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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)**

### **FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 AUGUST 2020**

#### **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 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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*This announcement, for which the directors (the “**Directors**”) of BCI Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”, “**we**” or “**our**”) 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 Group. 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 financial statements of the Group for the three months ended 31 August 2020, together with the unaudited comparative figures for the corresponding period in 2019 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 three months ended 31 August 2020 was approximately HK\$5.4 million, representing a decrease of approximately 67.7% when compared with that of the corresponding period in 2019.

The Group recorded a profit and total comprehensive income for the three months ended 31 August 2020 of approximately HK\$2.0 million, while there was a loss and total comprehensive income of approximately HK\$4.6 million for the three months ended 31 August 2019.

The Board did not recommend payment of any dividend for the three months ended 31 August 2020.

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 August 2020

	Notes	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	2	5,389	16,693
Finance income	3	—	113
Cost of inventories sold		(1,373)	(3,629)
Other income and gains		8,693	122
Expenses related to short term lease		(330)	—
Advertising and marketing expenses		(569)	(2,482)
Employee benefits expenses		(2,551)	(5,145)
Depreciation of property, plant and equipment		(940)	(1,019)
Depreciation of right-of-use assets		(4,758)	(4,900)
Other expenses		(2,134)	(3,668)
Reversal of loss allowance on trade and other receivables		1,012	—
Finance cost	4	(417)	(651)
Profit/(loss) before income tax expenses		2,022	(4,566)
Income tax expenses	5	—	—
Profit/(loss) and total comprehensive income for the period		<u>2,022</u>	<u>(4,566)</u>
Profit/(loss) and total comprehensive income for the period attributable to:			
— Owners of the Company		2,116	(4,394)
— Non-controlling interests		(94)	(172)
		<u>2,022</u>	<u>(4,566)</u>
Profit/(loss) per share attributable to owners of the Company			
— Basic and diluted (HK cents)	7	<u>0.26</u>	<u>(0.55)</u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the three months ended 31 August 2020*

	Attributable to owners of the Company			Non- controlling interests	Total
	Share capital	Share premium	Accumulated losses		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 June 2019 (audited)	8,000	56,525	(48,709)	15,816	14,037
Loss and total comprehensive income for the period	—	—	(4,394)	(172)	(4,566)
Balance at 31 August 2019 (unaudited)	<u>8,000</u>	<u>56,525</u>	<u>(53,103)</u>	<u>(1,951)</u>	<u>9,471</u>
Balance at 1 June 2020 (audited)	<b>8,000</b>	<b>56,525</b>	<b>(84,413)</b>	<b>(2,569)</b>	<b>(22,457)</b>
Issuance of ordinary share	<b>1,600</b>	<b>18,734</b>	—	—	<b>20,334</b>
Profit/(loss) and total comprehensive income for the period	—	—	<b>2,116</b>	<b>(94)</b>	<b>2,022</b>
Balance at 31 August 2020 (unaudited)	<u><b>9,600</b></u>	<u><b>75,259</b></u>	<u><b>(82,297)</b></u>	<u><b>(2,663)</b></u>	<u><b>(101)</b></u>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the three months ended 31 August 2020*

### 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 (the “**Shares**”) were listed on 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, entertainment and restaurant business in Hong Kong.

The unaudited condensed consolidated financial statements for the three months ended 31 August 2020 have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and applicable disclosures by the GEM Listing Rules and the Companies Ordinance in Hong Kong.

The unaudited condensed consolidated financial statements for the three months ended 31 August 2020 have been prepared under the historical cost basis.

The unaudited condensed consolidated financial statements for the three months ended 31 August 2020 are presented in Hong Kong Dollars (“**HK\$**”), which is the same as the functional currency of the Group, and all values are rounded to nearest thousand’s (“**HK\$’000**”), except when otherwise indicated.

The principal accounting policies used in the preparation of the unaudited condensed consolidated financial statements for the three months ended 31 August 2020 are consistent with those applied in the Company’s annual report for the year ended 31 May 2020, except for the adoption of new and amendments to HKFRSs that affect the Group and has adopted the first time for the current period’s unaudited condensed consolidated financial statements.

