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## **BCI GROUP HOLDINGS LIMITED**

**高門集團有限公司**

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

**(Stock Code: 8412)**

### **THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 28 FEBRUARY 2018**

#### **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**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. 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 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This announcement, for which the directors (the “**Directors**”) of BCI Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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.*

*The board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated results of the Group for the nine months ended 28 February 2018, together with the unaudited comparative figures for the corresponding period in 2017 as set out below. Unless otherwise specified, terms used herein shall have the same meanings as those defined in the Company’s prospectus dated 24 March 2017 (the “**Prospectus**”).*

## **FINANCIAL HIGHLIGHTS**

The Group's revenue for the nine months ended 28 February 2018 was approximately HK\$68.3 million, representing a decrease of approximately 7.5% when compared with that of the corresponding period in 2017.

The Group recorded a loss and total comprehensive expense for the nine months ended 28 February 2018 of approximately HK\$11.0 million, while there was a loss and total comprehensive expenses of approximately HK\$1.8 million for the nine months ended 28 February 2017.

The Board did not recommend payment of any dividend for the nine months ended 28 February 2018.

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 28 February 2018

	Note	For the three months ended		For the nine months ended	
		28 February 2018 HK\$'000 (unaudited)	28 February 2017 HK\$'000 (unaudited)	28 February 2018 HK\$'000 (unaudited)	28 February 2017 HK\$'000 (unaudited)
Revenue	2	23,979	27,198	68,310	73,833
Finance income	3	152	–	315	–
Cost of inventories sold		(5,047)	(4,987)	(13,598)	(14,621)
Other income and gains		51	–	54	72
Property rentals and related expenses		(6,544)	(5,752)	(18,079)	(17,237)
Advertising and marketing expenses		(3,634)	(2,823)	(10,757)	(8,367)
Employee benefits expenses		(7,902)	(4,452)	(19,373)	(13,353)
Depreciation		(1,220)	(1,097)	(3,425)	(3,262)
Listing expenses		–	(354)	–	(8,545)
Other expenses		(5,038)	(2,913)	(14,653)	(9,004)
Operating (loss)/profit		(5,203)	4,820	(11,206)	(484)
Finance costs	3	(39)	–	(111)	–
(Loss)/profit before income tax		(5,242)	4,820	(11,317)	(484)
Income tax credit/(expense)	4	217	(859)	345	(1,352)
Total comprehensive (loss)/income for the period		(5,025)	3,961	(10,972)	(1,836)
(Loss)/profit and total comprehensive expense/(income) for the period attributable to:					
– Owners of the Company		(4,928)	3,912	(10,715)	(1,765)
– Non-controlling interests		(97)	49	(257)	(71)
		(5,025)	3,961	(10,972)	(1,836)
(Loss)/earnings per share attributable to owners of the Company					
– Basic and diluted (HK cents)	6	(0.06)	0.07	(0.13)	(0.03)

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the nine months ended 28 February 2018*

	Attributable to owners of the Company					Non- controlling interests	Total
	Share capital	Share Premium	Retained earnings/ (Accumulated losses)	Total	Total		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 June 2016 (audited)	–	–	11,974	11,974	–	–	11,974
Loss and total comprehensive expenses for the period	–	–	(1,765)	(1,765)	(71)	–	(1,836)
Transactions with owners:							
Share issued pursuant to the reorganisation	–*	5,100	–	5,100	–	–	5,100
Disposed of equity interest to a non-controlling interest	–	–	745	745	(120)	–	625
	<u>–*</u>	<u>5,100</u>	<u>745</u>	<u>5,845</u>	<u>(120)</u>	<u>–</u>	<u>5,725</u>
Balance at 28 February 2017 (unaudited)	<u>–*</u>	<u>5,100</u>	<u>10,954</u>	<u>16,054</u>	<u>(191)</u>	<u>–</u>	<u>15,863</u>
Balance at 1 June 2017 (audited)	8,000	56,525	3,206	67,731	(384)	–	67,347
Loss and total comprehensive expenses for the period	–	–	(10,715)	(10,715)	(257)	–	(10,972)
Balance at 28 February 2018 (unaudited)	<u>8,000</u>	<u>56,525</u>	<u>(7,509)</u>	<u>57,016</u>	<u>(641)</u>	<u>–</u>	<u>56,375</u>

