

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Bingo Group Holdings Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**BINGO GROUP HOLDINGS LIMITED**

**比高集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8220)**

**(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**

A notice convening the extraordinary general meeting (the “EGM”) of the Company to 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. 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 deposit the same at the Hong Kong branch share registrar of the Company, 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 the 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.

This circular will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for seven days from the date of its publication and on the website of the Company at [www.bingogroup.com.hk](http://www.bingogroup.com.hk).

**PRECAUTIONARY MEASURES FOR THE EGM**

Please see page iii of this circular for measures being taken to try to prevent and control the spread of the Novel Coronavirus (COVID-19) at the EGM, including:

- **compulsory body temperature checks and health declarations**
- **recommended wearing of a surgical face mask for each attendee**
- **no distribution of corporate gift or refreshment**

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. The Company reminds shareholders of the Company that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting as an alternative to attending the meeting in person.

21 January 2022

## CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on The Stock Exchange of Hong Kong Limited (the Stock Exchange”). Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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## DEFINITIONS

*In this circular, unless the context otherwise requires, the following terms shall have the following meanings:*

|                                |   |
|--------------------------------|---|
| “acting in concert”            | has the meaning ascribed to this term under the Takeovers Code  |
| “Announcement”                 | the announcement of the Company dated 7 December 2021 in relation to, among other things, the Subscription  |
| “associate(s)”                 | has the meaning ascribed to this term under the GEM Listing Rules   |
| “Board”                        | the board of Directors  |
| “Business Day(s)”              | any day (other than a Saturday or Sunday or public holiday or a day on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted in Hong Kong between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours |
| “CB Instrument”                | the instrument to be executed by the Company by way of a deed poll constituting the Convertible Bonds upon Completion   |
| “CCASS”                        | the Central Clearing and Settlement System established and operated by HKSCC  |
| “CCASS Operational Procedures” | the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time  |
| “Change in Board Lot Size”     | the proposed change in board lot size of the Shares for trading on the Stock Exchange from 20,000 Existing Shares to 10,000 New Shares  |
| “Company”                      | Bingo Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM  |
| “Completion”                   | completion of the subscription of the Convertible Bonds in accordance with the terms and conditions of the Subscription and Settlement Agreement  |
| “connected person(s)”          | has the meaning ascribed to this term under the GEM Listing Rules   |

## DEFINITIONS

|                              |   |
|------------------------------|---|
| “controlling Shareholder(s)” | has the meaning ascribed thereto under the GEM Listing Rules  |
| “Conversion Price”           | the conversion price per Conversion Share and initially at HK\$0.275 per Conversion Share (subject to adjustments)  |
| “Conversion Shares”          | the New Shares to be allotted and issued upon conversion of the Convertible Bonds   |
| “Convertible Bonds”          | the zero coupon unsecured unlisted convertible bonds due 2025 in the principal amount of HK\$19,000,000 to be issued by the Company to the Subscriber in accordance with the terms of the Subscription and Settlement Agreement   |
| “Director(s)”                | director(s) of the Company for the time being   |
| “EGM”                        | the extraordinary general meeting of the Company to be convened and held by the Company to consider and, if thought fit, approve, among other things, the Share Consolidation, the Subscription and Settlement Agreement and the transactions contemplated thereunder (including but not limited to, the issue of the Convertible Bonds, the issue and allotment of the Conversion Shares upon the exercise of the conversion rights or otherwise, pursuant to the terms and conditions of the Convertible Bonds) |
| “Existing Bonds”             | collectively, the Existing CBs and the Straight Bonds   |
| “Existing CBs”               | the existing convertible bonds of the Company in the aggregate principal amount of HK\$15,000,000 held by Mr. CHIAU   |
| “Existing Share(s)”          | ordinary share(s) of HK\$0.01 each in the share capital of the Company before the Share Consolidation becomes effective   |
| “GEM”                        | GEM operated by the Stock Exchange  |
| “GEM Listing Committee”      | has the meaning as defined in the GEM Listing Rules   |
| “GEM Listing Rules”          | the Rules Governing the Listing of Securities on GEM  |
| “Group”                      | the Company and its subsidiaries  |
| “HKSCC”                      | the Hong Kong Securities Clearing Company Limited   |

## DEFINITIONS

|  |  |
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| “Hong Kong”                                      | Hong Kong Special Administrative Region of the People’s Republic of China  |
| “Independent Board Committee”                    | the independent committee of the Board comprising Ms. CHOI Mei Ping, Mr. ONG King Keung and Mr. TSUI Wing Tak, established to give recommendations to the Independent Shareholders on the Subscription and Settlement Agreement and the transactions contemplated thereunder including the issue of the Convertible Bonds and the grant of the Specific Mandate)   |
| “Independent Financial Adviser” or “Grand Moore” | Grand Moore Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect 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) |
| “Independent Shareholders”                       | Shareholders other than Mr. CHIAU, Golden Treasure Global Investment Ltd (being the company held by Beglobal Investments Limited, which in turn is held by a family trust of which Mr. CHIAU, Ms. CHOW Man Ki Kelly and their family are the beneficiaries) and their associates (as defined under the GEM Listing Rules) and all other Shareholders (if any) who are involved or interested in the Subscription and Settlement Agreement and the transactions contemplated thereunder                               |
| “Independent Third Parties”                      | third parties independent of and not connected with the Company and its connected persons  |
| “Latest Practicable Date”                        | 14 January 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular   |
| “New Shares”                                     | ordinary share(s) of HK\$0.10 each in the share capital of the Company after the Share Consolidation becoming effective  |
| “SFC”  | the Securities and Futures Commission of Hong Kong   |
| “SFO”  | the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong)   |

## DEFINITIONS

|   |  |
|---|--|
| “Share(s)”                              | the Existing Shares or the New Shares, as the case may be  |
| “Shareholder(s)”                        | holder(s) of the Existing Share(s) or New Share(s) (as the case may be)  |
| “Share Consolidation”                   | the proposed consolidation of every ten (10) issued and unissued Existing Shares of HK\$0.01 each in the share capital of the Company into one (1) New Share of HK\$0.10 each  |
| “Specific Mandate”                      | the specific mandate to be approved and granted by the Independent Shareholders to the Directors at the EGM for the allotment and issue of the Conversion Shares   |
| “Stock Exchange”                        | The Stock Exchange of Hong Kong Limited  |
| “Straight Bonds”                        | the straight bonds of the Company in the outstanding principal amount of HK\$5,000,000 held by Mr. CHIAU   |
| “Subscriber” or “Mr. CHIAU”             | Mr. CHIAU Sing Chi, a controlling Shareholder, an executive Director and a brother of Ms. CHOW Man Ki Kelly, who is also a controlling Shareholder and an executive Director   |
| “Subscription”                          | the subscription of the Convertible Bonds in the principal amount of HK\$19,000,000 by the Subscriber pursuant to the terms of the Subscription and Settlement Agreement   |
| “Subscription and Settlement Agreement” | the conditional subscription and settlement agreement dated 7 December 2021 (as supplemented by a supplemental agreement dated 28 December 2021) and entered into between the Company and the Subscriber in relation to the Subscription |
| “Subscription Price”                    | HK\$20,000,000 being the subscription price of the Convertible Bonds   |
| “Takeovers Code”                        | the Code on Takeovers and Mergers issued by the SFC as amended from time to time   |
| “HK\$”                                  | Hong Kong dollars, the lawful currency of Hong Kong  |
| “%”                                     | per cent.  |

|                           |
|---------------------------|
| <b>EXPECTED TIMETABLE</b> |
|---------------------------|

The expected timetable for the implementation of the Share Consolidation is as follows:

| <b>Event</b>  | <b>Date and Time</b>   |
|---|--|
| Despatch date of circular with notice of the EGM .....  | 21 January 2022  |
| Latest date and time for lodging transfer documents in order to qualify for attending and voting at the EGM .....   | 4:30 p.m. on 8 February 2022                                 |
| Closure of register of members for the entitlement to attend and vote at the EGM .....  | 9 February 2022 to 14 February 2022<br>(both days inclusive) |
| Latest date and time for lodging forms of proxy for the EGM .....   | 11:30 a.m. on 12 February 2022                               |
| Record date for determining attendance and voting rights at the EGM .....   | 14 February 2022   |
| Date and time of the EGM .....  | 11:30 a.m. on 14 February 2022                               |
| Announcement of voting results of the EGM .....   | 14 February 2022   |
| <b>The following events are conditional on the fulfillment of the conditions for the implementation of the Share Consolidation</b>                                |  |
| Effective date of the Share Consolidation .....   | 16 February 2022   |
| First day for free exchange of existing share certificates for new share certificates for the New Shares commences .....  | 16 February 2022   |
| Dealings in the New Shares commences .....  | 9:00 a.m. on 16 February 2022                                |
| 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 16 February 2022                                |
| Temporary counter for trading in the New Shares in board lots of 2,000 New Shares (in the form of existing share certificates) opens .....                        | 9:00 a.m. on 16 February 2022                                |
| Original counter for trading in the New Shares in board lots of 10,000 New Shares (in the form of new share certificates) re-opens .....                          | 9:00 a.m. on 2 March 2022                                    |



