



BINGO GROUP HOLDINGS LIMITED

比高集團控股有限公司

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21 January 2022

*To the Shareholders*

Dear Sir or Madam,

**(I) PROPOSED SHARE CONSOLIDATION;  
(II) CHANGE IN BOARD LOT SIZE;  
(III) CONNECTED TRANSACTION — ISSUE OF CONVERTIBLE  
BONDS UNDER SPECIFIC MANDATE;  
AND  
(IV) NOTICE OF EGM**

**INTRODUCTION**

Reference is made to the Announcement, in which the Board announced that on 7 December 2021, the Company entered into the subscription and settlement agreement with the Subscriber, pursuant to which the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe for or procure the Subscription by its nominee(s) of, the

Convertible Bonds in the principal amount of HK\$19,000,000, and the Subscriber shall pay the Subscription Price of HK\$20,000,000 at Completion by setting off against the Shareholder's Loan. The Subscription is subject to the Independent Shareholders' approval.

Reference is also made to the announcement of the Company dated 28 December 2021 in relation to the proposed Share Consolidation and the Change in Board Lot Size, as well as the details of the supplemental agreement to the subscription and settlement agreement dated 28 December 2021 entered into between the Company and the Subscriber.

The purpose of this circular is to provide you with, among other things, (i) further details of the proposed Share Consolidation; (ii) Change in Board Lot Size; (iii) further details of the Subscription and Settlement Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares under the Specific Mandate; (iv) a letter of recommendations from the Independent Board Committee to the Independent Shareholders; (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (vi) a notice convening the EGM.

## **(I) PROPOSED SHARE CONSOLIDATION**

The Board proposes to implement the Share Consolidation on the basis that every ten (10) issued and unissued Existing Shares be consolidated into one (1) New Share.

### **Effects of the Share Consolidation**

As at the Latest Practicable Date, there are 1,026,444,669 Existing Shares in issue which are fully paid or credited as fully paid. Assuming no further Shares will be issued from the Latest Practicable Date up to the date of the EGM, upon the Share Consolidation becoming effective, there will be 102,644,466 New Shares in issue which are fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, the New Shares shall rank *pari passu* in all respects with each other.

Other than the expenses to be incurred in relation to the Share Consolidation, the implementation of the Share Consolidation will have no effect on the consolidated net asset value of the Group, nor alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders, save for any fractional New Shares to which the Shareholders may otherwise be entitled.

### **Conditions of the Share Consolidation**

The Share Consolidation is conditional upon the following conditions:

- (i) the passing of an ordinary resolution by the Shareholders to approve the Share Consolidation at the EGM;

- (ii) the Stock Exchange granting the listing of, and permission to deal in, the New Shares upon the Share Consolidation becoming effective; and
- (iii) the compliance with the relevant procedures and requirements under the Cayman Islands laws (where applicable) and the GEM Listing Rules to effect the Share Consolidation.

The Share Consolidation is expected to become effective on 16 February 2022, being the second Business Day after the EGM, subject to the fulfilment of the above conditions.

For the avoidance of doubt, the effectiveness of the Share Consolidation is not conditional upon the completion of the Subscription.

### **Listing application**

An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the New Shares.

Subject to the granting of listing of, and permission to deal in, the New Shares on the Stock Exchange upon the Share Consolidation becoming effective, as well as compliance with the stock admission requirements of the HKSCC, the New Shares will be accepted as eligible securities by the HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by the HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement 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 New Shares to be admitted into CCASS established and operated by HKSCC.

None of the Existing Shares are listed or dealt in on any stock exchange other than the Stock Exchange and at the time the Share Consolidation becoming effective, the New 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.

### **Fractional entitlement to New Shares**

Fractional New Shares, if any, will be disregarded and will not be issued to the Shareholders but all such fractional New Shares will be aggregated and, if possible, sold for the benefit of the Company. Fractional New 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.

Shareholders who are concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser and may wish to consider the possibility of buying or selling Existing Shares in a number sufficient to make up an entitlement to receive a whole number of New Shares.