## **Adoption of the going concern basis**

When preparing the unaudited condensed consolidated quarterly results, the Group's ability to continue as a going concern has been assessed. These unaudited condensed consolidated quarterly results have been prepared by the Directors on a going concern basis notwithstanding that the Group had net liabilities of approximately HK101,000 as at 31 August 2020 as the Directors considered that:

- (i) As at 31 August 2020, the Group had a revolving loan facility granted by a shareholder for an amount HK\$25,000,000. The Group will utilize this facility to support its liquidity needs.
- (ii) Communicated with the lending bank and considered that the bank would not exercise its discretionary rights to demand immediate repayment of the bank borrowings as long as the restricted bank deposits are maintained;
- (iii) Implementing various cost tightening and control measures, including reviewing the working procedures and refining the business strategies to cope with the continuing challenges, which in management's view, offers a more cost-competitive advantage; and
- (iv) The different possible outcomes of the COVID-19 pandemic and its impact to the cash flow forecast.

After taking into consideration of above factors and funds expected to be generated internally based on the Directors' estimation on future cash flow of the Group, the Directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future and consider that it is appropriate for the unaudited condensed consolidated quarterly results to be prepared on a going concern basis since there are no material uncertainties related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The Group has not adopted or early adopted the new and revised HKFRSs (including their consequential amendments) which are relevant to the Group that have been issued but are not yet effective in the preparation of these unaudited condensed consolidated results.

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

## 2) REVENUE

The Group's principal activities are the operations of clubbing, entertainment and restaurant business in Hong Kong.

Revenue represents the amount received or receivable from (a) the clubbing and entertainment operations when (i) the customer takes possession of and accepts the products; (ii) services when the customer simultaneously receives and consumes the benefits provided by the Group or other products were delivered (including tips, cloakroom fees and service income from an entertainment studio) to its customers; (b) the restaurant operations when the customer takes possession of and accepts the food and beverage products; and (c) entertainment income is recognised overtime when services transferred to the customers. Payment of the transaction price is due immediately when services are provided to customers.

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>31 August</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b><i>(unaudited)</i></b>	<b><i>(unaudited)</i></b>
Revenue from:		
Clubbing and entertainment operation		
Sales of food and beverage	<b>3,323</b>	12,251
Entrance fees	—	442
Entertainment income	<b>951</b>	1,314
Sponsorship income	<b>1</b>	97
Others	<b>122</b>	320
	<b>4,397</b>	14,424
Restaurant operation		
Sales of food and beverage	<b>991</b>	2,264
Others	<b>1</b>	5
	<b>992</b>	2,269
Total revenue	<b>5,389</b>	16,693

### 3) FINANCE INCOME

	For the three months ended 31 August	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest received from financial assets at fair value through profit or loss	—	113

### 4) FINANCE COSTS

	For the three months ended 31 August	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest on bank borrowings	70	273
Interest on lease liabilities	197	378
Interest on loan from a shareholder	150	—
Finance costs	417	651

### 5) INCOME TAX EXPENSES

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 credit in the unaudited condensed consolidated statement of comprehensive income during the period under review represents:

	For the three months ended 31 August	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Current tax:		
— Hong Kong Profits Tax	—	—

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



On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

For the three months ended 31 August 2020 and 2019, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5% on the estimated assessable profits.

## 6) DIVIDEND

No dividends were paid, declared and proposed by the Company during the three months ended 31 August 2020 and 2019.

## 7) PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	<b>For the three months ended</b>	
	<b>31 August</b>	
	<b>2020</b>	2019
	<i><b>HK\$’000</b></i>	<i>HK\$’000</i>
	<i><b>(unaudited)</b></i>	<i>(unaudited)</i>
Profit/(loss) attributable to owners of the Company	<u><b>2,116</b></u>	<u>(4,394)</u>
Weighted average number of ordinary shares for the purpose of calculating basic losses per share (in thousands)	<u><b>824,348</b></u>	<u>800,000</u>

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**

At present, the Group is operating (i) two night clubs, namely Volar and Mudita; (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.