## EXPECTED TIMETABLE

|  |                            |
|--|----------------------------|
| Parallel trading in the New Shares (in form of new share certificates and existing share certificates) commences.....                      | 9:00 a.m. on 2 March 2022  |
| Designated broker starts to stand in the market to provide matching services for odd lots of the New Shares.....                           | 9:00 a.m. on 2 March 2022  |
| Designated broker ceases to stand in the market to provide matching services for odd lots of the New Shares.....                           | 4:00 p.m. on 22 March 2022 |
| Temporary counter for trading in the New Shares in board lots of 2,000 New Shares (in the form of existing share certificates) closes..... | 4:10 p.m. on 22 March 2022 |
| Parallel trading in New Shares (in form of new share certificates and existing share certificates) ends .....                              | 4:10 p.m. on 22 March 2022 |
| Last day for free exchange of existing share certificates for new share certificates for the New Shares.....                               | 25 March 2022              |

All times and dates in this circular refer to Hong Kong local times and dates. Dates or deadlines set out in the expected timetable above are indicative only and may be subject to change. Any changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

LETTER FROM THE BOARD



**BINGO GROUP HOLDINGS LIMITED**

**比高集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8220)**

*Executive Directors:*

Mr. CHIAU Sing Chi  
Ms. CHOW Man Ki Kelly  
Mr. LAU Man Kit  
Ms. CHOW Nga Chee Alice  
Mr. YIP Yiu Bong

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Independent non-executive Directors:*

Ms. CHOI Mei Ping  
Mr. ONG King Keung  
Mr. TSUI Wing Tak

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

Unit 202, 2/F  
Chinaweal Centre  
414-424 Jaffe Road  
Hong Kong

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

## **LETTER FROM THE BOARD**

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;

## LETTER FROM THE BOARD

- (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.

## LETTER FROM THE BOARD

### 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.

## LETTER FROM THE BOARD

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 the 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.

## LETTER FROM THE BOARD

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



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| <b>LETTER FROM THE BOARD</b> |
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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</b><br><i>(Note)</i> | <b>Conversion Price</b><br><b>(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.



## LETTER FROM THE BOARD

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

## LETTER FROM THE BOARD

- (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 fulfillment 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.  |

## LETTER FROM THE BOARD

- 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:

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

## LETTER FROM THE BOARD

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:

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

## LETTER FROM THE BOARD

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;

## LETTER FROM THE BOARD

- (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:

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

## LETTER FROM THE BOARD

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

## LETTER FROM THE BOARD

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.



## LETTER FROM THE BOARD

**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.

## LETTER FROM THE BOARD

### *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<br>Latest Practicable Date     |                    | Immediately upon the<br>Share Consolidation<br>becoming effective |                    | Immediately upon full<br>conversion of the Convertible<br>Bonds at the initial<br>Conversion Price (Note 2) |                    |
|---------------------|--|--------------------|---|--------------------|---|--------------------|
|                     | <i>Number of<br/>Existing<br/>Shares</i> | <i>Approx. %</i>   | <i>Number of<br/>New Shares</i>                                   | <i>Approx. %</i>   | <i>Number of<br/>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%             |
| 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>      |
| <b>Total</b>        | <u><u>1,026,444,669</u></u>              | <u><u>100%</u></u> | <u><u>102,644,466</u></u>   | <u><u>100%</u></u> | <u><u>171,735,375</u></u>   | <u><u>100%</u></u> |

Notes:

- 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.
- 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.

## LETTER FROM THE BOARD

### 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

## LETTER FROM THE BOARD

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.**

## LETTER FROM THE BOARD

### 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-meeting.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.

## LETTER FROM THE BOARD

### 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*

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

*The following is the text of the letter from the Independent Board Committee setting out its recommendations to the Independent Shareholders in relation to the Subscription and Settlement Agreement and the transactions contemplated thereunder.*



### **BINGO GROUP HOLDINGS LIMITED**

**比高集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8220)**

21 January 2022

*To the Independent Shareholders,*

Dear Sir or Madam,

#### **CONNECTED TRANSACTION — ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

We refer to the circular of the Company dated 21 January 2022 (the “**Circular**”), of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders as to whether 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 on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders how to vote in relation to the ordinary resolution to approve the Subscription and Settlement Agreement and the transactions contemplated thereunder to be proposed at the EGM. Details 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 set out in the “Letter from the Board” contained in the Circular. Grand Moore Capital Limited, being the Independent Financial Adviser, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in arriving such advice, are contained in its letter set out on pages 30 to 53 of the Circular. Your attention is also drawn to the letter from the Board.

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

### RECOMMENDATION

Having considered 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) and the advice and recommendation of Grand Moore Capital Limited as contained in its letter set out on pages 30 to 53 of the Circular, we consider that the Subscription and Settlement Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and although the Subscription and Settlement Agreement is not in the ordinary and usual course of business of the Group, the transactions contemplated thereunder (including the issue of the Convertible Bonds and the grant of the Specific Mandate) are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution 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) to be proposed at the EGM.

Yours faithfully

For and on behalf of

Independent Board Committee

**CHOI Mei Ping    ONG King Keung    TSUI Wing Tak**

*Independent non-executive Directors*



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the full text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect 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), and prepared for the purpose of incorporation into this circular.*



Unit 1607, 16/F, Silvercord Tower 1  
30 Canton Road, Tsim Sha Tsui  
Kowloon, Hong Kong

21 January 2022

*To the Independent Board Committee and  
the Independent Shareholders of  
Bingo Group Holdings Limited*

Dear Sirs,

### **CONNECTED TRANSACTION — ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

#### **INTRODUCTION**

We refer to our engagement by the Company to advise the Independent Board Committee and the Independent Shareholders in respect 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), the particulars of which have been set out in a circular to the Shareholders dated 21 January 2022 (the “**Circular**”) and in which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

Grand Moore Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders (i) as to whether 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 on normal commercial terms or better and in the ordinary and usual course of business of the Group, the terms of the Subscription and Settlement Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (ii) as to the voting in respect of the ordinary resolution(s) to be proposed at the EGM 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). Details of the reasons for and benefits of the Subscription are set out in the “Letter from the Board” in the Circular (the “**Board Letter**”).

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

References are made to the announcement of the Company dated 7 December 2021 in relation to the subscription and settlement agreement and the announcement of the Company dated 28 December 2021 in relation to, inter alia, the supplemental agreement to the subscription and settlement agreement (the “**Supplemental Agreement**”). The Board announced that on 7 December 2021 (after trading hours of the Stock Exchange), the Company entered into the subscription and settlement agreement 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.

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 of the Company under Chapter 20 of the GEM Listing Rules and is subject to, among others, the Independent Shareholders’ approval at a general meeting of the Company.

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. CHOI Mei Ping, Mr. ONG King Keung and Mr. TSUI Wing Tak, has been formed to advise the Independent Shareholders as to whether 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 on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders how to vote in relation to the ordinary resolution 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) to be proposed at the EGM. The Company has appointed us, the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

It is noted from the Board Letter that the Company is also proposing the Share Consolidation whereby every ten (10) Existing Shares of HK\$0.01 each in the share capital of the Company will be consolidated into one (1) New Share of HK\$0.10 each. The effectiveness of the Share Consolidation is set as one of the conditions precedent to Completion.

### **OUR INDEPENDENCE**

As at the Latest Practicable Date, we were not connected with the Company or any of its respective substantial Shareholders, Directors or chief executives, or any of their respective associates and accordingly, are considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and Settlement Agreement.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In the past two years, we have not acted as any financial adviser role to the Company, but we have acted as an independent financial adviser to the independent board committee of the Company in its major and connected transaction in relation to the acquisition of the remaining 30% of the entire issued share capital of Bingo Cinema Investment Company Limited and Bingo Cinema Management Company Limited, the details of which are set out in the Company's Circular dated 29 April 2020 (the "**Previous Appointment**"). Save for the current engagement as the Independent Finance Adviser and the Previous Appointment, there was no other relationship and/or engagement between the Company and us in the past two years.