## **PROPOSED CHANGE IN BOARD LOT SIZE**

As at the Latest Practicable Date, the Existing Shares are traded on the Stock Exchange in the board lot size of 20,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 20,000 Existing Shares to 10,000 New Shares conditional upon the Share Consolidation becoming effective.

Based on the closing price of HK\$0.022 per Existing Share (equivalent to the theoretical closing price of HK\$0.22 per New Share) as at the Latest Practicable Date, (i) the value of each existing board lot of Existing Shares is HK\$440; (ii) the value of each board lot of 20,000 New Shares would be HK\$4,400 assuming the Share Consolidation becoming effective; and (iii) the estimated value per board lot of 10,000 New Shares would be HK\$2,200 assuming that the Change in Board Lot Size had also been effective.

### **Odd lots trading arrangement**

In order to facilitate the trading of odd lots, if any, of the New Shares arising from the Share Consolidation, the Company has appointed Lego Securities Limited as an agent to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the New Shares to make up a full board lot, or to dispose of their holding of odd lots of the New Shares during the period from Wednesday, 2 March 2022 to Tuesday, 22 March 2022. Shareholders who wish to take advantage of this facility should contact Mr. Kelvin LI of Lego Securities Limited at Room 301, 3/F, China Building, 29 Queen's Road Central, Hong Kong, Hong Kong (telephone number: (852) 3188 8055) during office hours (i.e. 9:00 a.m. to 5:00 p.m.) of such period.

Holders of odd lots of the New Shares should note that the matching of the sale and purchase of odd lots of the New Shares is not guaranteed. Shareholders who are in any doubt about the odd lots trading arrangement are recommended to consult their own professional advisers.

### **Exchange of share certificates**

Subject to the Share Consolidation becoming effective, which is currently expected to be on Wednesday, 16 February 2022, Shareholders may, on or after Wednesday, 16 February 2022 and until Friday, 25 March 2022 (both days inclusive) and during business hours, submit their existing share certificates in yellow colour for the Existing Shares to the Company's share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, in exchange for new share certificates in pink colour for the New Shares at the expenses of the Company.

Thereafter, share certificates of the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the New Shares, whichever the number of share certificates cancelled/issued is higher.

After 4: 10 p.m. on Tuesday, 22 March 2022, trading will only be in New Shares which share certificates will be issued in pink colour and existing share certificates in yellow colour for the Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for the New Shares on the basis of ten (10) Existing Shares for one (1) New Share at any time but will cease to be valid for delivery, trading, registration and settlement purposes.

#### **ADJUSTMENTS IN RELATION TO OTHER SECURITIES OF THE COMPANY**

As at the Latest Practicable Date, there are outstanding share options entitling the holders thereof to subscribe for up to an aggregate of 65,120,000 Existing Shares under the share option scheme adopted by the Company on 15 August 2012. Assuming there is no other adjustment event under the scheme other than the Share Consolidation becoming effective, the outstanding share options will entitle the holders thereof to subscribe for up to 6,512,000 Consolidated Shares in aggregate. The Company will make further announcement(s) on such adjustment(s) as and when appropriate.

Moreover, as at the Latest Practicable Date, there are Existing CBs in the aggregate outstanding principal amount of HK\$15,000,000, with the conversion price of HK\$0.53 per Existing Shares which entitles the holder thereof to convert into an aggregate of 28,301,886 Existing Shares upon exercise of the conversion right attaching thereto. Such Existing CBs would be cancelled and set-off against the Convertible Bonds in the event completion of the Subscription materializes.

The Company will make further announcement(s) as and when appropriate on any adjustments to be made as a result of the Share Consolidation to the exercise price or conversion price (where applicable) and the aggregate number of New Shares to be allotted and issued upon exercise of the subscription rights attaching to the above outstanding share options and the Existing CBs (where applicable).

Save as disclosed above, as at the Latest Practicable Date, the Company has no other outstanding derivatives, options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into, any Existing Shares or New Shares, as the case may be.