\* The balance represents an amount less than HK\$1,000

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the nine months ended 28 February 2018*

## 1) GENERAL INFORMATION, BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands on 19 May 2016 and its registered office is located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business in Hong Kong is located at Basement, Ho Lee Commercial Building, No. 38-44 D' Aguilar Street, Central, Hong Kong. The shares of the Company were listed on the GEM of the Stock Exchange by way of share offer since 7 April 2017.

On 7 April 2017 (the "Listing Date"), a total of 200,000,000 Shares of HK\$0.01 each were offered under the share offer, of which 100,000,000 Shares, representing 50% of the total Offer Shares, were offered by way of placing. The remaining 100,000,000 Shares, representing 50% of the total Offer Shares, were offered under the public offer.

The Company is an investment holding company. The subsidiaries of the Company are principally engaged in the operation of clubbing and restaurant business in Hong Kong.

The unaudited condensed consolidated financial statements for the nine months ended 28 February 2018 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules.

Except as described below, the accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the nine months ended 28 February 2018 are consistent with those adopted in the preparation of accountants' report included in the Prospectus except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the "New and Revised HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA that are adopted for the first time for the current periods financial statements.

### (a) Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognized in profit or loss in the period in which they arise.

**(b) Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

**(c) Borrowing costs**

Borrowing costs are charged to profit or loss in the period in which they are incurred.

The adoption of the New and Revised HKFRSs has had no significant effect on the unaudited condensed consolidated financial statements for the nine months ended 28 February 2018 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the nine months ended 28 February 2018.

The Group has not applied any new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Group is currently assessing the impact of the adoption of such new and revised standards, amendments or interpretations to the Group but is yet to be in a position to state whether they would have any material financial impact on the Group's results of operations and financial position.

The unaudited condensed consolidated financial statements for the nine months ended 28 February 2018 have been prepared on the historical cost basis except for financial instruments classified as financial assets at fair value through profit or loss which are stated at fair values. The unaudited condensed consolidated financial statements for the nine months ended 28 February 2018 are presented in Hong Kong dollars ("HK\$"), which is the functional currency of the Company and its subsidiaries.

The unaudited condensed consolidated financial statements have not been audited by the Company's auditors, but have been reviewed by the audit committee of the Company.

**2) REVENUE**

The Group's principal activities are the operations of clubs and restaurants and entertainment business.

Revenue represents the amount received or receivable from the sales of food and beverages, entrance fees, sponsorship income and others (including tips, cloakroom fees, photobooth, event rental income and service income from an entertainment studio).

The Group's customer base is diversified and no individual customer had transactions which exceeded 10% of the Group's revenue during the period under review.

Revenue from the Group's principal activities during the period under review is as follows:

	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>28 February</b>	28 February	<b>28 February</b>	28 February
	<b>2018</b>	2017	<b>2018</b>	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)	<b>(unaudited)</b>	(unaudited)
Revenue from:				
Clubs and entertainment operation				
Net sales of beverage	<b>15,127</b>	20,843	<b>45,690</b>	53,557
Entrance fee	<b>965</b>	849	<b>3,221</b>	2,569
Sponsorship income	<b>757</b>	668	<b>3,072</b>	2,761
Others	<b>1,406</b>	245	<b>2,591</b>	1,110
	<u><b>18,255</b></u>	<u>22,605</u>	<u><b>54,574</b></u>	<u>59,997</u>
Restaurants operation				
Net sales of food and beverage	<b>5,720</b>	4,586	<b>13,727</b>	13,731
Others	<b>4</b>	7	<b>9</b>	105
	<u><b>5,724</b></u>	<u>4,593</u>	<u><b>13,736</b></u>	<u>13,836</u>
Total revenue	<u><b>23,979</b></u>	<u>27,198</u>	<u><b>68,310</b></u>	<u>73,833</u>