With regards to our independence from the Company, it is noted that (i) apart from normal professional fees paid or payable to us in connection with the Previous Appointment and the current appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received or will receive any fees or benefits from the Company, its subsidiaries, their respective controlling shareholders or other parties that could reasonably be regarded as relevant to our independence; (ii) we have maintained our independence from the Company during the Previous Appointment, and our independence from the Company has not been compromised because of the Previous Appointment; and (iii) the aggregate professional fees paid/to be paid to us do not make up a significant portion of our revenue during the relevant period which would affect our independence. Accordingly, we consider that we are independent to act as the Independent Financial Adviser in respect 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) pursuant to Rule 17.96 of the GEM Listing Rules.

### **BASIS OF ADVICE**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information provided by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the "**Management**"); and (iv) our review of the relevant public information (if any). We have assumed that all information and representations that have been provided by the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, the Management (where applicable), which have been provided to us.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading.

We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Chapters 17 and 20 of the GEM Listing Rules.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor conducted any independent in-depth investigation into the business affairs, assets and liabilities or prospects of the Company, the Subscriber, their respective subsidiaries or associates (if applicable) or any of the other parties involved in the Subscription and Settlement Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds and the grant of the Specific Mandate). The Company has been separately advised by its own professional advisers with respect to the Subscription and the preparation of the Circular (other than this letter).

We have assumed that the Subscription will be consummated in accordance with the terms and conditions set forth in the Circular without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all necessary consents, authorisations and approvals in respect of the Subscription and Settlement Agreement, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Subscription. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

### PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in relation to the Subscription, we have taken into consideration the following factors:

#### 1. Information on the Group

As stated in the Board Letter, the Group is principally engaged in movie production, licensing and derivatives, crossover marketing and provision of interactive contents and cinema investment and management. Set out below is a summary of the consolidated financial information of the Group for each of the (i) years ended 31 March 2020 and 2021 (the “**Year 2020**” and “**Year 2021**”, respectively) and as at 31 March 2020 and 31 March 2021 as extracted from the Company’s annual report for the year ended 31 March 2021 (the “**2021**”).

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

Annual Report”); and (ii) six months ended 30 September 2020 and 2021 (the “**First Half of 2021**” and “**First Half of 2022**”, respectively) and as at 30 September 2021 as extracted from the Company’s interim report for the six months ended 30 September 2021 (the “**2021 Interim Report**”):

|   | <b>For the six months<br/>ended 30 September</b> |                 | <b>For the year<br/>ended 31 March</b> |                 |
|---|--|-----------------|--|-----------------|
|   | <b>2021</b>                                      | <b>2020</b>     | <b>2021</b>                            | <b>2020</b>     |
|   | <i>HK\$'000</i>                                  | <i>HK\$'000</i> | <i>HK\$'000</i>                        | <i>HK\$'000</i> |
|   | (unaudited)                                      | (unaudited)     | (audited)                              | (audited)       |
| Revenue   | 3,370  | 1,264           | 6,860                                  | 22,888          |
| Gross profit  | 1,918  | 680             | 3,866                                  | 13,493          |
| Loss attributable to owners of<br>the Company       | (7,428)  | (14,132)        | (21,488)                               | (41,475)        |
|   | <b>30 September</b>                              |                 | <b>As at<br/>31 March</b>              | <b>31 March</b> |
|   | <b>2021</b>                                      |                 | <b>2021</b>                            | <b>2020</b>     |
|   | <i>HK\$'000</i>                                  |                 | <i>HK\$'000</i>                        | <i>HK\$'000</i> |
|   | (unaudited)                                      |                 | (audited)                              | (audited)       |
| Total assets  | 36,524   |                 | 43,948                                 | 82,342          |
| Total liabilities                                   | 34,382   |                 | 35,127                                 | 50,748          |
| Net assets attributable to owners of<br>the Company | 3,096  |                 | 9,399                                  | 35,531          |
| Cash and cash equivalents                           | 8,634  |                 | 15,303                                 | 38,146          |

The Group generated all its revenue from its cinema business during the Year 2020, Year 2021 and First Half of 2022.

**1.1 Financial performance of the Company during the Year 2020 and Year 2021**

The Group’s consolidated revenue decreased by approximately HK\$16.0 million or approximately 70.0% from approximately HK\$22.9 million for the Year 2020 to approximately HK\$6.9 million for the Year 2021. The consolidated gross profit of the Group decreased by approximately HK\$9.6 million or approximately 71.1% from approximately HK\$13.5 million for the Year 2020 to approximately HK\$3.9 million for the Year 2021. The decrease in revenue and gross profit is primarily due to the drop in revenue from cinema business as a result of (i) operation suspension of cinemas due to the outbreak of COVID-19; and (ii) closure of the Group’s cinema in Linan in September 2020.

Despite the decrease in revenue and gross profit, the Group recorded consolidated loss attributable to owners of the Company of approximately HK\$21.5 million for the Year 2021, representing a year-on-year decrease of approximately 48.2% as compared to that of approximately HK\$41.5 million recorded during the Year 2020. The decrease in

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

loss for the Year 2021 was mainly attributable to (i) the absence of other loss of approximately HK\$14.5 million recorded during the Year 2020; (ii) the decrease in administrative expenses of approximately HK\$11.9 million; and (iii) the decrease in impairment of right-of-use assets of approximately HK\$5.0 million, which was partially offset by the decrease in gross profit of approximately HK\$9.6 million.

The Group reported a decrease in consolidated total assets from approximately HK\$82.3 million as at 31 March 2020 to approximately HK\$43.9 million as at 31 March 2021, representing a decrease of approximately 46.6%. The decrease in consolidated total assets was mainly due to the decrease in (i) cash and cash equivalents of approximately HK\$22.8 million; (ii) right-of-use assets of approximately HK\$9.9 million; and (iii) property, plant and equipment of approximately HK\$5.0 million.

The consolidated total liabilities of the Group decreased from approximately HK\$50.7 million as at 31 March 2020 to approximately HK\$35.1 million as at 31 March 2021, representing a decrease of approximately 30.8%. The decrease in total liabilities was due to the decrease in (i) lease liabilities of approximately HK\$8.8 million; and (ii) convertible bonds of approximately HK\$7.8 million.

Due to the combined effects of the aforementioned factors, the consolidated net assets attributable to owners of the Company decreased from approximately HK\$35.5 million as at 31 March 2020 by approximately 73.5% to approximately HK\$9.4 million as at 31 March 2021.

### ***1.2 Financial performance of the Company during the First Half of 2021 and First Half of 2022***

During First Half of 2022, the Group recorded unaudited consolidated revenue of approximately HK\$3.4 million, representing a period-on-period increase of approximately 166.6% when compared to that of approximately HK\$1.3 million recorded during First Half of 2021. The unaudited consolidated gross profit of the Group increased from approximately HK\$0.7 million in First Half of 2021 to approximately HK\$1.9 million in First Half of 2022. As disclosed in the 2021 Interim Report, the increase in both revenue and gross profit was due to re-opening of the Group's cinemas in Shanghai and Hangzhou in August 2020 which could not open commencing in late January 2020 as a result of the outbreak of COVID-19 in the very beginning of 2020.

The Group further recorded unaudited consolidated loss attributable to owners of the Company of approximately HK\$7.4 million for First Half of 2022, representing a period-on-period decrease of approximately 47.4% as compared to that of approximately HK\$14.1 million recorded during First Half of 2021. The decrease in loss for First Half of 2022 was mainly attributable to the tightened cost control measures implemented during the period in response to the severe business environment.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group reported a decrease in consolidated total assets from approximately HK\$43.9 million as at 31 March 2021 to approximately HK\$36.5 million as at 30 September 2021, representing a decrease of approximately 16.9%. With reference to the 2021 Interim Report, the decrease in consolidated total assets was caused by the (i) decrease in non-current assets of approximately HK\$4.9 million, which was mainly due to the decrease in loan to an associate of approximately HK\$5.7 million, which was partially offset by the increase in right-of-use assets of approximately HK\$1.1 million; and (ii) decrease in current assets of approximately HK\$2.5 million as a result of the decrease in (a) cash and cash equivalents of approximately HK\$6.7 million; (b) inventories of approximately HK\$0.9 million; and (c) other receivables, deposits and prepayments of approximately HK\$0.9 million, which was partially offset by a loan to an associate of approximately HK\$6.0 million.