#### **REASON FOR THE SHARE CONSOLIDATION AND CHANGE IN BOARD LOT SIZE**

Pursuant to Rule 17.76 of the GEM Listing Rules, where the market price of these securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities. The "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 30 August 2019 has further stated that (i) market price of the Shares at a level less than HK\$0.1 will be considered as approaching the extremities of HK\$0.01 as referred to Rule 17.76 of the GEM Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected board lot value should be greater than HK\$2,000.

The Shares are currently traded on the Stock Exchange in the board lot size of 20,000 Existing Shares. It is proposed that the board lot size will be amended to 10,000 New Shares when the Shares Consolidation becomes effective. Based on the closing price of HK\$0.022 per Existing Share (equivalent to the theoretical closing price of HK\$0.22 per Consolidation Share) as quoted on the Stock Exchange as at the Latest Practicable Date, the theoretical market value of each board lot of the New Shares, assuming the Share Consolidation had become effective, would be HK\$2,200.

In view of the recent trading price of the Shares, the Board considers that the Share Consolidation will enable the Company to comply with the trading requirements under the GEM Listing Rules and reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/ securities houses will charge a minimum transaction costs for each securities trade. With a corresponding upward adjustment in the trading price of the New Shares, the Board believes that the Share Consolidation will make investing in the Shares more attractive to a broader range of investors, and therefore further broaden the shareholder base of the Company.

In view of the above reasons, the Company considers the proposed Share Consolidation and Change in Board Lot Size is justifiable notwithstanding the potential costs and impact arising from creation of odd lots to the Shareholders. Accordingly, the Board is of the view that the Share Consolidation is beneficial to and in the interests of the Company and the Shareholders as a whole.

## **(II) ISSUE OF CONVERTIBLE BONDS**

On 22 February 2010, the Company entered into the service agreement (the “**Service Agreement**”) with Mr. CHIAU pursuant to which the Company agreed to appoint Mr. CHIAU as an executive director of the Company and Mr. CHIAU accepted the appointment with prescribed duties for an initial term of five years from the commencement date, being 1 June 2010. Upon expiry of the initial term of the Service Agreement, the Company has renewed Mr. CHIAU’s appointment and as at the Latest Practicable Date remains a controlling Shareholder of the Company and an executive Director.

As part of the remuneration contemplated under the Service Agreement, the Company has pursuant to the terms thereof issued convertible bonds in an aggregate principal amount of HK\$45 million to Mr. CHIAU in batches. The first batch of the convertible bonds in the

principal amount of HK\$25 million was issued to Mr. CHIAU on 1 June 2010 (the “Commencement Date”) and the remaining HK\$20 million were issued to Mr. CHIAU in four batches with HK\$5 million each annually on the anniversary of the date of the Commencement Date. The first batch of the convertible bonds in the principal amount of HK\$25 million were converted by Mr. CHIAU or redeemed by the Company with details as follows:

<b>Date</b>	<b>Amount (HK\$)</b>	<b>Event</b>
12 June 2015	12,250,000	Converted into ordinary shares of the Company
10 July 2015	2,750,000	Converted into ordinary shares of the Company
2 June 2020	10,000,000	Redeemed by the Company

The second batch of the convertible bonds in the principal amount of HK\$5 million became mature on 1 June 2021. Pursuant to the Undertaking (as defined below), Mr. CHIAU has undertaken to extend the deadline for repayment of such principal amount for 1 year from 1 June 2021 to 1 June 2022. Since the conversion rights attached thereto has been expired upon the original maturity date, hence the second batch of the convertible bonds became the Straight Bonds of the Company.

