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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)

### **DISCLOSEABLE TRANSACTION IN RELATION TO THE NEW LEASE AGREEMENT**

#### **THE NEW LEASE AGREEMENT**

The Board is pleased to announce that on 1 June 2020, Crown Grand, an indirect wholly-owned subsidiary of the Company, entered into the New Lease Agreement as tenant with Top Smarties, an Independent Third Party, as landlord in respect of the leasing of the Premises for a term of three years commencing from 1 August 2020 to 31 July 2023 (both days inclusive) for the operation of the Group's entertainment business.

#### **IMPLICATIONS UNDER THE GEM LISTING RULES**

According to HKFRS 16 which is effective from 1 January 2019, the Group, if entering into lease transaction as a lessee should recognize the Premises as the right-of-use asset in the consolidated financial statements of the Company. As such, the entering into the New Lease Agreement and the transactions contemplated there under will be regarded as an acquisition of asset by the Group under the definition of transaction as set out in Rule 19.04(1)(a) of the GEM Listing Rules.

As one or more of the applicable percentage ratios calculated pursuant to Rule 19.07 of the GEM Listing Rules in respect of the New Lease Agreement exceeds 5% but less than 25%, the New Lease Agreement constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the notification and announcement requirements but exempt from Shareholders' approval requirement under the GEM Listing Rules.

#### **INTRODUCTION**

The Board is pleased to announce that on 1 June 2020, Crown Grand, an indirect wholly-owned subsidiary of the Company, entered into the New Lease Agreement as tenant with Top Smarties, an Independent Third Party, as landlord in respect of the leasing of the Premises for a term of three years commencing from 1 August 2020 to 31 July 2023 (both days inclusive) for the operation of the Group's food and beverage and entertainment business.

## KEY TERMS OF THE NEW LEASE AGREEMENT

Date:	1 June 2020
Parties:	(i) Top Smarties Limited, an Independent Third Party, as the landlord (ii) Crown Grand Limited, an indirect wholly-owned subsidiary of the Company, as the tenant
Premises:	The whole of the 25th Floor and the 26th Floor of California Tower, Nos. 30-36, D'Aguilar, Central, Hong Kong
Term:	Three years commencing on 1 August 2020 and expiring on 31 July 2023 (both days inclusive)
Use of the Premises:	The tenant shall use the Premises solely as a food and beverage outlet
Monthly rental:	(i) For the period from 1 August 2020 to 31 July 2021 (both days inclusive), the base rent shall be HK\$650,000.00 per calendar month; (ii) For the period from 1 August 2021 to 31 July 2022 (both days inclusive), the base rent shall be HK\$685,000.00 per calendar month; and (iii) For the period from 1 August 2022 to 31 July 2023 (both days inclusive), the base rent shall be HK\$785,000.00 per calendar month.
Rent free period:	Under the New Lease Agreement, the tenant shall enjoy a six months' rent free period during the term. During the rent free period, the management fee and other relevant expenses should be borne by the tenant.
Rates:	The tenant shall pay rates charged on the Premises as assessed by the government of Hong Kong from time to time
Security deposit:	A cash deposit of HK\$2,291,556, bring the sum of three months' rent and management fee and a quarter government rates shall be paid to the landlord on signing of the formal lease agreement
Option to renew:	The tenant shall have an option to renew the lease for a further term of three years from the expiration of the term at the prevailing market rent or HK\$785,000 per calendar month, whichever is higher

The rent payable by the tenant under the New Lease Agreement was determined after arm's length negotiations between the landlord and the tenant with reference to the prevailing market rent for properties of similar use, floor area and location.

The monthly rental, the security deposit and the stamp duty will be paid through the Group's internal source of funding and the net proceeds from the Listing.

## RIGHT-OF-USE ASSETS

Pursuant to HKFRS 16, the tenancy of the Premises will be recognized as right-of-use assets for an amount of approximately HK\$20.3 million, which is calculated with reference to the present value of the aggregated lease payments to be made under the New Lease Agreement.

## **REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE NEW LEASE AGREEMENT**

The Group is principally engaged in food and beverage and entertainment industry based in Hong Kong. Currently, the Group is operating (i) two night clubs, namely Volar and Mudita (formerly known as Fly); (ii) a sports-themed bar, namely Paper Street; (iii) an entertainment studio, namely Maximus Studio; and (iv) one restaurant focusing on Japanese-style dishes under the proprietary “Tiger” brand, namely Tiger San.