The consolidated total liabilities of the Group decreased slightly from approximately HK\$35.1 million as at 31 March 2021 to approximately HK\$34.4 million as at 30 September 2021, representing a decrease of approximately 2.1%. The decrease in total liabilities was due to the combined effects of (i) the decrease in both convertible bonds and lease liabilities of approximately HK\$4.0 million and HK\$0.8 million respectively; and (ii) the provision of a loan from a Director of approximately HK\$5.0 million during First Half of 2022.

Due to the combined effects of the aforementioned factors, the unaudited consolidated net assets attributable to owners of the Company decreased from approximately HK\$9.4 million as at 31 March 2021 by approximately 67.1% to approximately HK\$3.1 million as at 30 September 2021.

The cash and cash equivalents of the Group decreased from approximately HK\$38.1 million as at 31 March 2020 to approximately HK\$15.3 million as at 31 March 2021 by approximately 59.9%, and further decreased by approximately 43.6% to approximately HK\$8.6 million as at 30 September 2021. Such amount of cash held by the Group is insufficient to fully repay the Existing Bonds (comprising the Straight Bonds with no conversion element and the Existing CBs with a conversion price that is out-of-money) with aggregate principal amount of HK\$20,000,000.

### **2. Information on the Subscriber**

The Subscriber, Mr. CHIAU Sing Chi, is a controlling Shareholder and an executive Director and a brother of Ms. CHOW Man Ki Kelly, who is also a controlling Shareholder and an executive Director.

As at the Latest Practicable Date, Mr. CHIAU held 429,694,769 Existing Shares, 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.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 3. Background of and reasons for the Subscription

#### 3.1 Background of the Subscription

It is disclosed in the Board Letter that on 22 February 2010, the Company entered into 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 (as defined under the GEM Listing Rules) 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 the Commencement Date of 1 June 2010 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:

| Date         | Amount (HK\$) | Event   |
|--------------|---------------|---|
| 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, 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.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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</b><br><i>(Note)</i> | <b>Conversion Price</b><br><b>(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 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 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.

### ***3.2 Reasons for the Subscription and use of proceeds***

As stated in the Board Letter, 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

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

As also stated in the Board Letter, no net proceeds will be received by the Company from the issue of the Convertible Bonds. The issuance of the Convertibles 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.

As further stated in the Board Letter, 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 fund 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 in the Board Letter, 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.

#### **4. Information on the Subscription**

##### ***4.1 Principal terms of the Subscription and Settlement Agreement***

Principal terms of the Subscription and Settlement Agreement are set forth below:

Date: 7 December 2021 (as supplemented by the Supplemental Agreement)

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.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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:
- (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 fulfillment of the condition (f), as soon as practicable and in any event on or before 31 March 2022 (i.e. Long Stop Date) or such other date as may be agreed by the Company and the Subscriber in writing. 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.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

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

The principal terms of the Convertible Bonds are set forth below:

**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 Bonds which remains outstanding by 4:00 p.m. on 31 December 2025, i.e. the Maturity Date 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.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- 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, subject to adjustment as set out in the Board Letter.
- Adjustment events: The Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events. Please refer to the sub-paragraph headed "Adjustment events" in the paragraph headed "Principal terms of the Convertible Bonds" in the Board Letter for further details of the adjustment mechanisms of the Conversion Price.
- 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

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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.

### 5. Assessment of the principal terms of the Convertible Bonds

#### 5.1 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:

- (a) 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 (the “**Last Trading Day**”);
- (b) 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 Last Trading Day;
- (c) a premium of 25.00% over the closing price of HK\$0.220 per New Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (d) a premium of approximately 816.67% to the net assets value of approximately HK\$0.030 per New Share based on the published unaudited consolidated net assets attributable to owners of the Company of approximately HK\$3,096,000 as at 30 September 2021 as extracted from the 2021 Interim Report and the issued share capital of the Company of 1,026,444,669 Shares as the Last Trading Day.

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

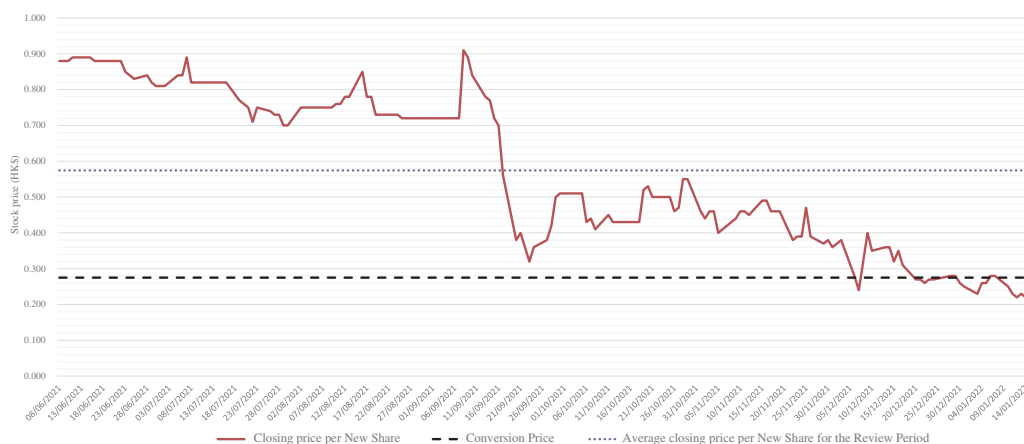
The Conversion Price was arrived at after arm’s length negotiations between the Company and the Subscriber, taking into account of, among others, the recent trading performance of the Shares and the financial position of the Group. The Directors (including the members of the Independent Board Committee whose views are included in the Letter from the Independent Board Committee which is included in the 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.

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### 5.1.1 Comparison of the Conversion Price with historical closing prices of the Shares

In assessing the fairness and reasonableness of the Conversion Price, we have performed a review on the daily closing prices of the Shares as quoted on the Stock Exchange from 8 June 2021 (i.e. six months prior to the Last Trading Day) to the Latest Practicable Date (the “**Review Period**”) and compared them with the Conversion Price. We consider the Review Period is adequate to reflect the prevailing market sentiment and illustrates a more recent general trend and level of movement of the daily closing prices of the Shares.

#### Share price movement during the Review Period



Source: website of the Stock Exchange

During the Review Period, the average of the closing prices was approximately HK\$0.574 per New Share (the “**Average Closing Price**”). The closing prices of the New Shares during the Review Period ranged from HK\$0.220 per New Share (the “**Lowest Closing Price**”) recorded on 12 January 2022 and 14 January 2022 to HK\$0.910 per New Share (the “**Highest Closing Price**”) recorded on 8 September 2021.

The New Share price had been in a generally downward trend from HK\$0.880 per New Share on 8 June 2021 to HK\$0.820 per New Share on 29 June 2021, after trading hours on which the annual results announcement for Year 2021 was published. The New Share price closed at HK\$0.840 per New Share on 6 July 2021, after trading hours on which a grant of share option announcement was published, and it gradually declined to HK\$0.720 per New Share on 7 September 2021. The New Share price then surged to HK\$0.910 per New Share on 8 September 2021, the highest point during the Review Period. Afterwards, the closing prices of the New Shares fell to HK\$0.320 per New Share on 23 September 2021, and closed at HK\$0.380 per New Share on 27 September 2021, after trading hours on which an announcement in relation to placing of new Shares under general mandate was published. The New Share price slightly rebounded and closed at HK\$0.420 per New Share on 28 September 2021, and gradually increased to around HK\$0.450 per



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New Share on 12 November 2021, after trading hours on which the Company published the interim results announcement for the First Half of 2022. Subsequently, the New Share price gradually declined and further reached HK\$0.240 per New Share on 7 December 2021, being the date of the Subscription and Settlement Agreement. The New Share price then peaked at HK\$0.40 per New Share on 9 December 2021 before exhibited a gentle downward trend. Upon enquiry with the Management, we are advised that save for the announcements already published in public domain, they are not aware of any other major event which took place during the Review Period that might affect the New Share price. The New Share price closed at HK\$0.220 per New Share on the Latest Practicable Date.

The Conversion Price of HK\$0.275 per New Share represents (i) a premium of 25.00% over the Lowest Closing Price of HK\$0.220 per New Share; (ii) a discount of approximately 69.78% to the Highest Closing Price of HK\$0.910 per New Share; and (iii) a discount of approximately 52.09% to the Average Closing Price of approximately HK\$0.574 per New Share for the Review Period. The New Shares closed at or below the Conversion Price on 16 (or approximately 10.53%) out of a total of 152 trading days during the Review Period. As the New Share price movement demonstrated a generally downward trend throughout the Review Period, we consider that it is reasonable to set the Conversion Price at a lower level than the Highest Closing Price and Average Closing Price, but at a premium to the Lowest Closing Price and the closing price on the Last Trading Day to provide incentive to the Subscriber to convert the Convertible Bonds with reference to the prevailing condition as at the date of the Subscription and Settlement Agreement.