As at the Latest Practicable Date, the aggregate outstanding principal amount of the Existing CBs is HK\$15 million which were the third, fourth and fifth batches of the convertible bonds issued to Mr. CHIAU pursuant to the Service Agreement and the breakdown thereof are as follows:

<b>Principal amount</b>	<b>Maturity Date (Note)</b>	<b>Conversion Price (as adjusted pursuant to the terms thereof) of the Existing CBs</b>
HK\$5 million	1 June 2022	HK\$0.53
HK\$5 million	1 June 2023	HK\$0.53
HK\$5 million	1 June 2024	HK\$0.53

*Note:* pursuant to the terms of the Existing CBs, the original maturity dates of the 3 tranches of the Existing CBs were 1 June 2022, 1 June 2023 and 1 June 2024 respectively. On 31 March 2020, in light of the then financial condition of the Company and as an intention to support the long term operation of the Company, Mr. CHIAU has unilaterally given an undertaking in favour of the Company (the “Undertaking”) pursuant to which he has undertaken to extend the repayment date of such Existing CBs for 1 year from their respective original maturity dates. As such, the deadline for the Company to repay the Existing CBs were considered as 1 June 2023, 1 June 2024 and 1 June 2025 respectively.

For the reasons as disclosed in the paragraph headed “Reasons for the Subscription” below, the Company and the Subscriber have been negotiating for the settlement of the Existing Bonds.

On 7 December 2021 (after trading hours), the Company entered into the subscription and settlement agreement, which was supplemented by a supplemental agreement dated 28 December 2021, with the Subscriber, pursuant to which the Company conditionally agrees to issue and the Subscriber conditionally agrees to subscribe for or procure the subscription by its nominee(s) of the Convertible Bonds in the principal amount of HK\$19,000,000, the consideration of which shall be set-off against the outstanding principal amount of the Existing Bonds upon completion of the Subscription.

### **The Subscription and Settlement Agreement**

Set out below are the principal terms of the Subscription and Settlement Agreement:

Date: 7 December 2021 (as supplemented by a supplemental agreement dated 28 December 2021)

Parties: (i) the Company as issuer, and  
(ii) the Subscriber.

The Subscriber, being a controlling Shareholder and an executive Director, is a connected person of the Company under the GEM Listing Rules.

Subscription Price: HK\$20,000,000

The Subscription Price shall be set off against the outstanding principal amount of the Existing Bonds of HK\$20,000,000 in aggregate.

### **Conditions of the Subscription and Settlement Agreement**

The Subscription is conditional upon:

- (a) the GEM Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Conversion Shares;
- (b) the passing by the Independent Shareholders who are entitled to vote and not required to be abstained from voting under the GEM Listing Rules at the EGM of the necessary resolution(s) to approve the Subscription and Settlement Agreement and the transactions contemplated hereunder;
- (c) the Share Consolidation becoming effective;
- (d) the warranties given by the Company under the Subscription and Settlement Agreement remaining true, accurate and complete in all material respects;
- (e) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Subscription and Settlement Agreement and the transactions contemplated hereby having been obtained; and



- (f) all necessary consents and approvals required to be obtained on the part of the Subscriber in respect of the Subscription and Settlement Agreement and the transactions contemplated hereby having been obtained.

The Company shall use its best endeavours to procure the fulfilment of the conditions(a), (b), (c), (d) and (e), and the Subscriber shall use its best endeavours to procure the fulfilment of the condition (f), as soon as practicable and in any event on or before 31 March 2022 or such other date as may be agreed by the Company and the Subscriber in writing (the “Long Stop Date”). The Subscriber may at any time by notice in writing to the Company waive the condition (d). All other conditions above are incapable of being waived.

In the event that the conditions of the Subscription and Settlement Agreement are not fulfilled (or waived as the case may be) on or before the Long Stop Date, the Subscription and Settlement Agreement shall lapse and become null and void and the parties thereto shall be released from all obligations thereunder, save for any liability arising out of any antecedent breaches thereof.

As at the Latest Practicable Date, none of the conditions precedent above have been fulfilled or waived.

### **Completion**

The Subscription and Settlement Agreement shall complete within three (3) Business Days after the day on which the conditions set out above are fulfilled or, as the case may be, waived (or such later date as may be agreed between the Company and the Subscriber in writing). Upon Completion, the outstanding principal amount of the Existing Bonds will be set-off against the Subscription Price in full, and the obligation and liability of the Company under the Existing Bonds will be extinguished and the Existing Bonds will be cancelled.