### **BUSINESS REVIEW AND OUTLOOK**

During the three months ended 31 August 2020 and up to the date of this announcement, the Group had been principally engaged in the operation of clubbing, entertainment and restaurant business in Hong Kong.

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

During the reporting period under review, the Group strategically positioned two night clubs (namely, Volar and Mudita), an entertainment studio (namely, Maximus Studio) and a sports-themed bar (namely, Paper Street), to cover different segments of the clubbing and entertainment market. Volar targets customers with strong spending power and aims to provide a premium clubbing experience to our customers; Mudita aims to be a more sophisticated high-end and contemporary bar with no dance floor, offering a variety of entertainment such as live entertainment shows as well as international DJ’s performance; Maximus Studio is working to achieve a lifestyle designed by our customers and is a place to build the greatest self, while Paper Street aims at providing a casual and comfortable environment for its patronage. The revenue generated from the operation of clubbing and entertainment business decreased by approximately HK\$10.0 million, or approximately 69.4%, from approximately HK\$14.4 million for the three months ended 31 August 2019 to approximately HK\$4.4 million for the three months ended 31 August 2020.

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

During the reporting period under review, the Company owned one “Tiger” branded restaurant, namely Tiger San which is a casual dining restaurant aimed to provide a contemporary Japanese dining experience in a relaxing atmosphere for its customers.

The revenue generated from the operation of restaurant business decreased by approximately HK\$1.3 million, or approximately 56.5%, from approximately HK\$2.3 million for the three months ended 31 August 2019 to approximately HK\$1.0 million for the three months ended 31 August 2020.

## **Outlook**

The recent economic downturn accompanied by the unstable social atmosphere and the coronavirus pandemic in Hong Kong, had affected the operating environment for retail and food and beverage business in Hong Kong. Notwithstanding that the degree of impact of the coronavirus pandemic will depend on the duration of the pandemic and the prevention and control measures taken by the Hong Kong government, the catering business in Hong Kong will still be facing a lot of uncertainties in the remaining period of 2020. The Group expects that after the coronavirus pandemic has been under control, the revenue generated by the Group will be improved.

In order to cope with these challenges, the Group is prepared to strengthen its market position by (i) upgrading our club facilities on an as-needed basis depending on the condition of our equipment and facilities; (ii) refining business strategies to cope with the continuing challenges; (iii) actively negotiating with business partners including suppliers and landlords on mitigative measures during such unabated difficult period; and (iv) enhancing our operational efficiency and further strengthening our cost control measures.

The Group is committed to strengthen our core capabilities to keep on improving its business performance and operating results so as to cope with these challenges and to present satisfactory results and bring favourable returns to our shareholders.

## **FINANCIAL REVIEW**

### **Revenue**

During the reporting period under review, the Group's revenue was generated from the operation of clubbing and entertainment and restaurant business in Hong Kong. For the three months ended 31 August 2020, the Group was operating two night clubs, one sports-themed bar, one entertainment studio and one restaurant located in Hong Kong.

The Group recognised its revenue from (a) the clubbing and entertainment operations when (i) the customer takes possession of and accepts the products; (ii) services when the customer simultaneously receives and consumes the benefits provided by the Group or other products were delivered (including tips, cloakroom fees and service income from an entertainment studio) to its customers; (b) the restaurant operations when the customer takes possession of and accepts the food and beverage products; and (c) entertainment income is recognised overtime when services transferred to the customers. Payment of the transaction price is due immediately when services are provided to customers.

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

	<b>For the three months ended 31 August</b>			
	<b>2020</b>		<b>2019</b>	
	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>
	<i>(unaudited)</i>	<i>revenue</i>	<i>(unaudited)</i>	<i>revenue</i>
Clubbing and entertainment operation	<b>4,397</b>	<b>81.6%</b>	14,424	86.4%
Restaurant operation	<b>992</b>	<b>18.4%</b>	2,269	13.6%
<b>Total</b>	<b><u>5,389</u></b>	<b><u>100.0%</u></b>	<b><u>16,693</u></b>	<b><u>100.0%</u></b>

The revenue generated from the operation of clubbing and entertainment business decreased by approximately HK\$10.0 million, or approximately 69.4%, from approximately HK\$14.4 million for the three months ended 31 August 2019 to approximately HK\$4.4 million for three months ended 31 August 2020. Such decrease was mainly due to the reduction in the business hours of our outlets during the reporting period under review caused by the coronavirus pandemic.

