
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form(s) of Acceptance or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in BCI Group Holdings Limited, you should at once hand this Composite Document and the accompanying Form(s) of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer contained herein.

Hong Kong Exchanges and Clearing Limited, Hong Kong Securities Clearing Company Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, makes no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document or the Form(s) of Acceptance.

MR. SZE CHING LAU

BCI Group Holdings Limited
高門集團有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8412)

**COMPOSITE DOCUMENT RELATING TO
MANDATORY UNCONDITIONAL CASH OFFER BY
SHENWAN HONGYUAN SECURITIES (H.K.) LIMITED
FOR AND ON BEHALF OF MR. SZE CHING LAU
TO ACQUIRE ALL THE ISSUED SHARES OF
BCI GROUP HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
THE OFFEROR AND PARTIES ACTING IN CONCERT WITH HIM)**

Joint Financial Advisers to the Offeror



INCUCO Corporate Finance Limited



Shenwan Hongyuan Capital (H.K.) Limited

Independent Financial Adviser to the Independent Board Committee



Octal Capital Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Shenwan Hongyuan Securities containing, among other things, details of the principal terms of the Offer, is set out in Part I of this Composite Document. A letter from the Board is set out in Part II of this Composite Document. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Offer is set out in Part III of this Composite Document and a letter from the Independent Financial Adviser to the Independent Board Committee containing its advice and recommendation in respect of the Offer is set out in Part IV of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the Registrar, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong by no later than 4:00 p.m. on Tuesday, 16 February 2021 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive, in accordance with the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the details which are contained in the section headed "Important notice", paragraph headed "Overseas Shareholders" in the letter from Shenwan Hongyuan Securities and paragraph headed "Overseas Shareholders" in Appendix I to this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including but not limited to the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements and the payment of any issue, transfer or other taxes payable by such Overseas Shareholders in respect of the acceptance of the Offer in such jurisdiction. Each Overseas Shareholder is advised to seek professional advice on deciding whether or not to accept the Offer.

The Composite Document will remain on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.bciigroup.com.hk as long as the Offer remains open.

22 January 2021

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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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EXPECTED TIMETABLE

The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate. All the time and date references contained in this Composite Document refer to Hong Kong times and dates.

Event	Hong Kong Time and Date
Despatch date of this Composite Document and the accompanying Form of Acceptance and the commencement date of the Offer (<i>Note 1</i>)	Friday, 22 January 2021
Latest time and date for acceptance of the Offer (<i>Notes 2 and 3</i>)	4: 00 p.m. on Tuesday, 16 February 2021
Closing Date (<i>Notes 2 and 4</i>)	Tuesday, 16 February 2021
Announcement of the results of the Offer (<i>Note 2</i>)	by 7:00 p.m. on Tuesday, 16 February 2021
Latest date of posting of remittances in respect of valid acceptances received under the Offer (<i>Notes 4 and 5</i>)	Thursday, 25 February 2021

Notes:

1. The Offer, which is unconditional in all respects, is made on the date of posting of this Composite Document, and is open for acceptance on and from that day until 4:00 p.m. on the Closing Date. Acceptance of the Offer shall be irrevocable and is not capable of being withdrawn, except in the circumstances as set out in the paragraph headed “6. Rights of Withdrawal” in Appendix I to this Composite Document.
2. In accordance with the Takeovers Code, the Offer must initially be opened for acceptance for at least 21 days following the date on which this Composite Document is posted. The Offer will be closed on the Closing Date. The latest time and date for acceptance of the Offer will be at 4:00 p.m. on Tuesday, 16 February 2021 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror and the Company will jointly issue an announcement through the websites of the Stock Exchange and the Company no later than 7:00 p.m. on Tuesday, 16 February 2021, stating whether the Offer has been extended, revised or has closed for acceptance. In the event that the Offeror decides to extend or revise the Offer, at least 14 days’ notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.
3. Beneficial owners of the Offer Shares who hold their Offer Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (set out in Appendix I to this Composite Document) for placing instructions with CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.
4. If there is a tropical cyclone warning signal no. 8 or above, or a black rainstorm warning:
 - (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer or the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer or the posting of remittances will remain at 4:00 p.m. on the same Business Day; or
 - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer or the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer or the posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. or such other day as the Executive may approve in accordance with the Takeovers Code.
5. Remittances in respect of the cash consideration (after deducting the seller’s Hong Kong ad valorem stamp duty in respect of acceptances of the Offer) payable for the Offer Shares tendered under the Offer will be posted to the Independent Shareholders who accept the Offer by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days following the date of receipt by the Registrar of all the relevant documents to render the acceptance under the Offer complete and valid.

Save as mentioned above, if the latest time for the acceptance of the Offer does not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Shareholders by way of announcement(s) of any change in the expected timetable as soon as practicable.

IMPORTANT NOTICE

NOTICE TO SHAREHOLDERS OUTSIDE HONG KONG

The Offer made to the Independent Shareholders who are not resident in Hong Kong may be subject to the laws and regulations of the relevant jurisdictions where such persons are located. Such persons should inform themselves about and observe any applicable legal and regulatory requirements of their own jurisdictions and, where necessary, seek independent advice. It is the responsibility of any overseas Shareholders wishing to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including the obtaining of any governmental or exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due from the accepting Shareholders in such jurisdictions. The Offeror and parties acting in concert with him, the Company, INCU, Shenwan Hongyuan Securities, Shenwan Hongyuan Capital, Octal Capital, the Registrar, and their respective ultimate beneficial owners, directors, officers, agents, advisers and associates and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please see the sub-paragraph headed “Overseas Shareholders” and “Taxation advice” under the paragraph headed “The Offer” set out in the “Letter from Shenwan Hongyuan Securities” in this Composite Document for further information.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The forward-looking statements included herein are made only as at the Latest Practicable Date. The Offeror and the Company assume no obligation to correct or update the forward-looking statements or opinions contained in this Composite Document, except as required pursuant to applicable laws or regulations, including but not limited to the GEM Listing Rules and/or the Takeovers Code.

DEFINITIONS

In this Composite Document, unless the context otherwise requires, the following expressions have the following meanings:

“acting in concert”	has the meaning as ascribed to it in under the Takeovers Code
“Aplus Concept”	Aplus Concept Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Ng
“associate(s)”	has the meaning ascribed to it in the Takeovers Code
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	Tuesday, 16 February 2021, being the closing date of the Offer, or if the Offer is extended or revised, any subsequent closing date as may be decided and announced by the Offeror and approved by the Executive
“Company”	BCI Group Holdings Limited (高門集團有限公司), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM (stock code: 8412)
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Sale and Purchase Agreement
“Composite Document”	this composite offer and response document dated 22 January 2021 jointly issued by the Offeror and the Company to the Independent Shareholders in accordance with the Takeovers Code
“Consideration”	the aggregate consideration payable by the Purchasers to the Vendors for the acquisition of the Sale Shares, being HK\$42,456,000
“Director(s)”	the director(s) of the Company
“Encumbrances”	any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), equities, hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same

DEFINITIONS

“Executive”	the Executive Director of the Corporate Finance Division of the SFC for the time being or any of his delegates
“Form of Acceptance”	the Form of Offer Acceptance and transfer of Shares in respect of the Offer accompanying this Composite Document
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Guarantor” or “Mr. Ng”	Mr. Ng Shing Joe Kester, being an executive Director and the ultimate beneficial owner of Aplus Concept
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“INCU”	INCU Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being one of the joint financial advisers to the Offeror in relation to the Offer
“Independent Board Committee”	the independent committee of the Board comprising all independent non-executive Directors, namely, Mr. Wong Sui Chi, Mr. Li Lap Sun and Mr. Ng Kwok Kei Sammy, established to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer
“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee in relation to the terms and conditions of the Offer
“Independent Shareholders”	Shareholders other than the Offeror and parties acting in concert with him (including Mr. Wong)
“Joint Announcement”	the joint announcement dated 17 December 2020 jointly issued by the Offeror and the Company in relation to, among other things, the Offer
“Last Trading Day”	14 December 2020, being the last trading day prior to the publication of the Joint Announcement

DEFINITIONS

“Latest Practicable Date”	20 January 2021, being the latest practicable date for ascertaining certain information contained in this Composite Document
“Mr. Sze” or “Offeror”	Mr. Sze Ching Lau
“Mr. Wong”	Mr. Wong Kui Shing Danny
“Offer”	the mandatory unconditional cash offer to be made by Shenwan Hongyuan Securities, on behalf of the Offeror, to acquire all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with him (including Mr. Wong) pursuant to Rule 26.1 of the Takeovers Code
“Offer Period”	has the same meaning ascribed to it under the Takeovers Code and commencing from 17 December 2020, being the date of the Joint Announcement, and ending on the Closing Date
“Offer Price”	HK\$0.08 per Offer Share
“Offer Share(s)”	issued Share(s) other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with him (including Mr. Wong)
“Overseas Shareholder(s)”	Independent Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong
“Phoenix Year”	Phoenix Year Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by CSI Properties Limited, the shares of which are listed on the Stock Exchange (stock code: 497)
“Placing”	the placing, on a best effort basis, of up to 160,000,000 Placing Shares
“Placing Agent”	Brilliant Norton Securities Company Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 30 June 2020 in relation to the Placing
“Placing Share(s)”	up to 160,000,000 new Shares placed pursuant to the Placing Agreement
“PRC”	the People’s Republic of China (but excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan)