### **Principal terms of the Convertible Bonds**

Principal amount:	HK\$19,000,000
Interest rate:	The Convertible Bonds bear no interest.
Maturity date:	Unless previously converted or purchased and cancelled as provided therein, the Company shall redeem each Convertible Bond which remains outstanding by 4: 00 p.m. on 31 December 2025 (the “ <b>Maturity Date</b> ”) at 100% of the principal amount of such Convertible Bonds.
Early Redemption:	Neither the Company nor the holder(s) of the Convertible Bonds shall have the right to request for redemption of the Convertible Bonds (whether in whole or in part) at any time prior to the Maturity Date.

Ranking: The Convertible Bonds constitute direct, unconditional unsubordinated and unsecured obligations of the Company and rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company.

Conversion and the conversion restrictions: The holder(s) of the Convertible Bonds will have the right to convert the whole or part of the principal amount of the Convertible Bonds into Conversion Shares from the date of the issue of the Convertible Bonds up to 4:00 p.m. (Hong Kong time) on the day immediately prior to the Maturity Date, provided that at the time a conversion notice is issued, (i) any conversion of the Convertible Bonds does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code or such mandatory offer obligation has been waived on the part of the holder(s) of the Convertible Bonds which exercised the conversion rights, whether or not such mandatory offer obligation is triggered off by the fact that the number of Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds (if applicable, including any Shares acquired by the parties acting in concert with the holder(s) of the Convertible Bonds); and (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the GEM Listing Rules for the minimum percentage of Shares being held by the public as per Rule 11.23 of the GEM Listing Rules) of the issued Shares of the Company at the time in compliance with the GEM Listing Rules.

Conversion Price: The Conversion Price is initially HK\$0.275 per Conversion Share (taking into account the Share Consolidation having become effective), subject to adjustment as set out below.

Adjustment events: The Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events:

- (i) if and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying the following fraction:

$$\frac{A}{B}$$

where:

A = the nominal amount of one Share immediately after such alteration; and

B = the nominal amount of one Share immediately before such alteration. Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division becomes effective;

- (ii) if and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying the following fraction:

$$\frac{A}{(A + B)}$$

where:

A = the aggregate nominal amount of the issued Shares immediately before such issue; and

B = the aggregate nominal amount of the Shares issued in such capitalization. Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for such issue;

- (iii) if and whenever the Company shall make any capital distribution (as defined in the CB Instrument) to holders (in their capacity as such) of Shares (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{A - B}{B}$$

where:

A = the market price on the date on which the capital distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) next preceding day of the capital distribution or, as the case may be, of the grant; and

B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by the auditors, of the portion of the capital distribution or of such rights which is attributable to one Share. For avoidance of doubt, if the capital distribution is distributions in cash the fair market value shall be the cash value and determination by the auditors is not required.

Provided that:

- (a) if in the opinion of the auditors of the Company, the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the said market price which should properly be attributed to the value of the capital distribution or rights; and
- (b) the provisions of this sub-paragraph (iii) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the capital distribution or grant;

- (iv) if and whenever the Company shall offer to the Shareholders new Shares for subscription by way of rights, or shall grant to the Shareholders any options or warrants to subscribe for new Shares, at a price which is less than 93% of the market price on the date of the announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(A + B)}{(A + C)}$$

where:

A = the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price; and

C = the aggregate number of Shares offered for subscription or comprised in the options or warrants.

Such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the offer or grant;

- (v) (a) if and whenever the Company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total effective consideration per Share (as defined in the CB Instrument) initially receivable for such securities is less than 93% of the market price on the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by the following fraction:

$$\frac{(A + B)}{(A + C)}$$

where:

A = the number of Shares in issue immediately before the date of the issue;

B = the number of Shares which the total effective consideration receivable for the securities issued would purchase at such market price; and

C = the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price.