### 3) FINANCE INCOME/FINANCE COSTS

	For the three months ended		For the nine months ended	
	28 February	28 February	28 February	28 February
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Finance income				
– Interest received from financial assets at fair value through profit or loss	152	–	315	–
Finance costs				
– interest expenses on secured short term bank loan by the Group's financial assets at fair value through profit or loss	(39)	–	(111)	–
Finance income – net	<u>113</u>	<u>–</u>	<u>204</u>	<u>–</u>

### 4) TAXATION

The Group is subject to income tax on profits arising in or derived from Hong Kong, being its principal place of business. The income tax expense in the unaudited condensed consolidated statement of comprehensive income during the period under review represents:

	For the three months ended		For the nine months ended	
	28 February	28 February	28 February	28 February
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current income tax	7	(1,045)	(10)	(1,364)
Deferred tax	210	186	355	12
Income tax credit/(expense)	<u>217</u>	<u>(859)</u>	<u>345</u>	<u>(1,352)</u>

Pursuant to the rules and regulations of Cayman Islands, the Group is not subject to any taxation under the jurisdictions of Cayman Islands.

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the period under review.



5) **DIVIDEND**

No dividends were paid, declared and proposed by the Company during the nine months ended 28 February 2018 and 2017.

6) **(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY**

	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>28 February</b>	28 February	<b>28 February</b>	28 February
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)	<b>(unaudited)</b>	(unaudited)
(Loss)/Profit attributable to owners of the Company (HK\$'000)	<u><b>(4,928)</b></u>	<u>3,912</u>	<u><b>(10,715)</b></u>	<u>(1,765)</u>
Weighted average number of ordinary shares for the purpose of calculating basic losses per share (in thousands)	<u><b>800,000</b></u>	<u>600,000</u>	<u><b>800,000</b></u>	<u>600,000</u>

The number of ordinary shares for the purpose of calculating basic losses per share has been determined on the assumption that the reorganisation and the capitalisation issue as disclosed in the Prospectus had been effective on 1 June 2016.

No diluted losses per share for the periods was presented as there were no potential ordinary shares in issue during the periods.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Group is a food and beverage, lifestyle and entertainment group based in Hong Kong that owns and operates two night clubs and an entertainment studio, namely Volar, Fly and Maximus Studio; and four restaurants focusing on Japanese-style curry dishes under the proprietary “Tiger” brand.

### **BUSINESS REVIEW AND OUTLOOK**

During the nine months ended 28 February 2018 and up to the date of this announcement, the Group had been principally engaged in the operation of clubbing and entertainment and restaurant business in Hong Kong.

#### **Operation of clubbing and entertainment business**

During the period under review, the Group strategically positions two clubs and an entertainment studio, namely Volar, Fly and Maximus Studio, to cover different segments of the night lifestyle, club and entertainment market. Volar targets customers with strong spending power and aims to provide a premium clubbing experience, while Fly aims to appeal to the younger white collar professionals and university students and graduates and provide a high-end clubbing lifestyle experience and Maximus Studio is working to achieve a lifestyle designed by the customers and is a place to build a greatest self. The revenue generated from operation of clubbing and entertainment business decreased by approximately HK\$5.4 million, or approximately 9.0%, from approximately HK\$60.0 million for the nine months ended 28 February 2017 to approximately HK\$54.6 million for the nine months ended 28 February 2018. Such decrease was mainly due to the result of rising competition in clubbing business and the decrease in sale of prepaid beverage packages to our customers.