We have also noted the Conversion Price's substantial discount of approximately 52.09% to the Average Closing Price as discussed above. But given the Conversion Price was determined on the date of the Subscription and Settlement Agreement, we consider that it is appropriate for the relevant parties to determine the Conversion Price with reference to the prevailing closing price of the New Shares on such date of determination (with a premium of approximately 14.58% added on top) which would have fully reflected the "fair market value" of the New Shares having taken into account the then current market conditions and the latest financial performance and position of the Group. Given the Conversion Price of HK\$0.275 is 25.00% above the closing price per New Share of HK\$0.220 on the Latest Practicable Date, there may be more incentive for conversion of the Convertible Bonds by the Subscriber (or as the case maybe, holder(s) of the Convertible Bonds) as compared to the out-of-money conversion price of the Existing CBs. Should the conversion rights attached to the Convertible Bonds be exercised in full by the Subscriber (or as the case maybe, holder(s) of the Convertible Bonds), the Group would discharge the repayment obligations arising out of the Convertible Bonds without requiring any cash outflow. As such, the financial position of the Group would be improved without redeeming the Convertible Bonds at maturity.



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### 5.1.2 Average daily trading volume of the Shares

Apart from historical daily closing prices of the Shares, we have reviewed the average daily trading volume of the Shares for each month during the Review Period, details of which are set out below:

|   | Number of trading days | Approximate average daily trading volume of the Shares<br><i>(Number of Shares)</i> | Approximate percentage of average daily trading volume to total number of issued Shares<br><i>(Note 1)</i> | Approximate percentage of average daily trading volume to total number of issued Shares held by public Shareholders<br><i>(Note 2)</i> |
|---|------------------------|---|--|--|
| <b>Year 2021</b>                          |                        |   |  |  |
| 8 June – 30 June                          | 16                     | 110,938   | 0.01%  | 0.03%  |
| July                                      | 21                     | 198,357   | 0.02%  | 0.05%  |
| August                                    | 22                     | 43,023  | 0.01%  | 0.01%  |
| September                                 | 21                     | 1,315,143   | 0.15%  | 0.31%  |
| October                                   | 18                     | 2,379,722   | 0.23%  | 0.40%  |
| November                                  | 22                     | 5,298,432   | 0.52%  | 0.89%  |
| December                                  | 22                     | 9,927,614   | 0.97%  | 1.66%  |
| <b>Year 2022</b>                          |                        |   |  |  |
| January up to the Latest Practicable Date | 10                     | 2,617,500   | 0.31%  | 0.61%  |

*Source: website of the Stock Exchange*

*Notes:*

1. Based on the total number of issued Shares as at each month end as disclosed in the monthly returns of the Company.
2. Based on the number of Shares held by public Shareholders calculated by deducting the Shares held by the Subscriber, Beglobal Investments Limited and Golden Treasure Global Investment Limited from the number of total issued Shares as at each month or period end.

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As shown in the table above, the average daily trading volume of the Shares in each month ranged from approximately 43,023 Shares in August 2021 to approximately 9,927,614 Shares in December 2021, representing approximately 0.01% and 0.97% of the total number of issued Shares as at the end of the relevant months and approximately 0.01% and 1.66% of the total number of issued Shares held by public Shareholders as at the end of the relevant months, respectively, indicating a relatively thin trading liquidity in general throughout the Review Period.

We have enquired the Management regarding the relatively high trading volumes of the Shares in November 2021 and December 2021 and the Management has advised that they are not aware of any reasons causing the increase in trading volumes.

Upon our enquiry with the Management, we understand that the Company will (i) continue to promote its brand image and enhance customer loyalty through difference channels in order to alleviate the adverse impacts to its cinema business due to the pandemic; and (ii) cooperate with its strategic partner in relation to brand and intellectual property management, licensing, co-branding/crossover marketing and provision of interactive contents.

Given the relatively thin trading liquidity of the Shares in general as illustrated above, coupled with the loss-making and future business developments of the Group, the Directors consider that conducting equity fund raising exercises such as a share placement or a rights issue or open offer with issue price set at premium to prevailing market price of the Shares on the date of relevant agreement as in the case of the Conversion Price may not be feasible given (i) it is difficult to find Independent Third Party securities brokerages who are willing to act as placing agents or underwriters without any favourable terms; and/or (ii) considerable discount to the market prices of the Shares will be required to attract potential investors or existing Shareholders to participate in the fund raising exercise. As such, we consider the settlement of the Existing Bonds by way of the Subscription, with the Conversion Price set at a healthy premium over the closing price of the New Shares on the Last Trading Day, is more appropriate as compared to other alternative means of financing. The setting of the Conversion Price at a slight premium over the prevailing closing price of the New Shares on the Last Trading Day as compared to the completely out-of-money conversion price of the Existing CBs will provide a relatively higher incentive for the Subscriber to exercise the conversion rights attaching to the Convertible Bonds so that the financial position of the Group would be improved and the Company is not required to redeem the Convertible Bonds at maturity.

***5.2 Comparative analysis with other issues of convertible bonds or notes***

To further evaluate the fairness and reasonableness of the terms of the Convertible Bonds, we have also identified 15 issues of convertible bonds or notes conducted by companies listed on the Stock Exchange (the “**Comparables**”) as announced during the period from 8 September 2021 (being three months prior to the Last Trading Day) to the Last Trading Day (the “**Comparable Period**”). In our selection of the Comparables, we have excluded the issues of convertible bonds or notes conducted by China Ludao Technology Company Limited (2023.hk) (“**China Ludao**”), Winshine Science Company Limited (209.hk) (“**Winshine**”) and China Creative Global Holdings Limited (1678.hk) (“**China Creative**”, and together with China Ludao and Winshine, the “**Outliers and Suspended Listco**”) announced on 15 September 2021, 24 September 2021 and 15 October 2021 respectively. The Outliers and Suspended Listco have been excluded in our analysis for the reason that (i) the conversion prices of China Ludao and Winshine have premiums of approximately 60.00% and 58.70% (i.e. roughly double that of the next highest premium of approximately 28.00% amongst the Comparables) respectively over their respective closing prices of the shares on the last trading day prior to the date of the agreement; and (ii) China Creative has been suspended for trading since 1 September 2020. Based on the aforesaid criteria, the Comparables represent an exhaustive list of suitable comparables based on our best information, knowledge and belief.

We consider that the Comparables represent fair and representative samples given (i) the Comparable Period adequately covers the recent market conditions and sentiments of the capital market in Hong Kong; (ii) the Comparables represent recent transaction terms of the convertible bond or note issues in Hong Kong; (iii) the Comparables demonstrate the market practice and trend during the Comparable Period and allow the Independent Shareholders to have an understanding of recent issues of convertible bonds or notes being conducted in the capital market of Hong Kong; and (iv) a sufficient sample size of 15 Comparables being identified.

Independent Shareholders should note that the businesses, market capitalisation and prospects of the Company and the terms of the Convertible Bonds are not the same as, or can vary from, those of the Comparables and their respective issuers. We consider the Comparables, whether issued to connected persons or independent third parties, are relevant to our analysis given they are reflecting recent market practice or normal commercial terms of transactions of similar nature as that of the Subscription undertaken by other listed issuers on the Stock Exchange.