Such adjustment shall become effective (if appropriate retroactively) from the close of business in Hong Kong on the Business Day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price;

(b) if and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (a) of this sub-paragraph (v) are modified so that the total effective consideration per Share (as defined in the CB Instrument) initially receivable for such securities shall be less than 93% of the market price on the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

$$\frac{(A + B)}{(A + C)}$$

where:

A = the number of Shares in issue immediately before the date of such modification;

B = the number of Shares which the total effective consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price; and

C = the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price.

Such adjustment shall become effective as at the date upon which such modification shall take effect;

- (vi) if and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 93% of the market price on the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by the following fraction:

$$\frac{(A + B)}{(A + C)}$$

where:

A = the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the aggregate amount payable for the issue would purchase at such market price; and

C = the number of Shares so issued. Such adjustment shall become effective on the date of the issue; and

- (vii) if and whenever the Company shall issue Shares for the acquisition of asset at a total effective consideration per Share (as defined in the CB Instrument) which is less than 93% the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted in such manner as may be determined by the auditors.

Voting:

The holder(s) of the Convertible Bonds will not be entitled to attend or vote at any general meeting of the Company by reason only it being the holder(s) of the Convertible Bonds.

Transfer: With the prior notification to the Company, the Convertible Bonds may be transferable, provided that the Convertible Bonds may not be transferred to any connected person of the Company (as defined under the GEM Listing Rules) without prior written consent of the Company.

Assuming the Share Consolidation has taken place, based on the initial Conversion Price of HK\$0.275 per Conversion Share, a maximum number of 69,090,909 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full, which represent: (i) approximately 67.31% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 40.23% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds in full. The maximum aggregate nominal value of the Conversion Shares is HK\$6,909,090.90.

The Conversion Shares will rank *pari passu* in all respects with the Shares in issue as at the date of allotment and issue of the Conversion Shares.

### ***Conversion Price***

For comparison purpose, assuming the Share Consolidation has taken place on the date of the Announcement, the initial Conversion Price of HK\$0.275 per Conversion Share represents:

- (i) a premium of approximately 14.58% over the closing price of HK\$0.240 per New Share as quoted on the Stock Exchange on the date of the Subscription and Settlement Agreement;
- (ii) a discount of approximately 22.32% to the average of the closing prices of HK\$0.354 per New Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription and Settlement Agreement; and
- (iii) a premium of 25.00% over the closing price of HK\$0.22 per New Share quoted on the Stock Exchange on the Latest Practicable Date.

The net Conversion Price, after deduction of relevant expenses, is approximately HK\$0.257 per Conversion Share.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber, taking into account of, among others, the recent trading performance of the Shares and the financial position of the Group. The Directors (including the members of the Independent Board Committee whose views are included in the Letter from the Independent Board Committee which is included in this circular after being advised by the Independent Financial Adviser) consider that the Conversion Price and the terms and conditions of the Subscription and Settlement Agreement and the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.



### *Mandate to issue the Conversion Shares*

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Shareholders at the EGM.

### **Application for listing**

Application will be made by the Company to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. No application will be made for listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange.

### **EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY**

The shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon full conversion of the Convertible Bonds at the initial Conversion Price (assuming that there are no other changes to the shareholding structure of the Company from the Latest Practicable Date up to the full conversion of the Convertible Bonds) are as follows:

Shareholders	As at the Latest Practicable Date		Immediately upon the Share Consolidation becoming effective		Immediately upon full conversion of the Convertible Bonds at the initial Conversion Price (Note 2)	
	<i>Number of Existing Shares</i>	<i>Approx. %</i>	<i>Number of New Shares</i>	<i>Approx. %</i>	<i>Number of New Shares</i>	<i>Approx. %</i>
Mr. CHIAU (Note 1)	429,694,769	41.86%	42,969,476	41.86%	112,060,385	65.25% (Note 2)
Public Shareholders	<u>596,749,900</u>	<u>58.14%</u>	<u>59,674,990</u>	<u>58.14%</u>	<u>59,674,990</u>	<u>34.75%</u>
Total	<u>1,026,444,669</u>	<u>100%</u>	<u>102,644,466</u>	<u>100%</u>	<u>171,735,375</u>	<u>100%</u>

