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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)

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE
ACQUISITION OF THE REMAINING 30%
OF THE ENTIRE ISSUED SHARE CAPITAL
OF THE TARGET COMPANIES**

THE ACQUISITION

The Board announces that on 25 February 2020 (after trading hours of the Stock Exchange), the Purchaser, a direct wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendor, pursuant to which, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable Percentage Ratios in respect of the Acquisition are 25% or more but all of them are less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the requirements of announcement and Shareholders' approval by way of poll at the EGM under Chapter 19 of the GEM Listing Rules.

As at the date of this announcement, the Vendor holds 30% of the entire issued share capital of each of the Target Companies respectively and accordingly is substantial shareholder of the Target Companies. The Vendor is a connected person at the subsidiary level under Chapter 20 of the GEM Listing Rules. Accordingly, the Acquisition 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 the EGM. To the best of Directors' knowledge, information and belief, the Vendor and its associates are not Shareholders and no Shareholders have a material interest in the Acquisition and no Shareholders would have to abstain from voting at the EGM.

A circular containing inter alia, (i) further details of the Acquisition; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the letter from an independent financial advisor to both the Independent Board Committee and the Independent Shareholders; and (iv) the notice of EGM, will be despatched to the Shareholders on or before 17 March 2020 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

As completion of the Acquisition is conditional upon fulfilment of conditions precedent as set out in the Acquisition Agreement, Shareholders and potential investors shall exercise caution when dealing in the Shares.

INTRODUCTION

The Board announces that on 25 February 2020 (after trading hours of the Stock Exchange), the Purchaser, a direct wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendor, pursuant to which, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares.

THE ACQUISITION AGREEMENT

Principal terms of the Acquisition Agreement are set forth below:

- Date** : 25 February 2020 (after trading hours of the Stock Exchange)
- Parties** : (1) CineChina Limited (as the Vendor); and
(2) Lofty Shine Limited (嵐盛有限公司) (as the Purchaser)
- Target Companies** : (1) BCIC; and
(2) BCMC

CineChina Limited is a company incorporated in Hong Kong with limited liability. Based on the information available to the Company, CineChina Limited is engaged in the businesses of cinemas investment and owned by Anand Nirmal Parmanand, Yin Gang and Au Kar Man Tony.

Subject Matter

Subject to the terms and conditions of the Acquisition Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Sale Shares. The Sale Shares represent 30% of the issued share capital of each of the Target Companies.

Upon Completion, the Target Companies will become indirect wholly-owned subsidiaries of the Company.

Consideration

The Consideration, which is subject to valuation of the Target Group as prepared by valuer appointed by Purchaser, with upper limit of RMB4,650,000 (equivalent to approximately HK\$5,115,000) shall be satisfied and settled by setting off against the outstanding indebtedness due by the Vendor to the Group (the “**Outstanding Indebtedness**”) on a dollar for dollar basis. In the event that the Consideration would exceed the Outstanding Indebtedness, the remaining balance of the Consideration shall be satisfied and settled by cash.

As at the date of this announcement, the Vendor owes the Group in the sum of approximately RMB1,985,500 (equivalent to approximately HK\$2,184,000).

Basis of Consideration

The Consideration was determined by the Purchaser and the Vendor following arm’s length negotiations with reference, among others, the financial position of the Target Group.

Conditions Precedent to Completion

Completion is conditional upon satisfaction of the following conditions:

- (a) the Purchaser having obtained all necessary consents, authorisations and approvals in respect of the Acquisition;
- (b) there being no situation, facts or circumstances which constitute or may constitute any breach of warranties under the Acquisition Agreement;
- (c) the passing of the necessary resolution(s) by the Independent Shareholders at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder;
- (d) the Purchaser being satisfied with the results of the due diligence review on the assets, liabilities, operations and affairs of the Target Group to be carried out by the Company; and
- (e) the valuation of the Target Group as prepared by the valuer appointed by the Purchaser in such form and substance satisfactory to the Purchaser.

The Purchaser may at any time waive the conditions set out in (b), (d) and (e) above by notice in writing to the Vendor. No other conditions may be waived by any parties to the Acquisition Agreement.