The revenue generated from the operation of restaurant business decreased by approximately HK\$1.3 million, or approximately 56.5%, from approximately HK\$2.3 million for the three months ended 31 August 2019 to approximately HK\$1.0 million for the three months ended 31 August 2020. Such decrease was mainly due to the closure of Tiger Room in February 2020 as well as the reduction in the business hours of Tiger San during the reporting period under review caused by the coronavirus pandemic.

### **Cost of inventories sold**

The cost of inventories sold mainly represented the cost of beverage and food ingredients used in the Group's clubbing, entertainment and restaurant operations. The major beverage and food ingredients purchased by the Group include but 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\$2.2 million, or approximately 61.1%, from approximately HK\$3.6 million for the three months ended 31 August 2019 to approximately HK\$1.4 million for the three months ended 31 August 2020. Such decrease was mainly due to the closure of Tiger Room in February 2020, and was generally in line with the decrease in revenue generated by the Group for the three months ended 31 August 2020.

### **Other income and gains**

The Group's other income significantly increased by approximately HK\$8.6 million, as compared with the corresponding period in 2019. Such increase was mainly due to the subsidies amounting HK\$2.0 million received from the government of Hong Kong as a result of the outbreak of coronavirus pandemic and the rent concession in the sum of approximately HK\$6.6 million obtained from our landlords for the previous rent paid.

## **Advertising and marketing expenses**

Advertising and marketing expenses primarily consisted 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, entertainment and restaurant operations. The advertising and marketing expenses decreased by approximately HK\$1.9 million, or approximately 76.0%, from approximately HK\$2.5 million for the three months ended 31 August 2019 to approximately HK\$0.6 million for the three months ended 31 August 2020. Such decrease was mainly due to the lesser expenses incurred for public relation services and advertising and marketing services during the three months ended 31 August 2020.

## **Employee benefits expenses**

Employee benefits expenses primarily consisted of all salaries and benefits payable to all employees and staff, including the Directors, headquarters staff and operational staff in each outlet. The employee benefits expenses decreased by approximately HK\$2.5 million, or approximately 49.0%, from approximately HK\$5.1 million for the three months ended 31 August 2019 to approximately HK\$2.6 million for the three months ended 31 August 2020. Such decrease was mainly due to (i) the closure of Tiger Room in February 2020; and (ii) the reduction in the business hours of our outlets during the reporting period under review which resulted in less salaries borne by the Group.

## **Depreciation of property, plant and equipment and right-of-use assets**

Depreciation represented the depreciation charge for property, plant and equipment (including, among others, leasehold improvements, furniture, fixtures and equipment) and right-of-use assets. 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 total depreciation decreased by approximately HK\$0.2 million, or approximately 3.4%, from approximately HK\$5.9 million for the three months ended 31 August 2019 to approximately HK\$5.7 million for the three months ended 31 August 2020. Such decrease was mainly due to the closure of Tiger Room in February 2020 and no related depreciation of right-of-use assets was incurred during the reporting period under review.

## **Other expenses**

Other expenses mainly represented security expenses for the clubs, credit card commissions, repairs and maintenance costs, cleaning expenses, professional fee and entertainment expenses. The other expenses decreased by approximately HK\$1.6 million, or approximately 43.2%, from approximately HK\$3.7 million for the three months ended 31 August 2019 to approximately HK\$2.1 million for the three months ended 31 August 2020. Such decrease was mainly due to less operating restaurants during the reporting period under review as well as temporary closure of our two night clubs, an entertainment studio and a sports-themed bar for approximately two months during the three months ended 31 August 2020. Hence, the relevant other expenses decreased.

### **Profit/(loss) before income tax expenses**

As a result of the cumulative factors discussed above, the loss before income tax expenses turned from approximately HK\$4.6 million for the three months ended 31 August 2019 to the profit before income tax expenses of approximately HK\$2.0 million for the three months ended 31 August 2020.