#### **Operation of restaurant business**

During the period under review, the Company owned four “Tiger” branded restaurants which aimed to provide a contemporary Japanese dining experience in a relaxing atmosphere for their customers. Tiger Curry, Tiger Curry & Café and Tiger San are casual dining restaurants while Tiger Curry Jr. is a quick service restaurant. The Group seeks to distinguish itself from other local casual dining and quick service restaurant concepts by creating food menus centered on Japanese-style curry dishes yet at the same time offering a variety of other Japanese dishes with broad appeal. The revenue generated from operation of restaurant business decreased by approximately HK\$0.1 million, or approximately 0.7%, from approximately HK\$13.8 million for the nine months ended 28 February 2017 to approximately HK\$13.7 million for the nine months ended 28 February 2018. The decrease in revenue was primarily attributable to the result of the rising competition and general downturns in the food and beverage industry and partially offset by the increase by revenue contributed from Tiger San which was opened on 16 December 2017.

## **Outlook**

The food and beverage, lifestyle and entertainment industry is always challenging, dynamic with keen competitions. The demand for our clubbing business is highly susceptible to the changing lifestyle trends and tastes. Operating in a competitive business, the Group recognises a renovation would provide an opportunity for us to update our venues, refresh our brand image and attract customers. We plan to upgrade and renovate Fly in or around the second quarter of 2018 and Volar in or around the third quarter of 2018 to ensure that each remains attractive to our customers.

To expand our market share in clubbing and entertainment industry, we opened an entertainment studio, Maximus Studio, in the heart of Sheung Wan on 21 January 2018.

To expand our market share in food and beverage industry, we opened a restaurant under our “Tiger” brand on 16 December 2017 at Maritime Square II Tsing Yi.

The Group’s strategy remains unchanged and diversifies our outlet network by adopting the following key business strategies:

### ***Upgrade our club facilities***

The Group undertakes minor renovations for our clubs on an as-needed basis depending on the condition of our equipment and facilities.

### ***Expand our market share in food and beverage, lifestyle and entertainment industry***

The Group entered into two tenancy agreements with two independent third parties on 20 February 2018 and on 16 March 2018, respectively, for properties in Sheng Wan, whereby, the Group intends to open a “Tiger” brand restaurant and a sport-themed bar by the end of May 2018 and June 2018, respectively.

Despite the keen competition and challenging operating environment in the food and beverage, lifestyle and entertainment industry in Hong Kong, the Group is still looking for business opportunities to enhance the market share in both clubbing and entertainment and restaurant business, in the meantime, the Group will continue to refine the business strategy to cope with the continuing challenges.

## **FINANCIAL REVIEW**

### **Revenue**

During the period under review, the Group’s revenue was generated from the operation of clubbing and entertainment and restaurant business in Hong Kong. As at 28 February 2018, the Group was operating two clubs, one entertainment studio and four restaurants located in Hong Kong.

The Group recognised revenue from (a) the clubbing and entertainment operations when (i) sales of beverages were delivered; (ii) services were provided or other products were delivered (including tips, cloakroom fees, photobooth, event rental income and service income from an entertainment studio) to its customers; and (b) the restaurant operations when food and beverage and other related service have been rendered.

The table below sets forth the breakdown of the revenue by clubbing and entertainment and restaurant operations for the period under review:

	For the three months ended				For the nine months ended			
	28 February 2018		28 February 2017		28 February 2018		28 February 2017	
	<i>% of total</i>		<i>% of total</i>		<i>% of total</i>		<i>% of total</i>	
	<i>HK\$'000</i>	<i>revenue</i>	<i>HK\$'000</i>	<i>revenue</i>	<i>HK\$'000</i>	<i>revenue</i>	<i>HK\$'000</i>	<i>revenue</i>
	(unaudited)	(unaudited)		(unaudited)	(unaudited)	(unaudited)		(unaudited)
Clubbing and entertainment operations	18,255	76.1	22,605	83.1	54,574	79.9	59,997	81.3
Restaurant operations	5,724	23.9	4,593	16.9	13,736	20.1	13,836	18.7
Total	<u>23,979</u>	<u>100.0</u>	<u>27,198</u>	<u>100.0</u>	<u>68,310</u>	<u>100.0</u>	<u>73,833</u>	<u>100.0</u>

The revenue generated from operation of clubbing and entertainment business decrease by approximately HK\$5.4 million, or approximately 9.0%, from approximately HK\$60.0 million for the nine months ended 28 February 2017 to approximately HK\$54.6 million for the nine months ended 28 February 2018. Such decrease was mainly due to the result of rising competition in clubbing business and the decrease in sale of prepaid beverage packages to our customer.