If any of the above conditions have not been fulfilled or waived by the Purchaser (as the case may be) on or before 31 December 2020 (or such later date as agreed by the parties to the Acquisition Agreement in writing), the Acquisition Agreement shall cease and determine and no party to the Acquisition Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the Acquisition Agreement.

Completion

Completion shall take place on the third (3rd) Business Day after all the conditions precedent under the Acquisition Agreement having been fulfilled or waived by the Purchaser (as the case may be) (or such other date as agreed by the parties to the Acquisition Agreement).

Upon Completion, the Target Companies will become indirect wholly-owned subsidiaries of the Company and the financial statements of the Target Group will continue to be consolidated into the financial statements of the Group.

INFORMATION OF THE GROUP AND THE PURCHASER

The Group is principally engaged in movie production, licensing and derivative, crossover, marketing and provision of interactive contents and cinema investment and management.

The Purchaser is a direct wholly-owned subsidiary of the Company, which is principally engaged in cinema investment and management in the PRC.

INFORMATION OF THE TARGET GROUP

The Target Companies are companies incorporated in Hong Kong with limited liability, the entire issued share capital of each of which is owned as to 70% and 30% by the Purchaser and the Vendor, respectively, as at the date of this announcement.

The Target Group is principally engaged in cinema investment and management in the PRC.

Financial Information of the Target Group

Set out below is the unaudited pro forma consolidated financial information of the Target Group for two financial years ended 31 March 2019, which were prepared in accordance with Hong Kong Financial Reporting Standards:

| | For the year ended 31 March | |
|-----------------------------------|-----------------------------|------------|
| | 2018 | 2019 |
| | (HK\$'000) | (HK\$'000) |
| Revenue | 46,929 | 38,048 |
| Net profit/(loss) before taxation | (2,209) | 355 |
| Net profit/(loss) after taxation | (3,772) | (562) |

The unaudited consolidated net asset value of the Target Group as at 30 September 2019 was approximately HK\$12,110,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

One of the business segments of the Company is cinema investment and management. The Company considers that the Acquisition is a good opportunity for the Group to consolidated its control in the Target Group and increase its investment in cinema investment and management for the following reasons:

- (1) in spite of the wide-spreading of coronavirus globally especially in the PRC, the Company believes that the cinema industry has promising prospects in light of its growing demand in the PRC in the long run;
- (2) since the investments in the Target Companies by the Purchaser in 2011, the Target Group has maintained sound momentum of development and greater returns are expected;
- (3) upon completion of the Acquisition, the Target Companies will become indirect wholly-owned subsidiaries of the Company. The Board considers that this would facilitate better implementation of the operating philosophies and strategies of the Company into the Target Companies; and
- (4) having considered the repayment ability of the Vendor and the amount of the Outstanding Indebtedness, the Acquisition represents a more viable mean for the Group to recover the Outstanding Indebtedness.

After taking into account factors, such as the independent valuation, the market outlook and the future earning potential of the Target Group, the Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition Agreement are fair and reasonable, the Acquisition is on normal commercial terms and is in the interests of the Company and Shareholders as a whole. None of the Directors has a material interest in the Acquisition or is required to abstain from voting on the board resolutions for approval of the same.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable Percentage Ratios in respect of the Acquisition are 25% or more but all of them are less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the requirements of announcement and Shareholders' approval by way of poll at the EGM under Chapter 19 of the GEM Listing Rules.

As at the date of this announcement, the Vendor holds 30% of each of the entire issued share capital of the Target Companies respectively and accordingly is substantial shareholder of the Target Companies. The Vendor is a connected person at the subsidiary level under Chapter 20 of the GEM Listing Rules. Accordingly, the Acquisition 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 the EGM. To the best of Directors' knowledge, information and belief, the Vendor and its associates are not Shareholders and no Shareholders have a material interest in the Acquisition and no Shareholders would have to abstain from voting at the EGM.