The food and beverage, lifestyle and entertainment industry in Hong Kong is facing a very challenging period amid the social-political unrest in the second half of 2019 and the outbreak of COVID-19 since January 2020, which has dampened local business environment, diminished consumer’s spending and seriously affected the number of travelers.

The Directors are of the view that challenges also presented an opportunity for the Group to expand its clubbing & entertainment business with more favorable commercial terms offered in the current market sentiment. The Group intends to use approximately HK\$7.8 million of the remaining net proceeds from the Listing amounting to approximately HK\$15.1 million for the establishment of the second sports-themed bar, by entering into the New Lease Agreement.

The Premises, located in Central, is in the traditional tourist district with steady demand in sport-themed entertainment service from the locals and tourist. The Directors expect that the demand from locals and tourist will restore as the economy recovers from the pandemic.

The terms of the New Lease Agreement was arrived after arm’s length negotiations and the rental was determined after taking into consideration the prevailing market price for comparable premises in the vicinity of the Premises.

The Directors considered that the transactions contemplated under the New Lease Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms after arm’s length negotiations between the parties, and the terms of the transactions contemplated under the New Lease Agreement were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE PARTIES**

### **Crown Grand**

Crown Grand Limited is a limited liability company incorporated under the laws of Hong Kong on 20 November 2014, which is an indirect wholly-owned subsidiary of the Company. Crown Grand is the operating entity for the Group’s entertainment business at the Premises.

### **The Landlord**

Top Smarties Limited is a limited liability company incorporated under the laws of Hong Kong on 6 July 2001. The principal activity of the Landlord is property investments. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the landlord and its ultimate beneficial owners is Independent Third Party.

## IMPLICATIONS UNDER GEM LISTING RULES

According to HKFRS 16 which is effective from 1 January 2019, the Group, if entering into lease transaction as a lessee should recognizes the Premises as the right-of-use asset in the consolidated financial statements of the Company. As such, the entering into the New Lease Agreement and the transactions contemplated thereunder will be regarded as an acquisition of asset by the Group under the definition of transaction set out in Rule 19.04(1)(a) of the GEM Listing Rules.

As one or more of the applicable percentage ratios calculated pursuant to Rule 19.07 of the GEM Listing Rules in respect of the New Lease Agreement exceeds 5% but less than 25%, the New Lease Agreement constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the notification and announcement requirements but exempt from Shareholders' approval requirement set out under the GEM Listing Rules.

## DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Board”	the board of Directors
“Crown Grand”	Crown Grand Limited, a limited liability company incorporated under the laws of Hong Kong on 20 November 2014, and an indirect wholly-owned subsidiary of the Company
“Company”	BCI Group Holdings Limited, a company incorporated in the Cayman Islands on 19 May 2016 as an exempted company with limited liability, the issued shares of which are listed on GEM of the Stock Exchange (stock code: 8412)
“Director(s)”	the director(s) of the Company
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKFRS 16”	Hong Kong Financial Reporting Standards 16 “Leases” which includes standards and interpretations promulgated by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Third Party”	any person or company and their respective ultimate beneficial owner, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is not a connected person of the Company and is a third party independent of the Company and its connected persons in accordance with the GEM Listing Rules
“New Lease Agreement”	a formal lease agreement dated 1 <sup>st</sup> June 2020 entered into between Crown Grand as the tenant and Top Smarties as the landlord in relation to the lease of the Premises
“Premises”	The 25 <sup>th</sup> Floor and 26 <sup>th</sup> Floor of California Tower, Nos. 30-36 D’Aguilar, Central, Hong Kong
“Shareholder(s)”	holder(s) of the share(s) in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Top Smarties”	Top Smarties Limited, a limited liability company incorporated under the laws of Hong Kong on 6 July 2001, which is an Independent Third Party and the landlord of the Premises under the New Lease Agreement
“%”	per cent.

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

Hong Kong, 1 June 2020

*As at the date of this announcement, the executive Directors are Mr. Ng Shing Joe Kester, Mr. Ng Shing Chun Ray 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](http://www.hkexnews.hk) and the GEM website at [www.hkgem.com](http://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](http://www.bciigroup.com.hk).*