The revenue generated from operation of restaurant business decreased by approximately HK\$ 0.1 million, or approximately 0.7%, from approximately HK\$13.8 million for the nine months ended 28 February 2017 to approximately HK\$13.7 million for the nine months ended 28 February 2018. The decrease in revenue was primarily attributable to the result of the rising competition and general downturns in the food and beverage industry and partially offset by the increase by revenue contributed from Tiger San which was opened on 16 December 2017.

### Cost of inventories sold

The cost of inventories sold mainly represents the cost of beverage and food ingredients used in the Group's clubbing and entertainment and restaurant operations. The major beverage and food ingredients purchased by the Group includes, but is not limited to, champagne, frozen food, dried food, etc.. The cost of inventories sold was one of the components of the operating expenses which decreased by approximately HK\$1.0 million, or approximately 7.0%, from approximately HK\$14.6 million for the nine months ended 28 February 2017 to approximately HK\$13.6 million for the nine months ended 28 February 2018. The decrease was mainly due to the decrease in revenue of clubbing and restaurant operations.

## **Property rentals and related expenses**

Property rentals and related expenses primarily represent the rental payments under operating leases and property management fee paid for the club premises, restaurants and office premises. The property rentals and related expenses were the largest component of the operating expenses which increase by approximately HK\$0.9 million, or approximately 4.9%, from approximately HK\$17.2 million for the nine months ended 28 February 2017 to approximately HK\$18.1 million for the nine months ended 28 February 2018. The increase was mainly due to property rentals and related expenses incurred by our Tiger San and Maximus Studio which were opened on 16 December 2017 and 21 January 2018, respectively.

## **Advertising and marketing expenses**

Advertising and marketing expenses primarily consist of advertising and promotional expenses such as the cost of engaging resident and guest DJs and the expenses incurred for engaging a public relations company for the provision of marketing and promotion services to the Group's clubbing and restaurant operations. The advertising and marketing expenses increased by approximately HK\$2.4 million, or approximately 28.6%, from approximately HK\$8.4 million for the nine months ended 28 February 2017 to approximately HK\$10.8 million for the nine months ended 28 February 2018. The increase was mainly due to the increase in advertising and marketing expenses on the featured events which included night entertainment events (i) lead by an internationally renowned guest DJ; or (ii) based on festive and holiday themes, for the nine months ended 28 February 2018.

## **Employee benefits expenses**

Employee benefits expenses primarily consisted of all salaries and benefits payable to all employees and staff, including the executive director, headquarters staff and operational staff in each outlet. The employee benefits expenses increased by approximately HK\$6.0 million, or approximately 45.1%, from approximately HK\$13.4 million for the nine months ended 28 February 2017 to approximately HK\$19.4 million for the nine months ended 28 February 2018. The increase was primarily due to the increase in staff cost as a result of additional staff in our head office after Listing, the discretionary bonus of approximately HK\$5.4 million for the year ending 31 May 2018 paid/payable to directors, senior management and employee of the Company after Listing with reference to the Group's and individual's performance and the increase in staff costs as a result the expansion of our clubbing, entertainment and restaurant operations.

## **Depreciation**

Depreciation represents the depreciation charge for property, plant and equipment, including, among others, leasehold improvements, furniture, fixtures and equipment and motor vehicles. Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The depreciation remained relatively stable at approximately HK\$3.3 million and HK\$3.4 million for the nine months ended 28 February 2017 and 2018, respectively.

## **Listing expenses**

Listing expenses of approximately HK\$8.5 million were recognised for the nine months ended 28 February 2017. No such expenses were incurred for the nine months ended 28 February 2018.