DEFINITIONS

“Purchasers”	Mr. Sze and Mr. Wong
“Registrar”	Boardroom Share Registrars (HK) Limited, the Company’s Hong Kong branch share registrar, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong
“Relevant Period”	the period commencing from 18 June 2020, being the date falling six months prior to the commencement date of the Offer Period and ending on the Latest Practicable Date
“Sale and Purchase Agreement”	the sale and purchase agreement dated 14 December 2020 and entered into between the Vendors and the Purchasers in relation to the sale and purchase of the Sale Shares
“Sale Share”	530,700,000 Shares, beneficially owned by the Vendors, representing approximately 55.28% of the total issued share capital of the Company upon the signing of the Sale and Purchase Agreement
“Sale Shares 1”	371,520,000 Shares beneficially owned by Aplus Concept, representing 38.70% of the entire issued share capital of the Company upon the signing of the Sale and Purchase Agreement
“Sale Shares 2”	159,180,000 Shares beneficially owned by Phoenix Year, representing approximately 16.58% of the entire issued share capital of the Company upon the signing of the Sale and Purchase Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of par value HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shenwan Hongyuan Capital”	Shenwan Hongyuan Capital (H.K.) Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being one of the joint financial advisers to the Offeror in relation to the Offer
“Shenwan Hongyuan Securities”	Shenwan Hongyuan Securities (H.K.) Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activity under the SFO
“Stamp Duty Ordinance”	the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong)

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it in the GEM Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities
“Vendors”	Aplus Concept and Phoenix Year
“%”	per cent.



Shenwan Hongyuan Securities (H.K.) Limited

22 January 2021

To the Independent Shareholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
SHENWAN HONGYUAN SECURITIES (H.K.) LIMITED
FOR AND ON BEHALF OF MR. SZE CHING LAU
TO ACQUIRE ALL THE ISSUED SHARES OF
BCI GROUP HOLDINGS LIMITED (OTHER THAN
THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
THE OFFEROR AND PARTIES ACTING IN CONCERT WITH HIM)**

INTRODUCTION

Reference is made to the Joint Announcement in relation to, among other things, the Sale and Purchase Agreement and the Offer. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as defined in this Composite Document.

On 17 December 2020, the Offeror and the Company jointly announce that, *inter alia*, upon Completion, the Offeror and parties acting in concert with him are interested in an aggregate of 530,700,000 Shares, representing approximately 55.28% of the entire issued share capital of the Company, triggering an obligation to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with him).

This letter sets out, among other things, principal terms of the Offer, together with the information on the Offeror and the Offeror's intention regarding the Group. Further details on the terms and procedures of acceptance of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

The Independent Shareholders are strongly advised to consider carefully the information contained in the "Letter from the Board", the "Letter from the Independent Board Committee" and the "Letter from the Independent Financial Adviser" as well as the appendices as contained in this Composite Document and to consult their professional advisers if in doubt before reaching a decision as to whether or not to accept the Offer.

PART I LETTER FROM SHENWAN HONGYUAN SECURITIES

THE OFFER

Shenwan Hongyuan Securities, on behalf of the Offeror, is making the Offer in accordance with the Takeovers Code on the following basis:

For each Offer Share. HK\$0.08 in cash

The Offer is extended to all the Independent Shareholders in accordance with the Takeovers Code. The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of the Shares or any other conditions.

Comparison of value

The Offer Price of HK\$0.08 per Offer Share represents:

- (i) a discount of approximately 56.52% to the closing price of HK\$0.184 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 55.06% to the closing price of HK\$0.178 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 55.06% to the average closing price of approximately HK\$0.178 per Share based on the daily closing prices as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 55.06% to the average closing price of approximately HK\$0.178 per Share based on the daily closing prices as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a discount of approximately 55.06% to the average closing price of approximately HK\$0.178 per Share based on the daily closing prices as quoted on the Stock Exchange for the last thirty (30) consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 15,900% over the adjusted net asset value attributable to the owners of the Company of approximately HK\$0.0005 per Share based on (i) the audited loss attributable to owners of the Company of approximately HK\$19,888,000 as at 31 May 2020; (ii) the net proceeds from placing of shares completed on 18 August 2020 of approximately HK\$20,334,000; and (iii) the total number of issued Shares as at the Latest Practicable Date;
- (vii) a premium of approximately 2,566.67% over the unaudited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.003 per Share (based on the total number of issued Shares as at the Latest Practicable Date) as at 31 August 2020 with reference to the unaudited condensed consolidated statement of changes in equity of the first quarterly report of the Company for the three months ended 31 August 2020; and

PART I LETTER FROM SHENWAN HONGYUAN SECURITIES

- (viii) a premium of approximately HK\$0.0838 over the unaudited consolidated loss attributable to the owners of the Company of approximately HK\$0.0038 per Share (based on the total number of issued Shares as at the Latest Practicable Date) as at 30 November 2020.

Highest and lowest price of the Shares

During the Relevant Period, the highest closing price of Shares as quoted on the Stock Exchange was HK\$0.205 on 18 December 2020 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.100 on 18 June 2020.

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) Business Days of the date on which the duly completed acceptances of the Offer and the relevant documents of title in respect of such acceptances are received by the Offeror (or his agent acting on his behalf) to render each such acceptance complete and valid.

No fractions of a cent (HK\$) will be payable and the amount of the consideration payable to an Independent Shareholder who accepts the Offer will be rounded up to the nearest cent (HK\$).

Value of the Offer

As at the Latest Practicable Date, the Company had 960,000,000 Shares in issue. On the basis of the Offer Price of HK\$0.08 per Offer Share, the entire issued share capital of the Company is valued at HK\$76,800,000. As at the Latest Practicable Date, the Company had no other outstanding options, derivatives, warrants or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) that are convertible or exchangeable into Shares.

On the basis that there are 429,300,000 Offer Shares and assuming there is no change in the number of issued Shares before the close of the Offer, the value of the Offer is HK\$34,344,000.

Confirmation of financial resources available for the Offer

Based on the Offer Price of HK\$0.08 per Offer Share and 429,300,000 Offer Shares, the total maximum consideration of the Offer will be HK\$34,344,000 (assuming the Offer is accepted in full and there is no change in the share capital of the Company from the Latest Practicable Date up to the Closing Date).

The total consideration payable under the Offer shall be payable in cash. The Offeror intends to finance the entire consideration payable under the Offer by his own financial resources.

INCU and Shenwan Hongyuan Capital, being the joint financial advisers to the Offeror, are satisfied that sufficient financial resources are available to the Offeror to satisfy the total consideration payable by the Offeror under the Offer.

Effect of accepting the Offer

By accepting the Offer, the Independent Shareholders will sell their Shares to the Offeror free from all Encumbrances together with all rights attached thereto, including but not limited to all rights to receive any dividend or other distribution, if any, declared, made or paid on or after the date on which the Offer is made, being the despatch date of the Composite Document. The Company has not declared any dividend and the Company does not intend to declare, make or pay any dividend prior to close of the Offer.

Acceptance of the Offer by any Independent Shareholder will be deemed to constitute a warranty by such person that all Shares sold by such person under the Offer are free from all Encumbrances whatsoever together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made.

The Offer will remain open for acceptance from the date of this Composite Document until 4:00 p.m. on the Closing Date. Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and not capable of being withdrawn, except as otherwise permitted under the Takeovers Code, details of which are set out in paragraph headed “6. Right of Withdrawal” in Appendix I to this Composite Document.

Hong Kong stamp duty

The seller’s Hong Kong ad valorem stamp duty arising in connection with acceptance of the Offer at a rate of 0.1% of the consideration payable in respect of the relevant acceptances or, if higher, the market value of the Offer Shares subject to such acceptance, will be deducted from the amounts payable to Independent Shareholders who accept the Offer.

The Offeror will arrange for payment of the seller’s ad valorem stamp duty on behalf of the relevant Independent Shareholders who accept the Offer and pay the buyer’s Hong Kong ad valorem stamp duty in connection with the acceptance of the Offer and the transfers of the relevant Offer Shares in accordance with the Stamp Duty Ordinance.

Overseas Shareholders

The availability of the Offer to any Overseas Shareholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders should obtain information about and observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers and/or seek legal advice. It is the responsibilities of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdiction).

