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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)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus of BCI Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 24 March 2017 (the “**Prospectus**”) relating to the share offer (the “**Share Offer**”) and the listing of the Company’s shares on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Unless otherwise specified herein, capitalised terms used in this announcement have the same meanings as those defined in the Prospectus.

The Board wishes to inform the Shareholders and potential investors that it resolved to change the intended uses of the net proceeds from the Share Offer.

USE OF PROCEEDS

The actual amount of the net proceeds from the Share Offer, after deducting the underwriting commission and other expenses in relation thereto, was approximately HK\$43.9 million (the “**Net Proceeds**”). As set out in the section headed “Future plans and use of proceeds” in the Prospectus, the Company intended to use the Net Proceeds for the following purposes:

- approximately 59.8% of the Net Proceeds will be used for continuing to expand and diversify the outlet network of the Group, among which:
 - approximately 44.3% of the Net Proceeds will be used for establishing two sports-themed bars;
 - approximately 15.5% of the Net Proceeds will be used for establishing two standalone restaurants and two food court restaurants;
- approximately 36.8% of the Net Proceeds will be used for upgrading the club facilities of the Group among which:
 - approximately 26.5% of the Net Proceeds will be used for covering the decoration, furniture and fixture expenses for Volar; and
 - approximately 10.3% of the Net Proceeds will be used for covering the decoration, furniture and fixture expenses for Fly; and
- approximately 3.4% of the Net Proceeds will be used for general working capital of the Group.

CHANGE IN USE OF PROCEEDS

As at the date of this announcement, approximately HK\$8.6 million of the Net Proceeds had been utilised and applied for those intended uses as mentioned hereinabove. On 11 May 2018, the Board resolved to change the proposed uses of the Net Proceeds. Details of the original allocation of the Net Proceeds, the revised allocation of the Net Proceeds, the utilisation of the Net Proceeds as at the date of this announcement and the remaining balance after the revised allocation of the Net Proceeds are set out as follows:

| Uses of the Net Proceeds | Original allocation HK\$ million | Revised allocation HK\$ million | Utilised Net Proceeds as at the date of this announcement HK\$ million | Remaining balance after revised allocation HK\$ million |
|---|-------------------------------------|------------------------------------|---|--|
| Continuing to expand and diversify the outlet network of the Group | | | | |
| – Establishing two sports-themed bars | 19.5 | 12.0 | 1.9 | 10.1 |
| – Establishing two standalone restaurants and two food court restaurants | 6.8 | 6.8 | 3.5 | 3.3 |
| | <u>26.3</u> | <u>18.8</u> | <u>5.4</u> | <u>13.4</u> |
| Upgrading the club facilities of the Group | | | | |
| – Renovating and refurbishing Volar | 11.6 | 6.7 | 0.2 | 6.5 |
| – Renovating and refurbishing Fly | 4.5 | 9.4 | 1.5 | 7.9 |
| | <u>16.1</u> | <u>16.1</u> | <u>1.7</u> | <u>14.4</u> |
| Increasing marketing effort of the Group | - | 3.7 | - | 3.7 |
| Enhancing corporate image of the Group | - | 1.0 | - | 1.0 |
| General working capital of the Group | 1.5 | 4.3 | 1.5 | 2.8 |
| | <u>43.9</u> | <u>43.9</u> | <u>8.6</u> | <u>35.3</u> |

REASONS FOR CHANGE IN USE OF PROCEEDS

Continuing to expand and diversify the outlet network of the Group

The Group originally planned to diversify and expand its presence in the night entertainment industry by establishing two sports-themed bars.

As at the date of this announcement, one of the sports-themed bars, which is currently wholly owned by the Group, will be opened in Sheung Wan by the end of June 2018. The Group is in the process of negotiation with certain joint venture partner(s) (the “**Potential JV Partner(s)**”), who is / are Independent Third Party(ies), to operate such sports-themed bar. The Board considers that the Group could leverage on the experience in hospitality and property development industry of the Potential JV Partner(s) to expand into the sports-themed bar market. It is the intention of the management of the Company that, upon the formation of the potential joint venture with the Potential JV Partner(s), the Group will hold 51% interest and remain control in the potential joint venture. As such, the cost for establishing such sports-themed bar will be shared by the Potential JV Partner(s) and will be reduced accordingly. As at the date of this announcement, the Group has entered into a tenancy agreement in respect of the premises of such sports-themed bar in Sheung Wan, and incurred approximately HK\$1.9 million for its establishment.

In respect of the second sports-themed bar, the Group has not yet located suitable premises for it as at the date of this announcement. However, the Board is inclined to adopt a similar strategy by

looking for opportunities to operate the second sports-themed bar under a joint venture structure. On this basis, the cost for establishing the second sports-themed bar can also be reduced. Hence, the Board resolved to reduce amount of Net Proceeds originally allocated for the establishment of the second sports-themed bar.

The Board resolved to reallocate a total of approximately HK\$7.5 million of the unutilised Net Proceeds for establishing two sports-themed bars as follows: (a) approximately HK\$3.7 million will be reallocated to increase marketing effort of the Group; (b) approximately HK\$1.0 million will be reallocated to enhance the corporate image of the Group; and (c) approximately HK\$2.8 million will be reallocated to general working capital of the Group respectively.

