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CLARIFICATION AND COMPLETION OF ISSUE OF NOTES

References are made to the announcement of the Company dated 17 November 2017 in relation to the proposed issue of (i) Convertible Bonds under General Mandate and (ii) the Notes, and the announcement of the Company dated 2 January 2018 in relation to the supplemental agreement and completion of issue of Convertible Bonds (collectively, the “**Announcements**”). Unless otherwise stated, capitalized terms used herein shall have the same meanings as defined in the Announcements.

THE SUPPLEMENTAL AGREEMENT

The Board announces that on 22 March 2018, the Company and the Subscriber entered into the Second Supplemental Agreement pursuant to which the Subscription Agreement is being further amended and supplemented to reflect the following:

- (i) At Closing II, AID is to execute the AID Share Charge as security to the Subscription Agreement.

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

LISTING RULES IMPLICATIONS

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

As the AID 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 AID 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 II have been satisfied and Closing II took place on 22 March 2018 in accordance with the terms and conditions of the Subscription Agreement. Pursuant to the Subscription Agreement, the Note II was issued to the Subscriber upon Closing II.

The net proceeds arising from the issue of the Convertible Bonds, Note I and Note II, after deducting expenses, is approximately HK\$295 million, which shall be applied towards general working capital and funding investments by the Group into potential business opportunities.

CLARIFICATION ON MATURITY DATE

The Company would like to clarify that the maturity date of the Convertible Bonds, Note I and Note II is: one year from the Issue Date or if such date is not a Business Day, the next Business Day; and on or prior to the expiry of one year from the Issue Date, upon a written request made by the Company and subject to the approval of the majority of holder(s) of the Convertible Bonds, Note I or Note II (as the case may be), the term of the Convertible Bonds, Note I or Note II (as the case may be) shall be extended for another year; and if the Maturity Date is extended as aforementioned, on or prior to the date falling one month prior to the second anniversary of the Issue date, upon a written request made by the Company and subject to the approval of the majority of holder(s) of the Convertible Bonds, Note I or Note II (as the case may be), the term of the Convertible Bonds, Note I or Note II shall be extended for another year.

DEFINITIONS

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

“AID”	AID Treasure Investment Limited, a company incorporated in Hong Kong and is a substantial shareholder of the Company;
“AID Share Charge”	the share charge in respect of certain Shares to be executed by AID at Closing II in favour of the Subscriber;
“Note II”	the HK\$45,000,000 8% guaranteed and secured note of the Company to be issued at Closing II;
“Second Supplemental Agreement”	The second amendment and reinstatement agreement dated 22 March 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, 22 March 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 Ms. Yang Yusi.

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.