Any acceptance by any Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers in case of any doubt.

Taxation advice

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

INFORMATION OF THE GROUP

Information of the Group is set out in the paragraph headed “Information of the Group” in the “Letter from the Board” in this Composite Document.

INFORMATION OF THE OFFEROR AND MR. WONG

Mr. Sze, BBS, JP, is an experienced investor and currently a shareholder of China Putian Food Holding Limited (stock code: 1699), Xinyang Maojian Group Limited (stock code: 362) and Sparkle Roll Group Limited (stock code: 970) with more than 5% shareholdings as required to be disclosed under the relevant SFO. In addition, Mr. Sze is currently the Chairman of Lung Shing International (Group) Limited* (隆誠國際(集團)有限公司) (a company principally engaged in trading of recycled plastic products), a member of the National Committee of the Chinese People’s Political Consultative Conference* (全國政協委員), as well as the Vice Chairman of Hong Kong Federation of Fujian Associations* (香港福建社團聯會副主席). Mr. Sze has extensive experience in the financial and investment fields, and a diversified personal investment portfolio. As such, Mr. Sze decided to invest in the catering business in order to further broaden the scope of his investments.

Mr. Wong, holds a Bachelor of Arts degree from the University of Hong Kong. He has extensive exposure in the financial and investment fields for over 20 years and is well experienced in the international investment market. He is currently an executive director of the China Information Technology Development Limited (Stock Code: 8178), a non-executive director of TFG International Group Limited (Stock Code: 542), and an independent non-executive director of Far East Holdings International Limited (Stock Code: 36). Mr. Wong has extensive experience in the financial and investment fields as well as experience in corporate and business management in listed companies, as disclosed above. Mr. Wong has carefully assessed his current business and investment portfolio and decided to invest in the catering business in order to widen variety of his investments and diversify investment risk in his investment portfolio.

Though Mr. Sze and Mr. Wong did not have direct experience in the catering sector, both of them intend to retain the management, including Mr. Ng Shing Chun Ray, and experienced staff of the Group to leverage on their expertise in catering industry to run the catering operation. Mr. Sze and Mr. Wong will review the business of the Group and might consider to hire more experienced management staff if deem fit.

PART I LETTER FROM SHENWAN HONGYUAN SECURITIES

THE OFFEROR'S INTENTION IN RELATION TO THE GROUP

Following the close of the Offer, the Offeror intends to continue the existing principal businesses of the Group. The Offeror will conduct a detailed review of the business operations and financial position of the Group for the purpose of developing a sustainable business plan or strategy for the Group. Subject to the results of the review, the Offeror may explore other business opportunities and consider whether any restructuring and/or integration of the existing businesses of the Group will be appropriate in order to enhance long-term growth potential of the Group.

As at the Latest Practicable Date, the Offeror had no intention to (i) discontinue the employment of the employees; or (ii) dispose of or re-deploy the assets of the Group.

PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY

The Board is currently made up of seven (7) Directors, comprising three (3) executive Directors, being Mr. Ng, Ms. Lau Sze Yuen and Mr. Ng Shing Chun Ray; one (1) non-executive Director, being Mr. Kan Sze Man; and three (3) independent non-executive Directors, being Mr. Wong Sui Chi, Mr. Li Lap Sun and Mr. Ng Kwok Kei Sammy. The Offeror intends to retain Mr. Ng Shing Chun Ray as executive Director and nominate new Directors to the Board with effect from the earliest time permitted under the Takeovers Code, the GEM Listing Rules or other applicable rules or regulations.

The Offeror intends to nominate Mr. Pong Chun Yu (“**Mr. Pong**”) as the new independent non-executive Director. The proposed appointment is expected to take effect after the despatch of the Composite Document. The biographical details of Mr. Pong are set out below:

Mr. Pong, aged 43, is an associate member of The Hong Kong Institute of Directors and fellow member of Hong Kong Institute of Certified Public Accountants. Mr. Pong is currently the general manager of Sun Entertainment Culture Limited, a company principally engaged in movie, concerts, music and artists management business. He was the financial controller of Sunny Side Up (Never) Limited, an indirect wholly owned subsidiary of Sun Entertainment Group Limited (stock code: 8082), from December 2016 to November 2018. Mr. Pong graduated from Hong Kong Baptist University in 2000 and received a bachelor degree in Business Administration (Accounting).

Save as disclosed above, the Offeror has not reached any final decision as to who will be nominated as new Directors and which Director(s) will resign as at the Latest Practicable Date. Any changes to the composition of the Board will be made in compliance with the Takeovers Code and the GEM Listing Rules and further announcement(s) will be made accordingly.

COMPULSORY ACQUISITION

The Offeror does not intend to avail himself of any powers of compulsory acquisition of any Shares outstanding after the Closing Date.

PART I LETTER FROM SHENWAN HONGYUAN SECURITIES

MAINTAINING THE LISTING STATUS AND SUFFICIENT PUBLIC FLOAT OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Company to remain listed on GEM following the close of the Offer. The Offeror and the Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offer. In this connection, in the event that the public float of the Company falls below 25% upon the close of the Offer, the Offeror will, as soon as practicable, dispose of such number of Shares either directly in the market or through a placing agent to be appointed by the Offeror to ensure that the public float requirement under the GEM Listing Rules can be met. The Company and the Offeror will issue a separate announcement as and when necessary in this regard in compliance with the GEM Listing Rules.

ACCEPTANCE AND SETTLEMENT

Your attention is drawn to paragraph headed “Procedures for Acceptance of the Offer” as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

GENERAL

This Composite Document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the GEM Listing Rules.

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares, whose investments are registered in nominee names, to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.

To accept the Offer, Independent Shareholders should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon. The Form of Acceptance forms part of the terms of the Offer. The duly completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) must be sent by post or by hand to the Registrar, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong in an envelope marked “BCI Group Holdings Limited – Offer” to be received by the share registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and the Offeror may announce with the consent of the Executive in accordance with the Takeovers Code.

PART I LETTER FROM SHENWAN HONGYUAN SECURITIES

All documents and remittances will be sent to the Independent Shareholders by ordinary post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members, or, in case of joint holders, to the Independent Shareholder whose name appears first in the said register of members, unless otherwise specified in the accompanying Form of Acceptance completed, returned and received by the Registrar. None of the Offeror and parties acting in concert with him, the Company and its respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document which form part of this Composite Document. You are reminded to carefully read the “Letter from the Board”, the “Letter from the Independent Board Committee”, the “Letter from the Independent Financial Adviser” and other information about the Group which are set out in this Composite Document before deciding whether or not to accept the Offer.

Yours faithfully,
For and on behalf of
Shenwan Hongyuan Securities (H.K.) Limited
Willis Ting
Managing Director

BCI Group Holdings Limited
高門集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8412)

Executive Directors:

Mr. Ng Shing Joe Kester (*Chairman*)

Ms. Lau Sze Yuen

Mr. Ng Shing Chun Ray

Registered office:

Windward 3, Regatta Office Park

P.O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

Non-executive Director:

Mr. Kan Sze Man

Principal place of business in Hong Kong:

Basement

Ho Lee Commercial Building

No. 38-44 D'Aguiar Street

Central

Hong Kong

Independent non-executive Directors:

Mr. Wong Sui Chi

Mr. Li Lap Sun

Mr. Ng Kwok Kei Sammy

22 January 2021

To the Independent Shareholders,

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
SHENWAN HONGYUAN SECURITIES (H.K.) LIMITED
FOR AND ON BEHALF OF MR. SZE CHING LAU
TO ACQUIRE ALL THE ISSUED SHARES OF
BCI GROUP HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED
TO BE ACQUIRED BY THE OFFEROR AND
PARTIES ACTING IN CONCERT WITH HIM)**

INTRODUCTION

Reference is made to the Joint Announcement whereby the Offeror and the Company jointly announced on 17 December 2020 that the Offer would be made by Shenwan Hongyuan Securities for and on behalf of the Offeror to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with him (including Mr. Wong)).

The Company was informed by the Vendors that on 14 December 2020, Aplus Concept and Phoenix Year as the Vendors, Mr. Ng as Guarantor and Mr. Sze and Mr. Wong as the Purchasers entered into the Sale and Purchase Agreement, pursuant to which (i) Aplus Concept has agreed to sell, and Mr. Sze has agreed to purchase, the Sale Shares 1; and (ii) Phoenix Year has agreed to sell, and Mr. Wong has agreed to purchase, the Sale Shares 2 for a total Consideration of HK\$42,456,000 (equivalent to HK\$0.08 per Sale Share). The Sale Shares 1 and the Sale Shares 2, being in aggregate of 530,700,000 Shares (representing approximately 55.28% of the entire issued share capital of the Company as at the Latest Practicable Date). Completion of the Sale and Purchase Agreement took place immediately after the signing of the Sale and Purchase Agreement on 14 December 2020 and the Consideration was fully settled by way of cash on the same day.