## **Other expenses**

Other expenses mainly represents security expenses for the clubs, credit card commissions, repairs and maintenance costs, cleaning expenses and professional fee. The other expenses increased by approximately HK\$5.7 million, or approximately 62.7%, from approximately HK\$9.0 million for the nine months ended 28 February 2017 to approximately HK\$14.7 million for the nine months ended 28 February 2018. Such increase was mainly due to the (i) additional professional fee paid after Listing, (ii) the increase in other expenses in line with our business expansion and (iii) loss of the change in fair value of financial assets.

## **Loss before income tax credit/expense**

As a result of the cumulative factors discussed above, the loss before income tax credit/expense increased from approximately HK\$0.5 million for the nine months ended 28 February 2017 to approximately HK\$11.3 million for the nine months ended 28 February 2018.

## **Loss and total comprehensive expenses for the period**

As a result of the cumulative factors discussed above, the loss and total comprehensive expenses increased from approximately HK\$1.8 million for the nine months ended 28 February 2017 to approximately HK\$11.0 million for the nine months ended 28 February 2018.

## **USE OF PROCEEDS**

Based on the offer price of HK\$0.34 per offer share, the net proceeds from the Listing, after deducting the underwriting commission and other estimated expenses, amounted to approximately HK\$43.9 million. The Group intended to apply such net proceeds in accordance with the purposes set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

	<b>Adjusted allocation of net proceeds as at 28 February 2018 HK\$'000</b>	<b>Amount utilised as at 28 February 2018 HK\$'000</b>	<b>Amount unutilised as at 28 February 2018 HK\$'000</b>
Continue to expand and diversify our outlet network	26,248	2,902	23,346
Upgrade our club facilities	16,153	1,631	14,522
Working capital and other general purpose	1,492	1,492	–
<b>Total</b>	<b>43,893</b>	<b>6,025</b>	<b>37,868</b>

The unutilised net proceeds from the Listing are placed in the bank accounts of the Group.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

There are certain risks involved in the operations of the Group's business. Set forth below are some of the major risks that could materially and adversely affect the Group.

- 1) In order to expand and diversify our outlet network, we expect to establish sports themed bars and set up more restaurants in Hong Kong. The food and beverage and entertainment industry in Hong Kong is highly competitive. Our ability to successfully open new outlets is subject to a number of risks and uncertainties, including identifying suitable locations and/ or securing leases on reasonable terms, timely securing necessary governmental approvals and licences, ability to hire quality personnel, timely delivery in decoration and renovation works, securing sufficient customer demand, securing adequate suppliers and inventory that meet our quality standards on timely basis, reducing potential cannibalisation effects between the locations of our outlets and the general economic conditions. The costs incurred in opening of new outlets and the expansion plans may place substantial strain on our managerial, operational and financial resources. As such, we cannot assure that we can always operate the expanded network on a profitable basis or that any new outlet will reach the planned operating levels. If any new outlet experiences prolonged delays in breaking even or achieving our desired level of profitability or operate at a loss, our operational and financial resources could be strained and our overall profitability could be affected.
- 2) For the nine months ended 28 February 2017 and 2018, revenue generated from Volar accounted for approximately 65.9% and 65.9 % of our total revenue, respectively. Our success therefore depends significantly on our ability to attract beverage sales, entrance income and market our other offerings under our "Volar" brand, which in turn depends on, among other things, the market perception and acceptance of the brand. Negative publicity about our "Volar" brand, the premises on which Volar operates or its offerings, us or our management could



materially and adversely affect public perception of this brand. Any significant operational or other difficulties in the business at or from Volar may reduce, disrupt or halt our operation and business at the premises, which would materially and adversely affect our business, prospects, reputation, financial condition and results of operation. Experiencing problems in operation which result in the need to close the club temporarily or permanently will materially and adversely affect our results of operations and financial condition.