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Set out below are the details of the Comparables:

| Date of initial announcement (dd/mm/yy) | Company name (stock code)                                    | Size of issuance           | The subscriber(s) is/are connected person(s) | Term to maturity                            | Coupon rate per annum | Premium/ (discount) of the conversion price over/(to) the closing price per share on/prior to the date of agreement | Premium/ (discount) of the conversion price over/(to) the average of the closing prices for the last five trading day prior to/up to and including the date of agreement |
|---|--|----------------------------|--|---|-----------------------|---|--|
| 03/12/21                                | China Public Procurement Limited (1094)                      | up to HK\$75.0 million     | No   | 7 years                                     | 5.00%                 | -1.96%  | -6.13%   |
| 29/11/21                                | Pan Asia Data Holdings Inc. (1561.hk)                        | up to HK\$270.0 million    | No   | 18 months                                   | 6.00%                 | 22.45%  | 21.21%   |
| 16/11/21                                | CIMC Enric Holdings Limited (3899.hk)                        | HK\$1,680.0 million        | No   | 30 November 2026 (Approx. 5 years)          | 0.00%                 | 28.00%  | 24.00%   |
| 14/11/21                                | Jimu Group Limited (8187.hk)                                 | HK\$77.0 million           | No   | 1 year                                      | 6.00%                 | -16.67%   | 0.00%  |
| 26/10/21                                | China Rongzhong Financial Holdings Company Limited (3963.hk) | HK\$3.8 million            | Yes  | 3 years                                     | 0.00%                 | 19.38%  | 10.79%   |
| 25/10/21                                | Towngas China Company Limited (1083.hk)                      | Approx. RMB1,835.6 million | No   | 5 years                                     | 1.00%                 | 22.91%  | 40.79%   |
| 22/10/21                                | Wai Chun Bio-Technology Limited (660.hk)                     | HK\$21.0 million           | Yes  | 3 years                                     | 2.00%                 | 0.00%   | -12.30%  |
| 21/10/21                                | Wai Chun Group Holdings Limited (1013.hk)                    | HK\$42.7 million           | Yes  | 3 years                                     | 2.00%                 | -11.10%   | -11.10%  |
| 21/10/21                                | Apex Ace Holding Limited (6036.hk)                           | HK\$30.0 million           | Yes  | Perpetual                                   | 0.50%                 | 18.64%  | 16.67%   |
| 19/10/21                                | Shimao Services Holdings Limited (873.hk)                    | HK\$3,110.0 million        | No   | 31 October 2022 (Approx. 1 year)            | 2.25%                 | 8.32%   | 9.89%  |
| 19/10/21                                | Jinxin Fertility Group Limited (1951.hk)                     | RMB1,500.0 million         | No   | 31 March 2023 (Approx. 1 year and 3 months) | 0.75%                 | 20.19%  | 21.63%   |
| 23/09/21                                | Investech Holdings Limited (1087.hk)                         | HK\$30.0 million           | Yes  | 3 years                                     | 1.50%                 | 6.38%   | 4.31%  |
| 23/09/21                                | Frontier Services Group Limited (500.hk)                     | HK\$210.0 million          | No   | 2 years                                     | 2.50%                 | 16.30%  | 15.70%   |
| 13/09/21                                | Apollo Future Mobility Group Limited (860.hk)                | HK\$85.8 million           | No   | 3 years                                     | 9.00%                 | 1.85%   | 0.00%  |
| 08/09/21                                | Apollo Future Mobility Group Limited (860.hk)                | HK\$78.0 million           | No   | 3 years                                     | 9.00%                 | -9.10%  | -4.60%   |
| <b>07/12/21</b>                         | <b>The Company</b>   | <b>HK\$19.0 million</b>    | <b>Yes</b>                                   | <b>31 December 2025 (Approx. 4 years)</b>   | <b>0.00%</b>          | <b>14.58%</b>   | <b>-22.32%</b>   |
|   |  |                            | Max.   | Perpetual                                   | 9.00%                 | 28.00%  | 40.79%   |
|   |  |                            | Min.   | 1 years                                     | 0.00%                 | -16.67%   | -12.30%  |
|   |  |                            | Average                                      | 3.0 years                                   | 3.17%                 | 8.37%   | 8.72%  |
|   |  |                            | Median                                       | 3.0 years                                   | 2.00%                 | 8.32%   | 9.89%  |

*Source: the announcements of relevant companies published on the website of the Stock Exchange*

*5.2.1 The Conversion Price*

As shown in the table above, the variances of the conversion prices to/over the respective closing price per share on the last trading day on/prior to the date of the relevant agreement of the Comparables ranged from a discount of approximately 16.67% to a premium of approximately 28.00%, with the average and median being premium of approximately 8.37% and 8.32%, respectively. The premium of approximately 14.58%, as represented by the Conversion Price over the closing price of HK\$0.240 per New Share on the Last Trading Day, is within the aforesaid range and above the average and median figures of the Comparables.

In addition, the variances of the conversion prices to/over the average of the closing prices per share for the last five trading days prior to or up and including the date of the relevant agreement of the Comparables ranged from a discount of approximately 12.30% to a premium of approximately 40.79%, with the average and median being premium of approximately 8.72% and 9.89%, respectively. The discount of approximately 22.32%, as represented by the Conversion Price over the average of the closing prices of approximately HK\$0.354 per New Share for the five consecutive trading days immediately prior to the Last Trading Day, is below the low end of the aforesaid range of the Comparables and the average and median figures of the Comparables. Although the abovementioned discount of approximately 22.32% is not in line with the Comparables and not in favour of the Company, we consider such discount is acceptable as (i) the New Share price movement demonstrated a generally downward trend throughout the Review Period; (ii) the Conversion Price is at a premium over the closing prices of New Share on 16 out of 28 trading days between the Last Trading Day and the Latest Practicable Date; (iii) the Conversion Price is at a premium of 25.00% over the closing price of HK\$0.220 per New Share on the Latest Practicable Date; and (iv) the Conversion Price is at a premium of approximately 19.57% over the average of the closing prices of approximately HK\$0.230 per New Share for the five consecutive trading days immediately prior to the Latest Practicable Date.

*5.2.2 Term to maturity and interest rate*

As per the analysis above, the terms to maturity of the Comparables range from one year to perpetual whereas the coupon rates of the Comparables range from nil to 9.00% per annum. Taking into account the approximately four years term of the Convertible Bonds is within the range as represented by the Comparables and slightly above the average by one year, and the zero coupon rate of the Convertible Bonds is at the low end of the range as represented by the Comparables, we consider the aforementioned terms to be fair and reasonable given that the longer than average term of the Convertible Bonds allows more flexibility in terms of repayment by Company or conversion by the Subscriber while the zero coupon rate results in lower finance cost to the Company. Accordingly, we consider the term to maturity and coupon rate of the Convertible Bonds are in favour of the Company.

**5.3 *Our conclusion with regards to the terms of the Convertible Bonds***

We consider the terms of the Convertible Bonds are fair and reasonable to the Company and the Shareholders as a whole, after considering the following principal factors as a whole:

- (i) the premium of the Conversion Price to the closing price on the Last Trading Day is within the range and above the average and median figures of the Comparables as illustrated above and is therefore favourable to the Company;
- (ii) although the discount of the Conversion Price to the average of the closing prices per New Share for the last five trading days immediately prior to the Last Trading Day is below the low end of the range and average and median figures of the Comparables as illustrated above, we consider the closing price on the Last Trading Day (i.e. the date of the Subscription and Settlement Agreement) to be a more important benchmark as it represents the “fair market value” of the Shares as of the date of determination of the relevant terms of the Convertible Bonds and such discount is acceptable as (i) the New Share price movement demonstrated a generally downward trend throughout the Review Period; (ii) the Conversion Price is at a premium over the closing prices of New Share on 16 out of 28 trading days between the Last Trading Day and the Latest Practicable Date; (iii) the Conversion Price is at a premium of 25.00% over the closing price of HK\$0.220 per New Share on the Latest Practicable Date; and (iv) the Conversion Price is at a premium of approximately 19.57% over the average of the closing prices of approximately HK\$0.230 per New Share for the five consecutive trading days immediately prior to the Latest Practicable Date;
- (iii) the Conversion Price represents a premium of approximately 816.67% to the net assets value of approximately HK\$0.030 per New Share;
- (iv) there is a HK\$1,000,000 difference in the aggregate principal of the Existing Bonds of HK\$20,000,000 which is to be replaced by the Convertible Bonds with a principal amount of HK\$19,000,000 implying the Convertible Bonds are to be issued at a 5% discount to the Existing Bonds with lower repayment burden on the part of the Company and as the case may be, lower number of Conversion Shares as compared to a replacement convertible bonds issued at 100% of the principal amount of the Existing Bonds; and
- (v) the Convertible Bonds have zero coupon rate which compares favourably with the Comparables.

## **6. Financial effects of the Subscription**

### ***6.1 Effect on asset value and gearing***

It is expected that the Subscription will have an immediate improvement on the net assets value and the gearing of the Group arising out of the HK\$1,000,000 difference in the aggregate principal of the Existing Bonds of HK\$20,000,000 which is to be replaced by the Convertible Bonds with a principal amount of HK\$19,000,000. The net assets value and gearing of the Group are expected to further improve significantly in case there is conversion of all or parts of the Convertible Bonds, given the reduction in the Group's overall indebtedness.