Immediately following completion of the Sale and Purchase Agreement, the Offeror and the parties acting in concert with him owned a total of 530,700,000 Shares, representing approximately 55.28% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, Shenwan Hongyuan Securities, on behalf of the Offeror, is making the Offer to the Independent Shareholders for all the issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with him. The terms of the Offer are set out in this Composite Document and the Form of Acceptance.

As at the Latest Practicable Date, the Company has 960,000,000 Shares in issue and does not have any outstanding options, derivatives, warrants or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) which are convertible or exchangeable into Shares.

The purpose of this Composite Document (of which this letter forms part) is to provide you with, among other things, (i) the details of the Offer (including the expected timetable and terms of the Offer); (ii) the letter from Shenwan Hongyuan Securities containing details of the Offer; (iii) the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in relation to the Offer; (iv) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee on whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and on acceptance in respect of the Offer; and (v) further information relating to the Group and the Offeror, together with the Form of Acceptance.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Under Rule 2.1 and Rule 2.8 of the Takeovers Code, a board which receives an offer or which is approached with a view to an offer being made, must, in the interests of shareholders, establish an independent committee of the board to make a recommendation: (i) as to whether the offer is, or is not, fair and reasonable; and (ii) as to the acceptance.

The Independent Board Committee comprising all independent non-executive Directors who have no direct or indirect interest in the Offer, namely, Mr. Wong Sui Chi, Mr. Li Lap Sun and Mr. Ng Kwok Kei Sammy, has been established in accordance with Rule 2.1 of the Takeovers Code to advise and give a recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

Given that Phoenix Year, one of the Vendors, is a wholly-owned subsidiary of CSI Properties Limited, the shares of which are listed on the Stock Exchange (stock code: 497), and that Mr. Kan Sze Man, being a non-executive Director, is the executive director of CSI Properties Limited, Mr. Kan Sze Man is therefore not considered to be independent to become a member of the Independent Board Committee.

Octal Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer. Such appointment has been approved by the Independent Board Committee.

The full texts of the letter from the Independent Board Committee addressed to the Independent Shareholders and the letter from the Independent Financial Adviser addressed to the Independent Board Committee are set out in this Composite Document. **You are advised to read both letters and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the Offer.**

THE OFFER

The following information about the Offer is extracted from the “Letter from Shenwan Hongyuan Securities” contained in this Composite Document.

Shenwan Hongyuan Securities, on behalf of the Offeror, is making the Offer in accordance with the Takeovers Code on the following basis:

For each Offer Share. HK\$0.08 in cash

The Offer is extended to all the Independent Shareholders in accordance with the Takeovers Code. The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of the Shares or any other conditions.

As at the Latest Practicable Date, the Company has not declared and does not intend to declare any dividend prior to the close of Offer.

Comparison of value

The Offer Price of HK\$0.08 per Offer Share represents:

- (i) a discount of approximately 56.52% to the closing price of HK\$0.184 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 55.06% to the closing price of HK\$0.178 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 55.06% to the average closing price of approximately HK\$0.178 per Share based on the daily closing prices as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to and including the Last Trading Day;

- (iv) a discount of approximately 55.06% to the average closing price of approximately HK\$0.178 per Share based on the daily closing prices as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a discount of approximately 55.06% to the average closing price of approximately HK\$0.178 per Share based on the daily closing prices as quoted on the Stock Exchange for the last thirty (30) consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 15,900% over the adjusted net asset value attributable to the owners of the Company of approximately HK\$0.0005 per Share based on (i) the audited loss attributable to owners of the Company of approximately HK\$19,888,000 as at 31 May 2020; (ii) the net proceeds from placing of shares completed on 18 August 2020 of approximately HK\$20,334,000; and (iii) the total number of issued Shares as at the Latest Practicable Date;
- (vii) a premium of approximately 2,566.67% over the unaudited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.003 per Share (based on the total number of issued Shares as at the Latest Practicable Date) as at 31 August 2020 with reference to the unaudited condensed consolidated statement of changes in equity of the first quarterly report of the Company for the three months ended 31 August 2020; and
- (viii) a premium of approximately HK\$0.0838 over the unaudited consolidated loss attributable to the owners of the Company of approximately HK\$0.0038 per Share (based on the total number of issued Shares as at the Latest Practicable Date) as at 30 November 2020.

Further details of the Offer

Further details of the Offer, including, among other things, its extension to the Overseas Shareholders, information on taxation, the terms and conditions and the procedures for acceptance and settlement and acceptance period can be found in the “Letter from Shenwan Hongyuan Securities” and “Appendix I – Further Terms and Procedures for Acceptance of the Offer” to this Composite Document and the accompanying Form of Acceptance.

INFORMATION OF THE GROUP

The Company was incorporated in the Cayman Islands with limited liability and its issued shares are listed on GEM (stock code: 8412). The Group is a food and beverage and entertainment group based in Hong Kong that owns and operates (i) two night clubs, namely Volar and Mudita; (ii) one sports-themed bar, namely Paper Street; (iii) one entertainment studio, namely Maximus Studio; and (iv) one restaurant focusing on Japanese-style dishes under the proprietary “Tiger” brand, namely Tiger San.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below are the shareholding structure of the Company as at the Latest Practicable Date:

	Number of Shares	Approximate percentage of the issued Shares
The Offeror and parties acting in concert with him		
The Offeror	371,520,000	38.70%
Mr. Wong	<u>159,180,000</u>	<u>16.58%</u>
	530,700,000	55.28%
Public Shareholders	<u>429,300,000</u>	<u>44.72%</u>
Total	<u><u>960,000,000</u></u>	<u><u>100.00%</u></u>

INTENTION OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the paragraph headed “the Offeror’s intention in relation to the Group” in the “Letter from Shenwan Hongyuan Securities” in this Composite Document. The Board is aware that the Offeror has no intention to discontinue the employment of the employees or to dispose of or re-deploy the assets of the Group.

The Offeror also intends to retain the management and experienced staff of the Group to continue to run the catering operating immediately following Completion. The Offeror will, following the close of the Offer, conduct a detailed review of the business operations and financial position of the Group for the purpose of developing a sustainable business plan or strategy for the Group. Subject to the results of the review, the Offeror may explore other business opportunities and consider whether any restructuring and/or integration of the existing businesses of the Group will be appropriate in order to enhance long-term growth potential of the Group. The Board is aware of the intention of the Offeror in respect of the Group and its employees and is willing to render reasonable co-operation with the Offeror which is in the interests of the Company and the Shareholders as a whole.

PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY

Your attention is drawn to the paragraph headed “Proposed change of the Board composition” in the “Letter from Shenwan Hongyuan Securities” in this Composite Document.

The Board is currently made up of seven (7) Directors, comprising three (3) executive Directors, being Mr. Ng Shing Joe Kester, Ms. Lau Sze Yuen and Mr. Ng Shing Chun Ray; one (1) non-executive Director, being Mr. Kan Sze Man; and three (3) independent non-executive Directors, being Mr. Wong Sui Chi, Mr. Li Lap Sun and Mr. Ng Kwok Kei Sammy.

The Offeror intends to retain Mr. Ng Shing Chun Ray as executive Director and nominate Mr. Pong as an independent non-executive Director to the Board with effect after the despatch of the Composite Document. Save as disclosed under the paragraph headed “Proposed change of the Board composition” in the “Letter from Shenwan Hongyuan Securities” in this Composite Document, the Offeror has not yet determined as to who will be nominated and the final composition of the Board as at the Latest Practicable Date. Any changes to the Board will be made in compliance with the Takeovers Code and the GEM Listing Rules and further announcement will be made as and when appropriate.

MAINTAINING THE LISTING STATUS AND SUFFICIENT PUBLIC FLOAT OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

As stated in the “Letter from Shenwan Hongyuan Securities” in this Composite Document, the Offeror intends the Company to remain listed on GEM following the close of the Offer. The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the close of the Offer. The Offeror and the Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offer. In this connection, in the event that the public float of the Company falls below 25% upon the close of the Offer, the Offeror will, as soon as practicable, dispose of such number of Shares either directly in the market or through a placing agent to be appointed by the Offeror to ensure that the public float requirement under the GEM Listing Rules can be met. The Company and the Offeror will issue a separate announcement as and when necessary in this regard in compliance with the GEM Listing Rules.

RECOMMENDATION

None of the members of the Independent Board Committee is interested in or involved in the Offer.