*Notes:*

1. Among these Shares, 27,573,529 Existing Shares are beneficially held by Mr. CHIAU, and 402,121,240 Existing Shares are registered in the name of Beglobal Investments Limited and Golden Treasure Global Investment Limited, each of them being a company incorporated in the British Virgin Islands with limited liability. Beglobal Investments Limited and Golden Treasure Global Investment Limited are companies indirectly owned by the trust, the discretionary objects of which are Mr. CHIAU, Ms. CHOW Man Ki Kelly (each an executive Director) and their family.
2. Pursuant to the terms and conditions of the Convertible Bonds, conversion of the Convertible Bonds is subject to the conversion restrictions as set out in the paragraph headed "Principal terms of the Convertible Bonds" above, as such, this scenario is for illustrative purpose only.

## FUND RAISING ACTIVITIES DURING THE PAST TWELVE MONTHS

The Company has conducted the following equity fund raising exercises in the past twelve months immediately preceding the Latest Practicable Date:

Date of initial announcement	Description	Net proceeds	Intended use of proceeds	Actual use of net proceeds
27 September 2021	Placing of 171,060,000 new Shares under general mandate granted to the Directors at the annual general meeting of the Company held on 24 September 2020	Approximately HK\$5.5 million	For cinema investment and/or supporting the existing cinema operation of the Group	Approximately HK\$2.0 million were used for supporting the existing cinema operation of the Group as intended. The remaining balance of approximately HK\$3.5 million has not been utilized and will be used as intended.

Saved as disclosed above, the Company has not conducted any fund raising activities in the past 12 months immediately preceding the Latest Practicable Date.

## REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Company is an investment holding company. The principal activities of its subsidiaries are movie production, licensing and derivatives, crossover marketing and provision of interactive contents and cinema investment and management.

The Existing Bonds comprises of the Straight Bonds in the outstanding amount of HK\$5 million and the Existing CBs in the aggregate outstanding principal amount of HK\$15 million. The Straight Bonds have fallen due on 1 June 2021, and the Existing CBs are divided into three batches of HK\$5 million each, which shall fall due on 1 June 2022, 1 June 2023 and 1 June 2024 respectively. Pursuant to the Undertaking dated 30 March 2020 given by the Subscriber, he undertook to delay the deadline for the Company to repay the outstanding amount under the Existing Bonds for one year from their original maturity dates. As such, the Straight Bonds shall be repaid by the Company by 1 June 2022, and the three batches of Existing CBs shall be repaid by the Company on 1 June 2023, 1 June 2024 and 1 June 2025 respectively.

Despite such undertaking by the Subscriber to delay the repayment dates of the Existing Bonds in favour of the Company, taking into account the existing cash position of the Company, and the expected business development and operation plan of the Company for the coming few years which is expected to require much capital to support, the Company considered that it would be in the interest of the Company and the Shareholders if more cash would be kept by the Company for its business operation and development, and therefore there may not be sufficient idle cash to repay the Subscriber for the Existing Bonds. On the other hand, given the conversion price under the Existing CBs is substantially higher than the prevailing market prices of the Shares, upon arm's length negotiation between the Company

and the Subscriber, the Subscriber is willing to support the Company in the long run and therefore agrees to subscribe for the Convertible Bonds with a new and unified maturity date, giving the Company more flexibility in its capital management, and with a new Conversion Price which better reflect the prevailing market price level of the Shares.

No net proceeds will be received by the Company from the issue of the Convertible Bonds. The issuance of the Convertible Bonds would settle the Existing Bonds. The right of conversion given under the Convertible Bonds may also help to ease the cashflow pressure of the Company in case the Subscriber or any holders thereof are willing to exercise its conversion right. As an incentive to support the Company, the Subscriber is also willing to subscribe the Convertible Bonds at a discounted principal amount compared to the principal outstanding amount of the Existing Bonds to be set-off against the Subscription Price. As such, it provides more flexibility to the Company in its future cash management, and may be able to strengthen the capital base and reduce the short term liability of the Company, and thus improve the financial position of the Company.