### **Profit/(loss) and total comprehensive income for the period**

The loss and total comprehensive income turned from approximately HK\$4.6 million for the three months ended 31 August 2019 to the profit and total comprehensive income of approximately HK\$2.0 million for the three months ended 31 August 2020. Such change was mainly due to the government subsidies and rent concession from our landlords received by the Group during the reporting period under review.

### **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.

On 11 May 2018, the Board resolved to change the use of the net proceeds as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus. Details of the original allocation of the net proceeds, the revised allocation of the net proceeds, the utilisation of the net proceeds as at 11 May 2018 and the remaining balance after the revised allocation of the net proceeds were set out in the announcement of the Company dated 11 May 2018 (the “**May 2018 Announcement**”).

During the period from the Listing Date to 31 August 2020, the Group has applied the net proceeds as follows:

	<b>Adjusted allocation of net proceeds in accordance with the adjusted plan (as disclosed in the May 2018 Announcement) up to 31 August 2020 <i>HK\$ million</i></b>	<b>Amount utilised as at 31 August 2020 <i>HK\$ million</i></b>	<b>Amount unutilised as at 31 August 2020 <i>HK\$ million</i></b>
Continuing to expand and diversify the outlet network of the Group	18.8	13.2	5.6
Upgrading the club facilities of the Group	16.1	9.0	7.1
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	4.3	4.3	—
	<u>43.9</u>	<u>31.2</u>	<u>12.7</u>
<b>Total</b>	<b>43.9</b>	<b>31.2</b>	<b>12.7</b>

As at 31 August 2020, approximately HK\$12.7 million (representing approximately 28.9% of the net proceeds) had not yet been utilised. It is expected that the remaining net proceeds will be fully utilised by 31 May 2022 in accordance with the revised intended use as stated in the May 2018 Announcement.

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

The future plan and the planned amount of usage of net proceeds as stated in the adjusted plan were based on the best estimation and assumption of future market conditions at the time of preparing the May 2018 Announcement while the net proceeds were applied based on the actual development of the Group's business and the industry. An analysis comparing the business objective stated in the Prospectus with the Group's actual business progress is set out below:

Business objective and strategy	Business plan and activity	Actual business progress up to 31 August 2020
(1) Upgrade our club facilities	Renovate and refurbish Fly <ul style="list-style-type: none"> <li>• Execute planned renovation at Fly (currently known as Mudita)</li> </ul>	<ul style="list-style-type: none"> <li>• Renovation and refurbishment of Fly (currently known as Mudita) have been carried out and completed in October 2018.</li> </ul>
	Renovate and refurbish Volar and Paper Street <ul style="list-style-type: none"> <li>• Set up project team</li> <li>• Engage contractors for the renovation and refurbishment</li> <li>• Engage designers for the concept of renovation and refurbishment</li> <li>• Carry out renovation and refurbishment</li> </ul>	<ul style="list-style-type: none"> <li>• We have set up a project team and obtained quotation from various contractors and designers.</li> <li>• A small part of renovation and refurbishment of Volar were carried out during the period between December 2019 and February 2020.</li> <li>• Paper Street was carrying out a small renovation work during the period between December 2019 and February 2020 in order to enhance the customers' satisfaction.</li> </ul>
(2) Continue to expand and diversify our outlet network for the clubbing operation	Establish sports-themed bars <ul style="list-style-type: none"> <li>• Execute planned establishment of the first sports-themed bar</li> </ul>	<ul style="list-style-type: none"> <li>• A sports-themed bar, namely Paper Street, has been opened on 20 July 2018.</li> </ul>
	<ul style="list-style-type: none"> <li>• Explore opportunities with cooperation partners and conduct feasibility studies for our second sports-themed bar</li> </ul>	<ul style="list-style-type: none"> <li>• We had signed a new lease agreement with landlord for our second sports-themed bar which will be located in Central. During the reporting period under review, we had commenced the decoration of the second sports-themed bar. We expect the second sports-themed bar will commence business in November or December 2020.</li> </ul>
(3) Continue to expand and diversify our outlet network for the restaurant operations	Set up a standalone restaurant in Tsing Yi <ul style="list-style-type: none"> <li>• Execute planned establishment of a standalone restaurant in Tsing Yi</li> </ul>	<ul style="list-style-type: none"> <li>• A standalone restaurant in Tsing Yi was opened on 16 December 2017.</li> </ul>
	Set up a standalone restaurant in Sheung Wan <ul style="list-style-type: none"> <li>• Execute planned establishment of a standalone restaurant in Sheung Wan</li> </ul>	<ul style="list-style-type: none"> <li>• A standalone restaurant in Sheung Wan was opened on 15 June 2018 and its lease contract was early terminated in mid-February 2020.</li> </ul>
	Set up food court restaurants <ul style="list-style-type: none"> <li>• Set up a project team and conduct a feasibility study</li> </ul>	<ul style="list-style-type: none"> <li>• We have set up a project team and conducted a study of potential location regarding pedestrian traffic, convenience, demographics, size, structure and competition.</li> </ul>