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 21 to 22 of this Composite Document, which contains its recommendation to the Independent Shareholders in respect of the Offer; and (ii) the letter from the Independent Financial Adviser set out on pages 23 to 46 of this Composite Document, which contains its advice to the Independent Board Committee in relation to the Offer and the principal factors considered by it before arriving at its recommendation.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully “Further terms and procedures for acceptance of the Offer” set out in Appendix I to this Composite Document and the accompanying Form of Acceptance for further details in respect of the procedures for acceptance of the Offer.

In considering what action to take in connection with the Offer, you should consider your own tax positions, if any, and, in case of any doubt, consult your professional advisers.

For and on behalf of the Board of
BCI Group Holdings Limited
Ng Shing Joe Kester
Chairman and Executive Director

Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Offer.

BCI Group Holdings Limited
高門集團有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8412)

22 January 2021

To the Independent Shareholders,

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
SHENWAN HONGYUAN SECURITIES (H.K.) LIMITED
FOR AND ON BEHALF OF MR. SZE CHING LAU
TO ACQUIRE ALL ISSUED SHARES OF
BCI GROUP HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY THE OFFEROR
AND PARTIES ACTING IN CONCERT WITH HIM)**

INTRODUCTION

We refer to the Composite Document dated 22 January 2021 jointly issued by the Company and the Offeror to the Independent Shareholders of which this letter forms part. Terms defined in the Composite Document shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider the terms of the Offer and to make a recommendation to you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance of the Offer.

We, being the members of the Independent Board Committee, have declared that we are independent and do not have any conflict of interest in respect of the Offer and are therefore able to consider the terms of the Offer and to make recommendation to the Independent Shareholders.

Octal Capital has been appointed with our approval to advise us in respect of the terms of the Offer and as to acceptance thereof. Details of its advice and the principal factors considered by it in arriving at its advice and recommendation are set out in the “Letter from the Independent Financial Adviser” in the Composite Document.

PART III LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We also wish to draw your attention to the sections headed “Letter from Shenwan Hongyuan Securities”, the “Letter from the Board” and the additional information set out in this Composite Document, including the appendices to this Composite Document and the accompanying Form of Acceptance in respect of the terms of the Offer and the acceptance and settlement procedures for the Offer.

RECOMMENDATION

Taking into account the terms of the Offer and the independent advice and recommendation from the Independent Financial Adviser, and the principal factors and reasons taken into account in arriving at its recommendation, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, as the case may be, to accept the Offer.

The Independent Shareholders who wish to realise their investment in the Group are reminded that they should carefully and closely monitor the market price of the Shares during the Offer Period and consider selling their Shares in the open market during the Offer Period, rather than accepting the Offer, if the net proceeds from the sales of such Shares in the open market would exceed the net amount receivable under the Offer. In any event, the Independent Shareholders should note that there is no certainty that the current trading volume and/or current trading price level of the Shares will be sustainable during or after the Offer Period.

Notwithstanding our recommendation, the Independent Shareholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders should consult their own professional advisers for professional advice.

Furthermore, the Independent Shareholders who wish to accept the Offer are recommended to read carefully the procedures for accepting the Offer as detailed in the Composite Document and the Form of Acceptance.

Yours faithfully,
Independent Board Committee
BCI Group Holdings Limited

Wong Sui Chi
Independent non-executive
Director

Li Lap Sun
Independent non-executive
Director

Ng Kwok Kei Sammy
Independent non-executive
Director

The following is the full text of a letter of advice from Octal Capital Limited to the Independent Board Committee in respect of the terms of the Offer which has been prepared for the purpose of incorporation in this Composite Document:



Octal Capital Limited
801-805, 8/F, Nan Fung Tower
88 Connaught Road Central
Hong Kong

22 January 2021

To the Independent Board Committee

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER
BY SHENWAN HONGYUAN SECURITIES (H.K.) LIMITED FOR AND
ON BEHALF OF MR. SZE CHING LAU TO ACQUIRE ALL THE
ISSUED SHARES OF BCI GROUP HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED
BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH HIM)**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee in respect of the Offer. Details of the Offer are set out in the Composite Document, of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

THE SALE AND PURCHASE AGREEMENT

On 14 December 2020 (after trading hours), Aplus Concept and Phoenix Year as the Vendors, Mr. Ng as Guarantor and Mr. Sze and Mr. Wong as the Purchasers entered into the Sale and Purchase Agreement, pursuant to which (i) Aplus Concept has agreed to sell, and Mr. Sze has agreed to purchase, the Sale Shares 1; and (ii) Phoenix Year has agreed to sell, and Mr. Wong has agreed to purchase, the Sale Shares 2 for a total Consideration of HK\$42,456,000 (equivalent to HK\$0.08 per Sale Share). The Sale Shares 1 and the Sale Shares 2, being in aggregate of 530,700,000 Shares (representing approximately 55.28% of the entire issued shares capital of the Company as at the Latest Practicable Date).

The total Consideration payable by the Purchasers to the Vendors in respect of the Sale Shares shall be HK\$42,456,000 (payable (i) by Mr. Sze as to HK\$29,721,600 to Aplus Concept in respect of Sale Shares 1 and (ii) by Mr. Wong as to HK\$12,734,400 to Phoenix Year in respect of Sale Shares 2), equivalent to HK\$0.08 per Sale Share, which was agreed between the Purchasers and the Vendors after arm's length negotiations, taking into account the outlook of the food & beverage and entertainment industry in Hong Kong. Completion took place on 14 December 2020.

PART IV LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

THE OFFER

Immediately prior to Completion, the Offeror and parties acting in concert with him (including Mr. Wong) did not own, control or have direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately following Completion, the Offeror and parties acting in concert with him (including Mr. Wong) are interested in an aggregate of 530,700,000 Shares, representing approximately 55.28% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, upon Completion, the Offeror is required to make a mandatory unconditional general offer in cash for all the issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with him (including Mr. Wong).

As at the Latest Practicable Date, the Company has 960,000,000 Shares in issue and does not have any outstanding options, derivatives, warrants or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) which are convertible or exchangeable into Shares.

Save for the 530,700,000 Shares owned by the Offeror and parties acting in concert with him (including Mr. Wong), assuming there is no change of issued share capital of the Company up to the Closing Date, 429,300,000 Shares are subject to the Offer.

The Offer is a mandatory unconditional cash offer. Shenwan Hongyuan Securities, on behalf of the Offeror, will make the Offer to all Independent Shareholders to acquire all the Offer Shares in compliance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.08 in cash

The Offer Price of HK\$0.08 per Offer Share under the Offer is the same as the purchase price per Sale Share payable by the Offeror under the Sale and Purchase Agreement. The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances and together with all rights attaching thereto, including but not limited to all rights to any dividend or other distribution, if any, declared, made or paid on or after the date on which the Offer is made, being the despatch date of the Composite Document. As at the Latest Practicable Date, the Company has not declared any dividend and does not intend to declare any dividend prior to close of the Offer.

The Offer is extended to all the Independent Shareholders in accordance with the Takeovers Code. The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimal number of the Shares or any other conditions.

Further details of the terms and conditions of the Offer, including the procedures for acceptance of the Offer, are set out in the Composite Document.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wong Sui Chi, Mr. Li Lap Sun and Mr. Ng Kwok Kei Sammy, has been established in accordance with Rule 2.1 of the Takeovers Code to consider the terms of the Offer and to make a recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

PART IV LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given that Phoenix Year, one of the Vendors, is a wholly-owned subsidiary of CSI Properties Limited, the shares of which are listed on the Stock Exchange (Stock Code: 497), and that Mr. Kan Sze Man, being a non-executive Director, is the executive director of CSI Properties Limited, Mr. Kan Sze Man is therefore not considered to be independent to become a member of the Independent Board Committee.

We, Octal Capital Limited, have been appointed, with approval of the Independent Board Committee, as the independent financial adviser to the Independent Board Committee in respect of the terms of the Offer and as to acceptance thereof. We are not in the same group as the financial or other professional advisers (including a stockbroker) to the Company, and we are not associated with the Offeror or the Company or any party acting, or presumed to be acting in concert with any of them and we had not had, any connection, financial assistance or otherwise, with either the Offeror or the Company or the controlling shareholder(s) of either of them. Accordingly, we are considered eligible to give independent advice on the Offer. In the last two years, there has been no other engagement entered into between the Company and Octal Capital Limited. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Offeror or the Company or any party acting, or presumed to be acting, in concert with any of them.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information and facts supplied by the Company, and the opinions expressed by the Directors, and have assumed that the information and facts provided and opinions expressed by the Directors to us are true, accurate and complete in all material aspects. We have also relied on our discussion with the Board and/or the management of the Company, given in writing or orally, regarding the Company and the Offer, including the information and representations contained in the Composite Document. We have also assumed that all statements of belief, opinion and intention made by the Board and the management of the Company in the Composite Document were reasonably made after due enquiry. We consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Composite Document were true up to the time of the Latest Practicable Date. Should there be any subsequent material changes which occur during the period from the date of the Composite Document up to the close of the Offer, we will notify the Independent Board Committee and the Shareholders as soon as possible.