The Company considered that raising additional funding to repay the Existing Bonds through debt financing will incur interest burden on the Group and may be subject to due diligence and negotiations with the banks which is relatively uncertain and time-consuming. The Convertible Bonds bear no interest and will not incur interest burden on the Group. Other funding raising methods such as rights issue or open offer may also involve relatively more time and cost to complete as compared to the issue of the Convertible Bonds. As stated above, the Subscriber is willing to support the Company in the long run and therefore agrees to subscribe for the Convertible Bonds at a discounted principal amount to settle the Existing Bonds.

Having considered the reasons above, the Directors (excluding the members of the Independent Board Committee whose views are included in this circular after being advised by the Independent Financial Adviser) consider that the terms and conditions of the Subscription and Settlement Agreement and the Convertible Bonds are fair and reasonable based on the current market conditions and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

#### **GEM LISTING RULES IMPLICATIONS**

The Subscriber, being a substantial Shareholder of the Company, is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Subscription constitutes a connected transaction on the part of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The effectiveness of the Share Consolidation and the Completion is subject to the fulfillment and/or waiver (as the case maybe) of the conditions precedent under the Subscription and Settlement Agreement. As the Share Consolidation and the Subscription may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

## EGM

The EGM will be held at Room 101, 1/F, First Commercial Building, 33-35 Leighton Road, Causeway Bay, Hong Kong on Monday, 14 February 2022 at 11: 30 a.m (i) for the Shareholders to consider and, if thought fit, to approve the Share Consolidation; and (ii) for the Independent Shareholders to consider and if thought fit, to approve the Subscription and Settlement Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds and the grant of the Specific Mandate) by way of poll.

The notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or via the designated URL (<https://spot-emeeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the Subscription and Settlement Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds and the grant of the Specific Mandate) are (i) fair and reasonable; (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Group; (iii) in the interests of the Company and the Independent Shareholders as a whole; and (iv) on how to vote. The Company has appointed Grand Moore to advise the Independent Board Committee and the Independent Shareholders in the same regard.

No Shareholder is required to abstain from voting at the EGM on the resolution to approve the Share Consolidation. The Subscriber, being the controlling Shareholder who is interested and deemed to be interested in a total of 429,694,769 Existing Shares as at the Latest Practicable Date (representing approximately 41.86% of the entire issued share capital of the Company), and parties acting in concert with him and their respective associates together interested in a total of 429,694,769 Existing Shares (representing approximately 41.86% of the entire issued share capital of the Company) which have material interest in the Subscription and Settlement Agreement and the transactions contemplated thereunder are required to abstain from voting on the resolution to approve the Subscription and Settlement Agreement and the transactions contemplated thereunder at the EGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, no other Shareholder has a material interest in the Share Consolidation and the Subscription and shall be required to abstain from voting at the EGM in respect of the resolutions to approve the Share Consolidation, the Subscription and Settlement Agreement and the transactions contemplated thereunder.

## RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 28 to 29 of this circular which contains its recommendation to the Independent Shareholders in relation to Subscription and Settlement Agreement and the transactions contemplated thereunder, and the letter from the Independent Financial Adviser set out on pages 30 to 53 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in this regard.

The Directors (including the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee in this circular) consider that the terms of (i) the Share Consolidation; and (ii) the Subscription and Settlement Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds and the granting of the Specific Mandate) are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend the Shareholder and/or Independent Shareholders (as the case may be) to vote in favour of the proposed resolutions in relation to (i) the Share Consolidation; and (ii) the Subscription and Settlement Agreement and transactions contemplated thereunder at the EGM.

## ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Appendix I to this circular.

Yours faithfully  
For and on behalf of the Board of  
**Bingo Group Holdings Limited**



**CHOW Nga Chee Alice**  
Executive Director