- 3) As we lease or license all of the properties on which our outlets operate, we are exposed to the fluctuations in the commercial real estate market. There is no objective way for us to accurately predict the rental rates in the commercial real estate market in Hong Kong, and our substantial operating lease obligations expose us to potentially significant risks, including increasing our vulnerability to adverse economic conditions, limiting our ability to obtain additional financing and reducing our cash available for other purposes. Any non-renewal (whether a result of the landlord's or licensor's or our decision) or termination of any of our leases or licence or substantial increased rentals or licence fees could cause us to close the relevant outlet or relocate to another site, depending on our business needs or performance from time to time. In such events, we could face a drop in sales, write off leasehold improvements, and could incur relocation costs for renovation, removal and resources allocation, which could in turn result in financial strain in our operations and diversion of management resources.
- 4) For the nine months ended 28 February 2017 and 2018, purchases from our largest supplier accounted for approximately 55.0% and 56.8% of our total purchases, respectively. We make purchases from the supplier under individual purchase order, and have not entered into any long-term contracts. If the supplier for any reason reduces the volume supplied to us or cease to supply to us, we will need to find alternative suppliers on similar sale terms and conditions acceptable to us. If we fail to do so in a timely manner, the operations of our clubs will be interrupted, our costs may increase and our business, financial condition, results of operations and growth prospects may therefore be materially and adversely affected.

To address the above risks and uncertainties, the Directors will closely monitor the progress of the expansion plan, to operate the expanded network on a profitable basis timely. The Directors will also continue to explore opportunities to diversify our operation so that we could reduce our reliance on Volar and the largest supplier. The Directors will continue to review and evaluate the business objective and strategy and make timely execution taking into account the business risks and market uncertainties.



## DISCLOSURE OF ADDITIONAL INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the date of this announcement, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of 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")) which were 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 are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

#### Long positions in the shares as at the date of this announcement

Name	Capacity/Nature of Interest	Number of shares	Percentage of shareholding
Ng Shing Joe Kester ("Mr. Kester Ng") ( <i>Note 1</i> )	Interest in controlled corporation	371,520,000	46.44%

#### Notes:

1. Mr. Kester Ng beneficially owns 100% of the issued share capital of Aplus Concept Limited. By virtue of the SFO, Mr. Kester Ng is deemed to be interested in 371,520,000 shares held by Aplus Concept Limited.

Save as disclosed above, none of the Directors and chief executive of the Company has any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at the date of this announcement, the interests and short positions of substantial shareholders and other persons (not being a Director or chief executive of the Company) in the shares and underlying shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

### Long positions in the shares as at the date of this announcement

Name	Capacity/ Nature of Interest	Number of shares	Percentage of shareholding
Aplus Concept Limited (Note 1)	Beneficial owner	371,520,000	46.44%
Louey Andrea Alice (Note 2)	Interest of spouse	371,520,000	46.44%
Chung Cho Yee, Mico (Note 3)	Interest in controlled corporation	159,180,000	19.90%
Digisino Assets Limited (Note 3)	Interest in controlled corporation	159,180,000	19.90%
Earnest Equity Limited (Note 3)	Interest in controlled corporation	159,180,000	19.90%
CSI Properties Limited (Note 4)	Interest in controlled corporation	159,180,000	19.90%
Phoenix Year Limited (Note 5)	Beneficial owner	159,180,000	19.90%

*Notes:*

1. The entire issued share capital of Aplus Concept Limited is wholly-owned by Mr. Kester Ng.
2. Ms. Louey Andrea Alice is the spouse of Mr. Kester Ng. By virtue of the SFO, Ms. Louey Andrea Alice is deemed to be interested in the same number of shares in which Mr. Kester Ng is deemed to be interested under the SFO.

3. Mr. Chung Cho Yee, Mico (“Mr. Chung”) owns the entire interest of Digisino Assets Limited (“Digisino”) which in turn owns the entire interest in Earnest Equity Limited (“Earnest Equity”). Earnest Equity and Mr. Chung own approximately 48.88% and 0.03% of the entire issued shares capital of CSI Properties Limited respectively. Therefore, Mr. Chung, Digisino and Earnest Equity are deemed to be interested in the same number of shares held by CSI Properties Limited under SFO.
4. CSI Properties Limited is deemed to be interested in the same number of shares held by Phoenix Year Limited under the SFO.
5. The entire issued share capital of Phoenix Year Limited is wholly-owned by CSI Properties Limited.