We have not considered the tax implications on the Shareholders of their acceptances or non-acceptances of the Offer since these are particular to their own individual circumstances. In particular, the Shareholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Offer and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION ON THE OFFER

In assessing the Offer and in giving our recommendations to the Independent Board Committee, we have taken into account the following principal factors and reasons:

1. Background of the Group

The Company was incorporated in the Cayman Islands with limited liability and its issued shares are listed on GEM (Stock Code: 8412). The Company and its subsidiaries are a food and beverage and entertainment group based in Hong Kong that is operating (i) two night clubs, namely Volar and Mudita; (ii) one sports-themed bar, namely Paper Street; (iii) one entertainment studio, namely Maximus Studio; and (iv) one restaurant focusing on Japanese-style dishes under the proprietary “Tiger” brand, namely Tiger San.

2. Historical financial performance and prospects of the Group

Financial Performance

Set out below is a summary of the consolidated financial information of the Group for each of the three financial years ended 31 May 2018 (“FY2018”), 2019 (“FY2019”) and 2020 (“FY2020”) and for the six months ended 30 November 2019 (“1H2020”) and 2020 (“1H2021”) as extracted from the annual reports of the Company for FY2019 (the “2019 Annual Report”) and FY2020 (the “2020 Annual Report”) and the interim report of the Company 1H2021 (the “2021 Interim Report”):

	Year ended			Six months ended	
	2018	2019	2020	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	85,343	81,889	50,397	29,958	11,903
Finance income	505	626	249	210	–
Cost of inventories sold	(17,610)	(17,739)	(10,206)	(6,659)	(2,705)
Other income and gains	377	858	1,861	229	12,170
Expense related to short term leases/total minimum lease payments for leases previously classified as operating lease under HKAS17 (note 1)	(25,180)	(26,705)	(777)	–	(743)
Advertising and marketing expenses	(14,094)	(11,246)	(7,310)	(4,767)	(1,373)
Employee benefit expenses	(27,244)	(23,180)	(16,939)	(9,859)	(5,653)

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	Year ended			Six months ended	
	31 May			30 November	
	2018	2019	2020	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment (<i>note 1</i>)	(4,672)	(3,942)	(3,916)	(2,071)	(1,837)
Depreciation of right-of-use assets (<i>note 1</i>)	–	–	(17,537)	(9,411)	(10,535)
Fair value change on financial assets at fair value through profit or loss	(446)	62	(15)	–	–
Impairment loss on goodwill	–	(2,209)	–	–	–
Impairment loss on property, plant and equipment	–	(2,379)	(2,090)	–	–
Impairment loss on right-of-use assets	–	–	(8,555)	–	–
Loss allowance on and written off of trade and other receivables	–	(2,105)	(3,464)	–	–
Reversal of loss allowance on trade and other receivables	–	–	–	–	509
Written off of amount due from a related company	–	–	(172)	–	–
Other expenses	(20,639)	(20,763)	(15,665)	(7,481)	(5,167)
Finance cost	(285)	(873)	(2,485)	(1,382)	(789)
Profit/(Loss) before income tax expense	(23,945)	(27,706)	(36,624)	(11,233)	(4,220)
Income tax credit/(expense)	(1,828)	169	130	–	–
Profit/(Loss) and total comprehensive income/ (expense) for the year attributable to owners of the Company	(25,135)	(26,780)	(35,704)	(10,908)	(4,094)
Earnings/(Loss) per Share (HK\$' cents) (<i>note 2</i>)	(3.14)	(3.35)	(4.46)	(1.36)	(0.46)

Notes:

- The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances on 1 June 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17 Leases (“**HKAS 17**”). After initial recognition of right-of-use assets on 1 June 2019, the Group as the lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information has not been restated.
- Earnings/(Loss) per Share represents the Group’s earnings or loss for the year attributable to owners of the Company divided by the number of weighted average number of ordinary shares for the purpose of calculating basic earnings or loss per Share as at the relevant dates.

Comparison between FY2019 and FY2018

For FY2019, the Group recorded revenue of approximately HK\$81.9 million, which represented a decrease of approximately 4.0% as compared to that for FY2018. The majority of the Group's revenue in FY2019 was generated from the operation of clubbing and entertainment business which accounted for approximately 82.4% of the Group's revenue in FY2019. According to the 2019 Annual Report, the decline in revenue was mainly attributable to (i) a decrease in revenue generated by a night club named Mudita (formerly known as Fly) which was being temporarily closed for business from July to October 2018 for its renovation and refurbishment; (ii) a decrease in revenue generated by another night club named Volar preliminary due to the rising competition in the clubbing business in FY2019; and (iii) the closure of Tiger Curry & Café on 7 August 2018 and Tiger Curry on 10 April 2018 as well as the rising competition in the food and beverage industry in FY2019.

The net loss of the Group attributable to the owners of the Company was approximately HK\$26.8 million for FY2019 as compared to net loss attributable to the owners of the Company of approximately HK\$25.1 million in FY2018, representing an increase in net loss of approximately 6.5%. The increase in net loss was mainly attributable to the decrease in revenue in FY2019 as mentioned above, and was partially offset by the decrease in advertising and marketing expenses and employee benefits expenses.

Comparison between FY2020 and FY2019

For FY2020, the Group recorded revenue from continuing operations of approximately HK\$50.4 million, representing a substantial decrease of approximately 38.5% as compared to that for FY2019. According to the 2020 Annual Report, such decrease was attributable to a substantial decrease in revenue generated from the Group's clubbing operation in Volar and Mudita as a result of (i) the ongoing US-China trade tension as well as local political turmoil (including but not limited to the continuing social unrest in Hong Kong since late June 2019), which caused challenges in the general economy in Hong Kong and in turn affected the spending power and dampened consumer sentiment and consequently affected the operation of the Group in high-spending leisure activities in night club entertainment which reduced the number of customers of the Group and the average spending per customer in FY2020; and (ii) the outbreak of COVID-19 which resulted in the overall severe weakening of consumer's spending sentiment in the food and beverage, lifestyle and entertainment industry in Hong Kong as there was a significant decline in the pedestrian traffic and tourist arrival to Hong Kong and a reduction in the business hours of the Group's outlets during FY2020. The profitability of the Group was worsened since the government imposed certain laws and regulations which required mandatory closure of the Group's night clubs, bars and entertainment studio for approximately two months during FY2020.

Net loss for the year attributable to owners of the Company further increased from approximately HK\$26.8 million in FY2019 to approximately HK\$35.7 million in FY2020, which was mainly due to (i) the substantial decrease in revenue from the Group's food and beverage operation as mentioned above; and (ii) the recognition of an impairment loss on property, plant and equipment, right-of-use assets and the write off and the provision for loss allowance of the Group's trade and other receivables for FY2020 of approximately HK\$14.3 million in aggregate as the continuing social unrest and COVID-19 had brought negative impact on the economy in Hong Kong resulting in decline in asset prices.

Comparison between 1H2021 and 1H2020

For 1H2021, the Group recorded revenue from continuing operations of approximately HK\$11.9 million, representing a decrease of approximately 60.3% as compared to HK\$30.0 million for 1H2020. According to the 2021 Interim Report, such decrease was attributable to a substantial decrease in revenue generated from the operation of clubbing and entertainment business which decreased by approximately HK\$16.5 million from approximately HK\$26.1 million for 1H2020 to approximately HK\$9.6 million for 1H2021. Such decrease was mainly due to the reduction in the business hours of outlets of the Group during 1H2021 due to the COVID-19 outbreak.

The Group recorded net loss attributable to owners of the Company of approximately HK\$4.1 million for 1H2021 as compared with net loss attributable to owners of the Company of approximately HK\$10.9 million for 1H2020, which was mainly due to (i) increase of other income of approximately HK\$11.9 million; and (ii) the reversal of loss allowance on trade and other receivables of approximately HK\$0.5 million, partially offset by the aforementioned decrease in revenue from the Group's operation of clubbing and entertainment business. The increase in other income was mainly due to the subsidies amounting HK\$3.3 million received from the government of Hong Kong as a result of the outbreak of COVID-19 and the rent concession in the sum of approximately HK\$8.7 million obtained from landlords of the Group for the previous rent paid, which we considered as non-recurring in nature. Excluding the abovementioned non-recurring items of government subsidies and rent concession recorded in other income of the Group of approximately HK\$12.0 million, the Group's adjusted net loss attributable to owners of the Company would be approximately HK\$16.1 million, which was mainly due to the substantial decrease in revenue from the Group's food and beverage operation as mentioned above, partly offset by the reversal of loss allowance on trade and other receivables of approximately HK\$0.5 million.

