

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

HMV 數碼中國集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8078)

UPDATES ON THE PROPOSED CAPITAL REORGANISATION AND CHANGE IN BOARD LOT SIZE

REVISED PROPOSED CAPITAL REORGANISATION

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.

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.

CHANGE IN BOARD LOT SIZE

As at the date of this announcement, 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.

GENERAL

The Capital Reorganisation will be proposed at the New SGM for Shareholders' consideration and, if thought fit, approval. The New SGM Circular containing, among other things, further details in relation to the Capital Reorganisation, the Change in Board Lot Size and the notice of the New SGM is expected to be despatched to the Shareholders on or around Monday, 29 April 2019.

WARNING

Shareholders should take note that the Capital Reorganisation is conditional upon satisfaction of the conditions set out in the paragraph headed "Conditions of the Capital Reorganisation". Therefore, the Capital Reorganisation may or may not proceed.

Shareholders are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser if they are in doubt about any of the above matters.

References are made to (i) the Announcement; (ii) the Previous SGM Circular and (iii) the Adjournment Announcement. Unless the context requires otherwise, capitalized terms used herein shall bear the same meanings as defined in the Previous SGM Circular.

INTRODUCTION

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.

REVISED 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.

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 23 May 2019, being the business day immediately after the date of the New SGM.

Effects of the Capital Reorganisation

As at the date of this announcement, 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 date of this announcement until 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.

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

	As of the date of this announcement	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.

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.

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 date of this announcement, 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 date of this announcement, 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.

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 will appoint a securities firm 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. Details of the odd lot arrangement will be set out in the New SGM Circular to be despatched to the Shareholders.

Holders of odd lots of the Adjusted Shares should note that the 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.

Further details of the odd lots arrangement will be set out in the New SGM Circular.

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 this announcement. As at the date of this announcement, the Company confirms that it will not carry out any share subdivision during the twelve months period from the date of this 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.

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 circular in relation to the previous proposal, 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.

EXPECTED TIMETABLE

The expected timetable for the Capital Reorganisation and Change in Board Lot Size is set out below. The expected timetable is subject to the results of the New SGM and is therefore for indicative purpose only. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this announcement refer to Hong Kong local times and dates.

Events

2019

Despatch date of circular in relation to the Capital Reorganisation and the Change in Board Lot Size with notice of the New SGM	Monday, 29 April
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

Events

2019

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” above

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

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

Events

2019

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

ADJUSTMENTS IN RELATION TO OTHER SECURITIES OF THE COMPANY

As at the date of this announcement, 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 date of this announcement, 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 the 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.

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 date of this announcement.

GENERAL

The Capital Reorganisation will be proposed at the New SGM for Shareholders' consideration and, if thought fit, approval. The New SGM Circular containing, among other things, further details in relation to the Capital Reorganisation, the Change in Board Lot Size and the notice of the New SGM is expected to be despatched to the Shareholders on or around Monday, 29 April 2019.

WARNING

Shareholders should take note that the Capital Reorganisation is conditional upon satisfaction of the conditions set out in the paragraph headed "Conditions of the Capital Reorganisation". Therefore, the Capital Reorganisation may or may not proceed.

Shareholders are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser if they are in doubt about any of the above matters.

DEFINITIONS

In this announcement, following expressions have been revised to 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 capital reorganisation of the Company and the change in board lot size
“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
“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
“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
“Effective Date”	the date on which the Capital Reorganisation shall become effective, which is expected to be Thursday, 23 May 2019
“New SGM”	the new special general meeting of the Company to be convened and held to consider and, if thought fit, approve the Capital Reorganisation
“New SGM Circular”	the circular to be 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 and approve the previous 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 capital reorganisation and the notice of the Previous SGM

“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

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

Hong Kong, 24 April 2019

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited 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.