## Use of Proceeds from the Placing of New Shares under General Mandate (the “2020 Placing”)

### 2020 Placing

On 30 June 2020, the Company entered into the Placing Agreement as supplemented by a supplemental agreement dated 21 July 2020 (collectively, the “**Placing Agreements**”) with the placing agent, pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 160,000,000 placing shares (the “**Placing Shares**”), to not less than six Placees who and whose ultimate beneficial owners shall be Independent Third Parties at a price of HK\$0.13 per Placing Share. The Placing Shares were allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 9 October 2019. All the conditions precedent under the Placing Agreements have been fulfilled and completion of the Placing Agreements took place on 18 August 2020. For details of the 2020 Placing, please refer to the announcements of the Company dated 30 June 2020, 21 July 2020 and 18 August 2020.

The net proceeds from the 2020 Placing are approximately HK\$20,334,000 which is intended to be used as general working capital of the Group.

The following table sets forth the status of use of proceeds from the 2020 Placing:

	<b>Intended use of net proceeds from the 2020 Placing <i>HK\$ million</i></b>	<b>Utilised net proceeds from the 2020 Placing as at 31 August 2020 <i>HK\$ million</i></b>	<b>Unutilised net proceeds from the 2020 Placing as at 31 August 2020 <i>HK\$ million</i></b>	<b>Expected timeline for net proceeds from the 2020 Placing to be fully utilised</b>
General working capital of the Group	20.3	—	20.3	By May 2021
Total	<u>20.3</u>	<u>—</u>	<u>20.3</u>	

## 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 more 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 outlets 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 each of the three months ended 31 August 2019 and 2020, our revenue generated from Volar accounted for approximately 54.6% and 42.7% of our total revenue, respectively. Our success therefore depends significantly on our ability to attract beverage sales, entrance fees 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, could materially and adversely affect public perception of this brand. Any significant operational or other difficulties in the business of 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 down the night 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 lease liabilities expose us to potentially significant risks, including increasing our vulnerability to adverse economic conditions resulting from the COVID-19 impact, limiting our ability to obtain additional financing and reducing our cash available for other purposes. Any non-renewal (whether as 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 down the relevant outlet or the need to 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 each of the three months ended 31 August 2019 and 2020, our purchases from our largest supplier accounted for approximately 54.0% and 49.0% of our total purchases, respectively. We make purchases from our largest supplier under individual purchase order, and have not entered into any long term contract with it. If our largest 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 conditions, 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 and to operate the expanded network on a profitable basis. 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 by taking into account the business risks and market uncertainties.

### **The risk from COVID-19**

- 1) The outbreak of COVID-19 has resulted in the provision of limiting services and even temporary suspension of operation in Hong Kong. Thus, the business activities of the Group has also generally been suspended or slowed down. The Directors expect the Company to record a significant decrease in sales and may have an adverse impact on the Group's financial performance for the year of 2021. The Group is closely observing the development of the outbreak of the COVID-19 while carrying out cost control measures to alleviate the overall impact of the outbreak of COVID-19 on the business operations and financial position of the Group.