### ***6.2 Effect on earnings and working capital***

On initial recognition, the Convertible Bonds shall be recognised as a compound financial instrument with a conversion option, which comprise an equity component and a liability component, on the consolidated financial statements of the Company. The carrying amount of the liability component is first determined by measuring the fair value of a similar liability that does not have an associated equity component. The carrying amount of the equity component is then determined by deducting the fair value of the liability component from the fair value of the Convertible Bonds as a whole. The liability component of the Convertible Bonds is subsequent measured at amortised cost, using the effective interest method. Depending on future price movement of the New Shares and other pertinent factors, the Convertible Bonds may have a material impact on the profit and loss of the Group.

Given (i) the aforementioned difference in the principal amounts of the Existing Bonds which is to be replaced by the Convertible Bonds; (ii) the Convertible Bonds will replace the Existing Bonds and not exert immediate cash outflow on the Group and allows the Group to allocate the cash for its expected business development and future operation plan of the Company for the coming few years instead of repayment of the Existing Bonds (comprising the Straight Bonds with no conversion element and the Existing CBs with a conversion price that is out-of-money) which in the absence of the Convertible Bonds will become due in phases by 1 June 2024; and (iii) the repayment obligation of the Company arising out of the Convertible Bonds will be relieved in case there is conversion of the Convertible Bonds with a relatively higher incentive for the Subscriber to do so due to the readjusted Conversion Price, the Subscription is expected to improve the liquidity of the Group.

It should be noted that the above-mentioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon the issue of the Convertible Bonds.



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### 7. Potential dilution effect on the shareholding interests of the existing public Shareholders

As shown in the Board Letter under the section headed “Effect on the shareholding structure of the Company”, assuming there is no other change in the issued share capital and shareholding structure of the Company other than the conversion of the Convertible Bonds, the shareholding in the Company held by existing public Shareholders would be diluted from approximately 58.14% as at the Latest Practicable Date to approximately 34.75% immediately after full conversion of the Convertible Bonds (for illustration purpose only and the conversion of the Convertible Bonds is subject to the conversion restrictions as set out in section 4.2 of this letter.

Taking into account (i) the reasons for the Subscription as discussed in section 3.2 of this letter; and (ii) the terms of the Convertible Bonds are fair and reasonable as discussed in section 5.3 of this letter, we consider that the potential dilution effect on the shareholding of existing public Shareholders in the Company is acceptable so far as they are concerned.

### CONCLUSION

Having considered the above principal factors, we are of the opinion that (i) 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, although not in the ordinary and usual course of business of the Group, on normal commercial terms; and (ii) 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 fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole. Accordingly, we would recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the ordinary resolution(s) 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) at the EGM.

Yours faithfully,  
For and on behalf of  
**Grand Moore Capital Limited**  
**Kevin So**

*Director — Investment Banking Department*

*Note:* Mr. Kevin So is a licensed person under the SFO to undertake type 6 regulated activity (advising on corporate finance) and is a responsible officer in respect of Grand Moore’s type 6 regulated activity (advising on corporate finance). Mr. So has over 16 years of experience in the corporate finance industry in Hong Kong.



## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date, (ii) immediately after the Share Consolidation becoming effective; and (iii) immediately upon the allotment and issue of the Conversion Shares (assuming no further issue of Shares from the Latest Practicable Date up to the Completion) was and will be as follows:

### Before the Share Consolidation becoming effective

*Authorised share capital:* *HK\$*

|                |                         |                |
|----------------|-------------------------|----------------|
| 20,000,000,000 | Shares of HK\$0.01 each | 200,000,000.00 |
|----------------|-------------------------|----------------|

*Issued and fully paid share capital or credited as fully paid:*

|               |  |               |
|---------------|--|---------------|
| 1,026,444,669 | Shares as at the Latest Practicable Date | 10,264,446.69 |
|---------------|--|---------------|

### After the Share Consolidation becoming effective

*Authorised share capital:*

|               |                         |                |
|---------------|-------------------------|----------------|
| 2,000,000,000 | Shares of HK\$0.10 each | 200,000,000.00 |
|---------------|-------------------------|----------------|

*Issued and fully paid share capital or credited as fully paid:*

|             |   |              |
|-------------|---|--------------|
| 102,644,466 | Shares immediately after the Share Consolidation becoming effective | 10,264,446.6 |
|-------------|---|--------------|

|            |                   |              |
|------------|-------------------|--------------|
| 69,090,909 | Conversion Shares | 6,909,090.90 |
|------------|-------------------|--------------|

|                    |              |                     |
|--------------------|--------------|---------------------|
| <b>171,735,375</b> | <b>Total</b> | <b>17,173,537.5</b> |
|--------------------|--------------|---------------------|

All the issued Shares in the capital of the Company rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital. The Conversion Shares when allotted and issued will rank pari passu in all respects with the existing Shares on the relevant date of allotment.

The issued Shares are listed on GEM of the Stock Exchange. None of the securities of the Company is listed or dealt in, and no listing or permission to deal in the securities of the Company is being or is proposed to be sought, on any other stock exchange.

As at the Latest Practicable Date, there was no arrangement under which future dividends are or will be waived or agreed to be waived.

### 3. DISCLOSURE OF INTERESTS

#### (a) Directors and chief executives

As at the Latest Practicable Date, the following Directors and chief executives of the Company had or were deemed to have interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”), (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange:

#### *Long position in the Shares and underlying Shares of the Company*

| Name                    | Capacity and nature of interest        | Number of Shares | Approximate percentage of the Company's issued share capital |
|-------------------------|--|------------------|--|
| Mr. CHIAU Sing Chi      | Beneficial owner                       | 27,573,529       | 2.69%  |
|                         | Held by trust (Note 1)                 | 402,121,240      | 39.17%   |
|                         | Held by trust (Note 2)                 | 8,550,000        | 0.83%  |
|                         | Interest in underlying shares (Note 3) | 727,710,976      | 70.90%   |
| Ms. CHOW Man Ki Kelly   | Held by trust (Note 1)                 | 402,121,240      | 39.17%   |
|                         | Held by trust (Note 4)                 | 4,240,000        | 0.41%  |
|                         | Interest in underlying shares (Note 5) | 16,040,000       | 1.57%  |
| Ms. CHOW Nga Chee Alice | Held by trust (Note 6)                 | 4,240,000        | 0.41%  |
|                         | Interest in underlying shares (Note 7) | 16,040,000       | 1.57%  |

*Note:*

1. these shares are registered in the name of Beglobal Investments Limited and Golden Treasure Global Investment Limited. Beglobal Investments Limited and Golden Treasure Global Investment Limited are companies indirectly owned by a discretionary trust, the discretionary objects of which are Mr. CHIAU Sing Chi, Ms. CHOW Man Ki Kelly and their family.
2. The 8,550,000 Shares were granted to Mr. CHIAU on 14 October 2019 under the share award scheme adopted by the Company and are held in trust pursuant to the terms thereof for the benefit of Mr. CHIAU.
3. These underlying Shares may be allotted and issued upon exercise by Mr. CHIAU of the conversion rights attached to the Existing CBs, the Convertible Bonds to be issued upon completion of the Subscription and the share options granted to Mr. CHIAU pursuant to the terms thereof.
4. The 4,240,000 Shares were granted to Ms. CHOW Man Ki Kelly on 14 October 2019 under the share award scheme adopted by the Company and are held in trust pursuant to the terms thereof for the benefit of Ms. CHOW Man Ki Kelly.
5. These underlying Shares may be allotted and issued upon exercise of the share options granted to Ms. CHOW Man Ki Kelly pursuant to the terms thereof.
6. The 4,240,000 Shares were granted to Ms. CHOW Nga Chee Alice on 14 October 2019 under the share award scheme adopted by the Company and are held in trust pursuant to the terms thereof for the benefit of Ms. CHOW Nga Chee Alice.
7. These underlying Shares may be allotted and issued upon exercise of the share options granted to Ms. CHOW Nga Chee Alice pursuant to the terms thereof.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

**(b) Substantial Shareholders**

As at the Latest Practicable Date, so far as known to the Directors, the following parties (not being the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the Shares, underlying Shares or debentures of the Company (i) which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO; or (ii) which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