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Financial Position

Set out below is a summary of the consolidated statement of financial position of the Group as at 31 May 2018, 2019 and 2020 and 30 November 2020 as extracted from the 2019 Annual Report, the 2020 Annual Report and the 2021 Interim Report:

	2018	As at 31 May 2019	2020	As at 30 November 2020
	(Audited)	(Audited)	(Audited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets				
– Property, plant and equipment <i>(note 1)</i>	7,019	12,933	6,690	4,868
– Right-of-use assets <i>(note 1)</i>	–	–	5,293	16,861
– Other receivables	3,252	6,061	–	–
– Goodwill	2,209	–	–	–
– Other non-current assets	1,810	330	–	5,254
	<u>14,290</u>	<u>19,324</u>	<u>11,983</u>	<u>26,983</u>
Current assets				
– Trade and other receivables	15,938	8,766	11,149	11,727
– Financial assets at fair value through profit or loss	19,990	12,991	–	–
– Cash and cash equivalents	33,508	20,311	6,424	3,877
– Restricted bank deposits	2,146	9,473	17,038	31,476
– Other current assets	1,535	720	532	242
	<u>73,117</u>	<u>52,261</u>	<u>35,143</u>	<u>47,322</u>
Total assets	87,407	71,585	47,126	74,305
Current liabilities				
– Trade and other payables	13,989	16,463	21,843	11,181
– Bank borrowings	30,667	31,091	17,035	35,714
– Lease liabilities <i>(note 1)</i>	–	–	15,570	13,038
– Other current liabilities	–	2,929	1,257	3,481
	<u>44,656</u>	<u>50,483</u>	<u>55,705</u>	<u>63,414</u>
Non-current liabilities	1,177	7,065	13,878	17,234
Total liabilities	45,833	57,548	69,583	80,648

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	As at 31 May			As at
	2018	2019	2020	30 November
	(Audited)	(Audited)	(Audited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net current assets/(liabilities)	28,461	1,778	(22,457)	(16,092)
Net assets/(liabilities)	41,574	14,037	(20,562)	(6,343)
Net assets/(liabilities) attributable to owners of the Company	42,596	15,816	(19,888)	(3,648)
Gearing ratio ^(note 2)	33%	50%	66%	48%
Net assets/(liabilities) attributable to Shareholders per Share ^(note 3)	HK\$0.53	HK\$0.20	HK\$(0.25)	HK\$(0.004)

Notes:

- According to the 2020 Annual Report, HKFRS 16 brings significant changes in accounting treatment for lease accounting primarily for accounting for lessees. It replaces HKAS 17, HK (IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease”, HK (SIC)-Int 15 “Operating Leases-Incentives” and HK (SIC)-Int 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. From a lessee’s perspective almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases.
- Gearing ratio represents interest-bearing debt divided by total assets.
- Net assets/(liabilities) per Share represents the Group’s net assets/(liabilities) attributable to Shareholders divided by the number of weighted average number of ordinary shares for the purpose of calculating basic net assets/(liabilities) per Share as at the relevant dates.

The total assets of the Group amounted to approximately HK\$87.4 million, HK\$71.6 million and HK\$47.1 million as at 31 May 2018, 2019, 2020 and 30 November 2020, respectively. As at 31 May 2018, 2019 and 2020, the majority of assets of the Group comprised its property, plant and equipment, right-of-use-assets, trade and other receivables, financial assets at fair value through profit or loss, cash and cash equivalents and restricted bank deposits, which together accounted for approximately 67.1%, 71.9%, 87.6% and 93.7% of the total assets of the Group, respectively. The total assets decreased by approximately 18.1% as at 31 May 2019, which was mainly due to the decrease in (i) cash and cash equivalents; (ii) trade and other receivables; and (iii) financial assets at fair value through profit or loss. As at 31 May 2019, the Group’s financial assets at fair value through profit or loss of approximately HK\$22.5 million were pledged to secure the Group’s short term bank borrowing. The total assets of the Group further decreased by approximately 34.2% as at 31 May 2020 which was mainly due to (i) the decrease in cash and cash equivalents; (ii) the impairment loss on right-of-use assets and property, plant and equipment of approximately HK\$10.6 million; and (iii) written off of trade and other receivables and amount due from a related company of approximately HK\$3.2 million. The total assets of the Group increased by approximately 57.7% as at 30 November 2020 as compared with that as at 31 May 2020, mainly attributable to (i) increase in restricted bank deposits; and (ii) increase in right-of-use assets.

The total liabilities of the Group amounted to approximately HK\$45.8 million, HK\$57.5 million and HK\$69.6 million as at 31 May 2018, 2019 and 2020, respectively. As at 31 May 2018, 2019, 2020 and 30 November 2020, trade and other payables, bank borrowings and lease liabilities were the major liabilities of the Group, which together accounted for approximately 97.4%, 82.6%, 78.2% and 74.3% of the total liabilities of the Group, respectively. The total liabilities of the Group increased by approximately 25.6% as at 31 May 2019 as a result of the increase in (i) trade and other payables and (ii) loan from a shareholder. Total liabilities further increased by approximately 20.9% as at 31 May 2020, mainly due to the increase of (i) loan from a shareholder and (ii) lease liabilities as a result of reconciliation from operating lease commitments to lease liabilities following the adoption of HKFRS 16. The total liabilities of the Group increased by approximately 15.9% as at 30 November 2020 as compared with that as at 31 May 2020, mainly due to increase in bank borrowings of approximately HK\$14.4 million during 1H2021.

Net assets attributable to owners of the Company decreased from approximately HK\$42.6 million as at 31 May 2018 to approximately HK\$15.8 million as at 31 May 2019 as a result of the net loss attributable to owners of the Company of approximately HK\$26.8 million in FY2019. The financial position of the Group further worsened in FY2020 as the Group recorded net liabilities attributable to owners of the Company of approximately HK\$19.9 million as at 31 May 2020 as a result of the net loss attributable to owners of the Company of approximately HK\$35.7 million. The Group also recorded net current liabilities of approximately HK\$20.5 million which suggested that the Group may have a liquidity issue in its operation and it has an imminent need of working capital. The net liabilities attributable to owners of the Company then amounted to approximately HK\$3.6 million as at 30 November 2020 with the combined effect due to (i) completion of a fund-raising exercise (the “**Placing**”) in August 2020 to issue 160,000,000 new Shares to independent third parties (details of which are set out in the announcements of the Company dated 30 June 2020 and 18 August 2020) and raised net proceeds of approximately HK\$20 million; (ii) the increase in bank borrowings of approximately HK\$14.4 million during 1H2021; and (iii) the aforementioned net loss attributable to owners of the Company during 1H2021.

The Group’s gearing ratios were approximately 33%, 50%, 66% and 48% as at 31 May 2018, 2019, 2020 and 30 November 2020 respectively. The gearing ratio of the Group has been increasing from FY2018 to FY2020 as a result of the decline in total assets, together with increase in interest-bearing debts. The gearing ratio decreased from 66% as at 31 May 2020 to 48% as at 30 November 2020 as a result of the increase in total assets, partially offset by the increase in bank and other borrowings during 1H2021. Overall, the Group is asset-light as the clubs and restaurants are operating under leased premises and it does not have any significant properties, plant and equipment. As at 30 November 2020, its major assets comprised accounts receivables, restricted deposits, cash and cash equivalent and the right-of-use assets arising from the operating leases of the Group’s premises which together accounts for approximately 86.1% of the total assets of the Group. With the bank borrowings taken as its funding source for operation, the net asset value of the Group remained low as at 31 May 2018 and 2019 and it recorded net liabilities as at 31 May 2020 and 30 November 2020 as a result of the decrease in the Group’s revenue and deteriorating net losses recorded as discussed above. The net assets per Share of the Group were HK\$0.053 and HK\$0.020 as at 31 May 2018 and 2019 respectively, and the net liabilities of the Group were HK\$0.025 and HK\$0.004 as at 31 May 2020 and 30 November 2020 respectively.

Prospects of the Group

According to the 2020 Annual Report, the uncertainties in the global economy, in particular those arising from the ongoing US-China trade tension as well as local political turmoil (including but not limited to the continuing social unrest in Hong Kong since late June 2019), affected the general spending power and dampened consumer sentiment in high-spending leisure activities in night club entertainment. The trade dispute is still ongoing and the recent political conditions have also created a turbulent and adverse business environment in Hong Kong, where the development of which is unpredictable. The consumers' spending sentiment in the food and beverage, lifestyle and entertainment industry in Hong Kong has become even worse due to the outbreak of the novel coronavirus disease ("COVID-19") since January 2020, which has been severely affecting the operating environment for retail and food and beverage business in Hong Kong. The economy measured by gross domestic products contracted by 1.2% for the year ended 31 December 2019 as compared to the prior year. Further, according to the labour force statistics released by the Census and Statistics Department, the seasonally adjusted unemployment rate rose from 3.1% in August to October 2019 to 5.2% in February to April 2020 after the COVID-19 outbreak and further rose to 6.3% for the period between September and November 2020. Small and medium enterprises, as well as retail, catering and hotel businesses have been hit the hardest. Under the circumstances of uncertainties, the performance of companies in the clubbing and catering industries continues to be sluggish.