Upgrading the club facilities of the Group

Renovating and refurbishing Volar

The Company originally allocated approximately HK\$11.6 million to renovate and refurbish Volar, one of the night entertainment clubs of the Group. The Company originally planned to renovate the whole Volar, which has two distinct sections, namely the front section and the backend section. As at the date of this announcement, approximately HK\$0.2 million had been incurred for the renovation and refurbishment of the whole Volar.

In connection with the implementation of the renovation and refurbishment of Volar, the Board has been closely monitoring the current levels of usage of the facilities and customers' feedback. In particular, the Board has taken into account the following factors in determining the current scale of renovation: (i) all music equipment was upgraded in 2013 when Volar came under the Group's operation and the conditions of such equipment are still satisfactory; (ii) more upkeep and maintenance work in Volar were performed from time to time and more repair and maintenance expenses for such upkeep has been incurred since the Share Offer; (iii) feedback about the current physical layout and condition of the backend section continues to be positive; (iv) feedback about the front section indicates that there is room for improvement of the physical layout and condition; and (v) the spending data of each section captured in the POS system also suggests that customers tend to stay and spend more in the backend section.

On the basis of the above, the Board decides to conduct a major renovation in the front section and only minor renovation and maintenance works will be conducted in the backend section.

The Board resolved to reallocate approximately HK\$4.9 million of the unutilised Net Proceeds from renovating and refurbishing Volar to renovate and refurbish Fly.

Renovating and refurbishing Fly

The Company originally allocated approximately HK\$4.5 million to renovate and refurbish Fly, the other night entertainment clubs of the Group. Fly is predominantly an electronic music-themed club and is aimed at the younger white collar professionals and university students and graduates.

In view of the changing lifestyle trends and tastes that the clubbing business is highly susceptible to, the Board considers that the customers are looking for a different experience and a boutique bar will be more appealing to the current market demand. The Board decides to change the theme of Fly to a more sophisticated, high-end and contemporary bar with no dance floor, offering a variety of entertainment such as live band show and international DJ's performance. The Group has engaged an internationally acclaimed interior designer to design the venue. Such change will be able to refresh

the image and brand of the Group and broaden the customer base. Therefore, a major renovation in Fly will be carried out, resulting in a higher renovation and refurbishment cost.

As at the date of this announcement, approximately HK\$1.5 million had been incurred for the renovation and refurbishment of Fly. The Board resolved to reallocate approximately HK\$4.9 million of the unutilised Net Proceeds from renovating and refurbishing Volar to renovate and refurbish Fly.

Increasing marketing effort of the Group

Against the background of increasing competition and in view of the upcoming grand openings of the sports-themed bars and restaurants, more marketing effort will be required to enhance the awareness of their establishment. The Board intends to increase its effort on social media marketing, placing advertisement on magazines, organising promotion events and inviting guests for the grand opening. After the renovation and maintenance works of Volar and Fly have been carried out / completed, additional marketing expenses shall be incurred to promote and enhance the awareness of their brand new images. The Board plans to host featured events and invite internationally renowned DJs to perform in both Volar and Fly.

Hence, the Board resolved to reallocate approximately HK\$3.7 million of the unutilised Net Proceeds from establishing two sports-themed bars to increase marketing effort of the Group.

Enhancing corporate image of the Group

In view of the keen competition in the entertainment market, the Board is of the view that brand recognition is one of the key factors to success. The Group plans to arrange its sales and marketing team to attend and participate in international music festivals and overseas events in order to increase worldwide exposure of the Group, establish networks with international renowned DJs and create a higher profile and corporate image of the Group. The Board also considers that this would be part of the training to be provided to the sales and marketing team members of the Group to enhance their knowledge and gain experience and inspiration.

Hence, the Board resolved to reallocate approximately HK\$1.0 million of the unutilised Net Proceeds from establishing two sports-themed bars to enhance the corporate image of the Group.

As general working capital of the Group

The Board resolved to change the original use of the Net Proceeds by reallocating approximately HK\$2.8 million (out of a total of approximately HK\$7.5 million) of the unutilised Net Proceeds from establishing two sports-themed bars to general working capital of the Group.

Save for the aforesaid changes, there is no other change in the uses of the Net Proceeds. The Directors (including the independent non-executive Directors) confirm that there is no material change in the nature of business of the Group as set out in the Prospectus. The Directors (including the independent non-executive Directors) consider that the above changes in the uses of the Net Proceeds are fair and reasonable, as they would allow the Company to deploy its financial resources more effectively to support daily business of the Group and strengthen the Group's corporate image and marketing position. The Directors (including the independent non-executive Directors) further consider that such changes will allow the Group to better accommodate with the changing market conditions and are therefore in the interests of the Group and the Shareholders as a whole.

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

Hong Kong, 11 May 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, 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 beliefs 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 Stock Exchange's website at www.hkexnews.hk and the GEM website at www.hkgem.com on the "Latest Listed Company Information" 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.