*Long positions in the Shares and underlying Shares of the Company*

| Name  | Capacity and nature of interest | Number of Shares | Approximate percentage of the Company's issued share capital |
|---|---------------------------------|------------------|--|
| Sinostar FE (PTC) Limited<br>(Note 1)                 | Trustee of a trust              | 402,121,240      | 39.17%   |
| Treasure Offshore Holdings Limited<br>(Note 1)        | Interest in corporation         | 402,121,240      | 39.17%   |
| Beglobal Investments Limited<br>(Note 2)              | Beneficial interest             | 329,621,240      | 32.11%   |
| Golden Treasure Global Investment Limited<br>(Note 2) | Interest in corporation         | 72,500,000       | 7.06%  |
| Golden Treasure Global Investment Limited<br>(Note 2) | Beneficial interest             | 72,500,000       | 7.06%  |
| KO Kin Hang 高健行                                       | Beneficial interest             | 51,355,000       | 5.00%  |

*Notes:*

1. Mr. CHIAU, Ms. CHOW Man Ki, Kelly and their family are the beneficiaries of a discretionary trust of which Sinostar FE (PTC) Limited (“**Sinostar**”) is the trustee. Sinostar as the trustee of the discretionary trust is the sole shareholder of Treasure Offshore Holdings Limited, which is the sole shareholder of Beglobal Investments Limited.
2. Beglobal Investments Limited directly holds 329,621,240 shares of the Company (representing approximately 32.11% of the issued share capital of the Company) and indirectly holds 72,500,000 shares of the Company (representing approximately 7.06% of the issued share capital of the Company) through Golden Treasure Global Investment Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware that there is any other party (other than the Directors or chief executives of the Company) who had, or was deemed to have, an interest or short position in the Shares, underlying Shares or debentures of the Company (i) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (ii) which were required, pursuant to section 336 of the SFO, to be entered in the register refer to therein.

#### **4. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS AND ASSETS OF THE GROUP**

As at the Latest Practicable Date, none of the Directors and their respective associates had any direct or indirect interest in the assets which had been, since 31 March 2021, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors and their respective associates was materially interested in any contract or arrangement which was significant in relation to the business of the Group.

#### **5. SERVICE CONTRACTS**

As at the Latest Practicable Date, there is no service contract or proposed service contract between the Directors and any member of the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

#### **6. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position or prospects of the Group since 31 March 2021, being the date to which the latest audited consolidated financial statements of the Group were made up.

#### **7. EXPERT'S CONSENT AND QUALIFICATION**

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

| <b>Name</b>                 | <b>Qualification</b>   |
|-----------------------------|--|
| Grand Moore Capital Limited | A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO |

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or advice, and references to its name in the forms and context in which they respectively appear.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets which had been, since 31 March 2021, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

## 8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates had any interest in a business which competes or may compete either directly or indirectly with the business of the Group.

## 9. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. CHAN Ka Yin, who is a director of an external service provider and was appointed as the company secretary of the Company in November 2013. Mr. Chan is a fellow member of the Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants.
- (b) The compliance officer of the Company is Ms. CHOW Man Ki Kelly, who is also an executive Director of the Company.
- (c) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (d) The head office and principal place of business in Hong Kong of the Company is situated at Unit 202, 2/F, Chinaweal Centre, 414-424 Jaffe Road, Hong Kong.
- (e) The principal share registrar and transfer office of the Company is Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (f) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (g) The English texts of this circular shall prevail over the Chinese texts.

## 10. DOCUMENTS ON DISPLAY

Copies of the following documents will be available for inspection (i) on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and (ii) on the website of the Company ([www.bingogroup.com.hk](http://www.bingogroup.com.hk)) from the date of this circular up to and including the date of the EGM, being a period of not less than 14 days:

- (i) the memorandum and articles of association of the Company;

- (ii) the annual reports of the Company for the financial years ended 31 March 2020 and 31 March 2021 and the interim report of the Company for the six months ended 30 September 2021;
- (iii) the letter from the Board, the text of which is set out on pages 7 to 27 of this circular;
- (iv) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 28 to 29 of this circular;
- (v) the letter from Grand Moore to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 30 to 53 of this circular;
- (vi) the written consent referred to in the section headed “7. Expert’s consent and Qualification” in this appendix;
- (vii) the Subscription and Settlement Agreement; and
- (viii) this circular.



**BINGO GROUP HOLDINGS LIMITED**

**比高集團控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8220)**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of the shareholders of Bingo Group Holdings Limited (the “**Company**”) 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. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company:

**ORDINARY RESOLUTIONS**

1. **“THAT** subject to the fulfilment of all the conditions (the “**Conditions**”) set out in the section headed “Conditions of the Share Consolidation” in the circular of the Company dated 21 January 2022, a copy of which has been tabled at the EGM marked “A” and initialled by the chairman of the EGM for the purpose of identification, with effect from the second business day following the date on which this resolution is passed or the Conditions are fulfilled (whichever is later):
  - (a) every ten (10) issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company be and are hereby consolidated into one (1) consolidated share of HK\$0.10 each (the “**Consolidated Shares**”) (the “**Share Consolidation**”), such Consolidated Share(s) shall rank pari passu in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of the shares contained in the memorandum and articles of association of the Company;
  - (b) all fractional entitlements to the issued Consolidated Shares resulting from the Share Consolidation (if any) will be disregarded and will not be issued to the shareholders of the Company but all such fractional Consolidated Shares will be aggregated and, if possible, sold and the net proceeds shall be retained for the benefit of the Company in such manner and on such terms as the directors of the Company (the “**Directors**”) may think fit; and



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(c) any one of the Directors be and is hereby authorised to do all such acts and things and sign, execute and deliver all documents (including affixing the common seal of the Company if appropriate) he or she considers necessary, desirable or expedient to give effect to the Share Consolidation and the transactions contemplated thereunder.”

2. **“THAT** subject to the passing of resolution number 1 above:

- (a) the subscription and settlement agreement dated 7 December 2021 (as supplemented by a supplemental agreement dated 28 December 2021) (the **“Subscription and Settlement Agreement”**) (a copy of which has been produced to the EGM and marked “B” and initialled by the chairman of the EGM for the purpose of identification) entered into between the Company as issuer and Mr. CHIAU Sing Chi as subscriber (the **“Subscriber”**) in relation to the subscription and issue of the convertible bonds in the principal amount of HK\$19,000,000 (the **“Convertible Bonds”**) at the subscription price of HK\$20,000,000 (the **“Subscription Price”**), which entitles the holder(s) thereof to convert the same into shares (the **“Conversion Shares”**) in the share capital of the Company in accordance with the terms of the Convertible Bonds at the initial conversion price of HK\$0.275 (subject to adjustments) per Conversion Share and the transactions contemplated thereunder (including the set-off of the Subscription Price against the existing straight bonds of the Company in the principal amount of HK\$5,000,000 and the existing convertible bonds of the Company in the aggregate amount of HK\$15,000,000 all held by the Subscriber, the issue of the Convertible Bonds, allotment and issue of the Conversion Shares pursuant thereto), be and are hereby approved, confirmed and ratified;
- (b) the Directors be and are hereby granted a specific mandate to exercise the powers of the Company to allot and issue the Conversion Shares to the relevant holder(s) of the Convertible Bond(s) in accordance with the terms of the Convertible Bonds, where such Conversion Shares shall rank equally in all respects among themselves and with all fully paid ordinary shares of the Company in issue as at the date of allotment and issue. The aforementioned specific mandate is in addition to, and shall not prejudice nor revoke any general or special mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution; and
- (c) any one or more of the Directors be and is/are hereby authorised to do such acts and things, to sign and execute all such further documents (and to affix the common seal of the Company thereon, if necessary) and to take such steps as he/she/they may consider necessary, appropriate, desirable or expedient to give

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effect to or in connection with the Subscription and Settlement Agreement or any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith.”

By order of the Board  
**Bingo Group Holdings Limited**  
**CHOW Nga Chee Alice**  
*Executive Director*

Hong Kong, 21 January 2022

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

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

Unit 202, 2/F,  
Chinaweal Centre  
414-424 Jaffe Road  
Hong Kong

*Notes:*

1. A member entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or, if he is a holder of more than one share, more than one proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the EGM is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the Hong Kong branch share registrar and transfer office of the Company, 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 not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish and in such event, the proxy shall be deemed to be revoked.
3. In the case of joint holders of shares, any one of such holders may vote at the EGM, either in person or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the EGM the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holder.
4. The register of members of the Company will be closed from 9 February 2022 to 14 February 2022 (both days inclusive) during which period no transfer of Shares will be effected for the purpose of determining the Shareholders who are entitled to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all completed share transfer instruments accompanied by the relevant share certificate(s) should be lodged for registration with the Tricor Tengis Limited, the Company's Hong Kong share registrar and transfer office, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 8 February 2022.