- 2) The continuing spread and prolonged occurrence of COVID-19 could have an adverse effect on the tourism industry in Hong Kong. All these factors may have an adverse material impact on our business, operation, financial condition and prospects. The Group is closely observing the development of the outbreak of the COVID-19 and the effect on the tourism industry. The management will change its policy and/or menu to match with the demand of both the tourists and local customers.

## **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 31 August 2020, 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**

<b>Name</b>	<b>Capacity/Nature of Interest</b>	<b>Number of shares</b>	<b>Percentage of shareholding</b>
Mr. Ng Shing Joe Kester ("Mr. Kester Ng") (Note 1)	Interest in a controlled corporation	371,520,000	38.70%
Mr. Ng Shing Chun Ray ("Mr. Ray Ng")	Beneficial owner	15,500,000	1.61%

*Note:*

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, as at 31 August 2020, none of the Directors and chief executive of the Company had 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 AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATION**

As at 31 August 2020, 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 of the Company 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**

<b>Name</b>	<b>Capacity/Nature of Interest</b>	<b>Number of shares</b>	<b>Percentage of shareholding</b>
Aplus Concept Limited (Note 1)	Beneficial owner	371,520,000	38.70%
Ms. Louey Andrea Alice (Note 2)	Interest of spouse	371,520,000	38.70%
Mr. Chung Cho Yee, Mico (Note 3)	Interest in controlled corporation	159,180,000	16.58%
Digisino Assets Limited (Note 3)	Interest in controlled corporation	159,180,000	16.58%
Earnest Equity Limited (Note 3)	Interest in controlled corporation	159,180,000	16.58%
CSI Properties Limited (Note 4)	Interest in controlled corporation	159,180,000	16.58%
Phoenix Year Limited (Note 5)	Beneficial owner	159,180,000	16.58%

*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 equity interest in Digisino Assets Limited (“**Digisino**”) which in turn owns the entire equity interest in Earnest Equity Limited (“**Earnest Equity**”). Each of Earnest Equity and Mr. Chung owns approximately 47.87% and 0.03% of the entire issued share 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 the 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, as at 31 August 2020, 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 conditionally 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.

As at 31 August 2020, no share option has been granted, lapsed, exercised or cancelled by the Company pursuant to the 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 three months ended 31 August 2020.

## **DIRECTORS’ INTERESTS IN CONTRACTS**

For the three months ended 31 August 2020, 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 SUBSTANTIAL SHAREHOLDERS' COMPETING INTERESTS**

For the three months ended 31 August 2020, save as disclosed in the annual report of the Company for the year ended 31 May 2020, none of the Directors or substantial shareholders 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 during the three months ended 31 August 2020.

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

The Directors consider that during the three months ended 31 August 2020, 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.

## **EVENTS AFTER REPORTING PERIOD**

No significant events occurred after the three months ended 31 August 2020 and up to the date of this announcement.

## **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 this announcement 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 three months ended 31 August 2020 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 during the three months ended 31 August 2020.

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

On 1 June 2020, Crown Grand Limited, an indirect wholly-owned subsidiary of the Company, entered into the new lease agreement (“**New Lease Agreement**”) as tenant with Top Smarties Limited, 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.

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.

For details of the above transaction, please refer to the announcements of the Company dated 1 June 2020 and 5 June 2020, respectively.

## **MATERIAL ACQUISITION AND DISPOSAL**

The Group did not have any material acquisition or disposal of subsidiaries or associates during the three months ended 31 August 2020.

## **PUBLICATION OF FIRST QUARTERLY REPORT**

The first quarterly report is published on the Company's website ([www.bcigroup.com.hk](http://www.bcigroup.com.hk)) and the website ([www.hkexnews.hk](http://www.hkexnews.hk)) of the Stock Exchange. The 2020/21 first 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, 14 October 2020

*As at the date of this announcement, the executive Directors are Mr. Ng Shing Joe Kester, Ms. Lau Sze Yuen and Mr. Ng Shing Chun Ray, 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 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.bcigroup.com.hk](http://www.bcigroup.com.hk).*