to proceed with Closing II. Should the Company proceed with Closing II, further security will be provided in respect of Note II and further announcement will be made by the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

- | | |
|------------------------|--|
| “Closing I” | The closing of subscription for and issue of the Bond and Note I in accordance with the terms and conditions of the Subscription Agreement; |
| “Closing Date I” | The date which is the third Business Day after and excluding the date upon which the last of the Closing Conditions I has been satisfied or waived (or if already satisfied/waived before such date, remain satisfied or waived as of such date) but excluding any Closing Conditions I to be satisfied on the Closing Date I, or such other date as the parties may agree in writing; |
| “Closing Conditions I” | The conditions as set out under section headed “Closing Conditions I”; |
| “Closing II” | The closing of the subscription for and issue of Note II in accordance with the terms and conditions of the Subscription Agreement as amended and supplemented by the Supplemental Agreement; |

“Closing Date II”	The date which is the third Business Day after and excluding the date upon which the last of the Closing Conditions II has been satisfied or waived (or if already satisfied/waived before such date, remain satisfied or waived as of such date) but excluding any Closing Conditions II to be satisfied on the Closing Date II, or such other date as the parties may agree in writing;
“Closing Conditions II”	The conditions as set out under section headed “Closing Conditions II”;
“Note I”	the HK\$103,000,000 8% guaranteed and secured note of the Company to be issued at Closing I;
“Note II”	the HK\$47,000,000 8% guaranteed and secured note of the Company to be issued at Closing II;
“Long Stop Date I”	the date falling three (3) months from the date of the Subscription Agreement;
“Long Stop Date II”	the date falling three (3) months from the date of the Supplemental Agreement;
“Shiu Share Charge”	the share charge in respect of certain Shares to be executed by Mr. Shiu at Closing I in favour of the Subscriber;
“Supplemental Agreement”	The amendment and reinstatement agreement dated 2 January 2018 entered into between the Subscriber and the Company pursuant to which the Subscription Agreement was amended and reinstated;

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

Hong Kong, 2 January 2018

As at the date of this announcement, the board of Directors comprises five executive Directors, namely, Mr. Shiu Stephen Junior (Chairman), Ms. Li Mau (Co-Chairman), Mr. Sun Lap Key, Christopher, Mr. Lee Wing Ho, Albert and Mr. Cheung Hung Lui; and three independent non-executive Directors, namely, Mr. Kam Tik Lun, Mr. Chan Chi Ho and Mr. Tam Kwok Ming, Benny.

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 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.