Save as disclosed above, on the Listing Date, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the shares or underlying shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

### **SHARE OPTION SCHEME**

The Company has conditional adopted a share option scheme (the “Share Option Scheme”) on 14 March 2017. For the principal terms of the Share Option Scheme, please refer to “Other Information – 15. Share option scheme” in Appendix IV to the Prospectus.

Up to the date of this announcement, no share option has been granted, lapsed, exercised or cancelled by the Company pursuant to such Share Option Scheme.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the nine months ended 28 February 2018.

### **DIRECTORS’ INTERESTS IN CONTRACTS**

For the nine months ended 28 February 2018, no Director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

### **DIRECTORS’ AND CONTROLLING SHAREHOLDERS’ COMPETING INTERESTS**

For the nine months ended 28 February 2018, save as disclosed in the annual report for the year ended 31 May 2017, none of the directors or controlling shareholder of the Company or any of their respective close associates (as defined under the GEM Listing Rules) has interest or engaged in any business that compete or may compete with the business of the Group, or have any other conflict of interests with the Group.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted written guidelines regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries to all Directors, the Directors confirmed that they have complied with the required standard of dealings and the said guidelines regarding Directors' securities transactions up to the date of this announcement.

## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

The Directors consider that up to the date of this announcement, the Company has applied the principles and complied with all the applicable code provisions set out in Appendix 15 — Corporate Governance Code to the GEM Listing Rules.

## **INTERESTS OF THE COMPLIANCE ADVISER**

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Lego Corporate Finance Limited (“Lego”) to be the compliance adviser. Except for the compliance adviser agreement dated 22 August 2016, neither Lego nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules for the nine months ended 28 February 2018.

## **AUDIT COMMITTEE AND REVIEW OF ACCOUNTS**

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company established an audit committee (the “Audit Committee”) with written terms of reference aligned with the provision of the code provisions set out in Appendix 15 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. As at the date of this announcement, the Audit Committee comprises Mr. Wong Sui Chi (chairman), Mr. Li Lap Sun and Mr. Ng Kwok Kei Sammy, all of whom are independent non-executive Directors.

The Audit Committee had reviewed the accounting principles and practices adopted by the Group and are of the view that the third quarterly report has been prepared in compliance with the applicable accounting standard, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure has been made. The condensed consolidated financial results for the nine months ended 28 February 2018 are unaudited, but have been reviewed by the Audit Committee.

## **DIVIDEND**

No dividend has been paid or declared by the Company, or by any of the companies now comprising the Group for the nine months ended 28 February 2017 and 2018.

## **MATERIAL ACQUISITION AND DISPOSAL**

The Group did not have any material acquisition or disposal of subsidiaries or associates during the nine months ended 28 February 2018.

## **PUBLICATION OF THIRD QUARTERLY REPORT**

The 2017/18 third quarterly report of the Company containing all the information required by the GEM Listing Rules will be despatched to the shareholders of the Company pursuant to Rule 18.03 of the GEM Listing Rules.

By order of the Board  
**BCI Group Holdings Limited**  
**Ng Shing Joe Kester**  
*Chairman and executive Director*

Hong Kong, 11 April 2018

*As at the date of this announcement, the executive Directors are Mr. Ng Shing Joe Kester and Ms. Lau Sze Yuen, the non-executive Director is Mr. Kan Sze Man and the independent non-executive Directors are Mr. Wong Sui Chi, Mr. Li Lap Sun and Mr. Ng Kwok Kei Sammy.*

*This announcement will remain on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the date of its posting. This announcement will also be published on the Company's website at [www.bciigroup.com.hk](http://www.bciigroup.com.hk).*