A circular containing inter alia, (i) further details of the Acquisition; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the letter from an independent financial advisor to both the Independent Board Committee and the Independent Shareholders; and (iv) the notice of EGM, will be despatched to the Shareholders on or before 17 March 2020 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

As completion of the Acquisition is conditional upon fulfilment of conditions precedent as set out in the Acquisition Agreement, Shareholders and potential investors shall exercise caution when dealing in the Shares.

DEFINITIONS

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

| | |
|-------------------------|--|
| “Acquisition” | the acquisition of the Sale Shares by the Purchaser from the Vendor on and subject to the terms and conditions of the Acquisition Agreement; |
| “Acquisition Agreement” | the conditional sale and purchase agreement dated 25 February 2020 entered into among the Purchaser and the Vendor in relation to the Acquisition; |
| “BCIC” | Bingo Cinema Investment Company Limited (比高電影院投資有限公司), a company incorporated in Hong Kong with limited liability, the entire issued share capital of which is owned as to 70% and 30% by the Purchaser and the Vendor, respectively, as at the date of this announcement; |

| | |
|-------------------------------|---|
| “BCMC” | Bingo Cinema Management Company Limited (比高電影院管理有限公司), a company incorporated in Hong Kong with limited liability, the entire issued share capital of which is owned as to 70% and 30% by the Purchaser and the Vendor, respectively, as at the date of this announcement; |
| “Board” | the board of the Directors; |
| “Company” | Bingo Group Holdings Limited (比高集團控股有限公司), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM; |
| “connected person(s)” | has the same meaning as ascribed to it under the GEM Listing Rules; |
| “Consideration” | consideration payable by the Purchaser under the Acquisition Agreement |
| “Directors” | directors of the Company; |
| “EGM” | the extraordinary general meeting of the Company to be held and convened for the Independent Shareholders to approve the Acquisition and the transactions contemplated thereunder; |
| “GEM” | GEM of the Stock Exchange; |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on GEM; |
| “Group” | the Company and its subsidiaries; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC; |
| “Independent Board Committee” | the independent committee of the Board, comprising all the independent non-executive Directors, namely Ms. Choi Mei Ping, Mr. Tsoi Chiu Yuk and Mr. Ong King Keung, established to advise the independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder; |
| “Independent Shareholders” | Shareholders other than the Vendor and its associates; |
| “PRC” | the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, Macau and Taiwan; |
| “Purchaser” | Lofty Shine Limited (巖盛有限公司), a company incorporated in the British Virgin Islands with limited liability, which is a direct wholly-owned subsidiary of the Company; |

| | |
|--------------------|--|
| “Sale Shares” | 3,000 ordinary shares of BCIC and 3,000 ordinary shares of BCMC, representing 30% of the entire issued share capital of BCIC and BCMC, respectively; |
| “Share(s)” | share(s) of HK\$0.01 each in the share capital of the Company; |
| “Shareholder(s)” | holder(s) of the Share(s); |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Target Companies” | BCIC and BCMC; |
| “Target Group” | collectively, the Target Companies and its subsidiaries; |
| “Vendor” | CineChina Limited, a company incorporated in Hong Kong with limited liability; |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong; |
| “RMB” | Renminbi, the lawful currency of the PRC; and |
| “%” | per cent. |

In this announcement, for illustration purposes only, RMB has been converted to HK\$ at the rate of RMB1:HK\$1.1. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at any of the above rates or at any other rates or at all.

By order of the Board
Bingo Group Holdings Limited
Chow Man Ki Kelly
Executive Director

Hong Kong, 25 February 2020

As at the date of this announcement, the Board comprises Mr. Chiau Sing Chi, Ms. Chow Man Ki Kelly and Mr. Lau Man Kit as executive Directors; Mrs. Chin Chow Chung Hang Roberta as non-executive Director; and Ms. Choi Mei Ping, Mr. Tsoi Chiu Yuk and Mr. Ong King Keung as independent non-executive Directors.

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

This announcement will remain on the “Latest Listed Company Information” page of the GEM website (www.hkgem.com) for at least 7 days from its date of publication and on the website of the Company (www.bingogroup.com.hk).