Moreover, the continuous spreading of COVID-19 in Hong Kong resulted in the orders for the compulsory shut-down of all the clubs in Hong Kong for the periods from 3 April 2020 to 7 May 2020, from 15 July 2020 to 18 September 2020 and from 25 November 2020 to 20 January 2021 and it is still effective up to the Latest Practicable Date (the "**Mandatory Closure Periods**"). Accordingly, all the clubs were required to shut down, and the operating hours of restaurants was also required to shorten during the Mandatory Closure Periods. In the first half of 2020, the COVID-19 pandemic had dealt a heavy blow to the clubbing and catering industry, leading to the aforesaid businesses subject to unprecedented challenges in the midst of COVID-19 pandemic.

With reference to the Report on Quarterly Survey of Restaurant Receipts and Purchases (the "**Report**") published by the Census and Statistics Department of Hong Kong, the value of total receipts of the restaurants sector in the third quarter of 2020 was provisionally estimated at \$17.0 billion, representing a decrease of approximately 35.3% for the same period last year. Analysed by type of restaurant, total receipts of bars and non-Chinese restaurants has decreased from approximately HK\$357 million and HK\$7,593 million in the third quarter of 2019 to approximately HK\$133 million and HK\$5,248 million in September 2020, representing a year-on-year decrease of approximately 62.7% and 30.6%. Moreover, based on the value index of restaurant receipts by type of restaurant disclosed in the Report, which measures the change in restaurant receipts in value terms by setting the value index of the restaurant receipts in the period from October 2014 to September 2015 (being the first period under review in the Report) as base of 100, the value index has decreased from 102.8 in the third quarter of 2019 to 92.0 in the first quarter of 2020 with the impact of the COVID-19 outbreak, and further dropped to 71.0 for the third quarter of 2020, representing a year-on-year decrease of 30.9%.

According to the 2021 Interim Report, during the six months ended 30 November 2020, the recent economic downturn, accompanied by the unstable social atmosphere and the COVID-19 outbreak 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 COVID-19 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 year of 2021. The Group expected that after the COVID-19 pandemic has been under control, the revenue generated by the Group will be improved. As disclosed in the 2021 Interim Report, the Group had signed a new lease agreement with a landlord for the Group's second sports-themed bar which will be located in Central, Hong Kong. As advised by the management of the Group, the decoration work of the second sports-themed bar had been in progress and it is expected that the second sports-themed bar will commence business in the financial year ending 31 May 2021.

Nevertheless, having considered that certain social distancing requirements and ongoing epidemic measures are still in place which dampened customer sentiment and the number of tourists visiting Hong Kong are more likely to remain at a low level under the COVID-19 pandemic, we are of the view that the overall business environment regarding clubbing and catering sectors will remain challenging in the near-term and may take time to gradually recover to a level comparable to the pre-COVID-19 period. Having considered the persistent loss making conditions of the Group's operation dampened by the impact of the COVID-19 pandemic, although the Group has raised fund from the Placing, the Group may still need to consider other fund raising activities in the near future in order to meet its working capital requirement to support the Group's operation.

3. Information of the Offeror and Mr. Wong

Mr. Sze, BBS, JP, is an experienced investor and currently a shareholder of China Putian Food Holding Limited (Stock Code: 1699), Xinyang Maojian Group Limited (Stock Code: 362) and Sparkle Roll Group Limited (Stock Code: 970) with more than 5% shareholdings as required to be disclosed under the relevant SFO. In addition, Mr. Sze is currently the Chairman of Lung Shing International (Group) Limited* (隆誠國際(集團)有限公司) (a company principally engaged in trading of recycled plastic products), a member of the National Committee of the Chinese People's Political Consultative Conference* (全國政協委員), as well as the Vice Chairman of Hong Kong Federation of Fujian Associations* (香港福建社團聯會副主席). Mr. Sze has extensive experience in the financial and investment fields, and a diversified personal investment portfolio. As such, we understand that Mr. Sze decided to invest in the catering business in order to further broaden the scope of his investments.

Mr. Wong, holds a Bachelor of Arts degree from the University of Hong Kong. He has extensive exposure in the financial and investment fields for over 20 years and is well experienced in the international investment market. He is currently an executive director of China Information Technology Development Limited (Stock Code: 8178), a non-executive director of TFG International Group Limited (Stock Code: 542), and an independent non-executive director of Far East Holdings International Limited (Stock Code: 36). Mr. Wong has extensive experience in the financial and investment fields as well as experience in corporate and business management in listed companies, as disclosed above. We understand that Mr. Wong has carefully assessed his current business and investment portfolio and decided to invest in the catering business in order to widen variety of his investments and diversify investment risk in his investment portfolio.

Though Mr. Sze and Mr. Wong did not have direct experience in the catering sector, both of them intend to retain the management, including Mr. Ng Shing Chun Ray, and experienced staff of the Group to leverage on their expertise in catering industry to run the catering operation. Mr. Sze and Mr. Wong will review the business of the Group and might consider to hire more experienced management staff to the Board or as senior management if deem fit.

Save for the Sale Shares pursuant to the Sale and Purchase Agreement, the Offeror and the parties acting in concert with him (including Mr. Wong) do not hold any Shares or any other securities of the Company as at the Latest Practicable Date.

4. Principal terms of the Offer

(a) Offer Price comparisons

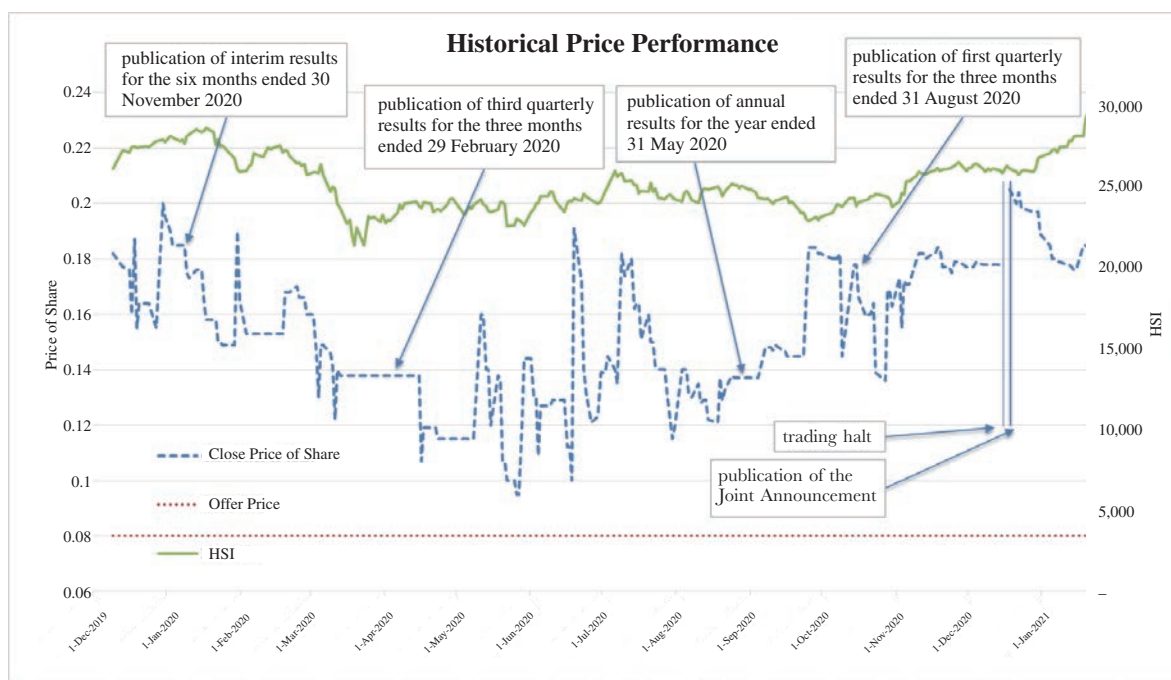
The Offer Price of HK\$0.08 per Offer Share represents:

- (i) a discount of approximately 55.06% to the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day, the average closing price of the Shares as quoted on the Stock Exchange for the 5, 10 and 30 consecutive trading days immediately prior to and including the Last Trading Day of HK\$0.178 per Share;
- (ii) a discount of approximately 48.72% to the average closing price of approximately HK\$0.156 per Share as quoted on the Stock Exchange for the 120 consecutive trading days immediately prior to and including the Last Trading Day;
- (iii) a discount of approximately 45.21% to the average closing price of approximately HK\$0.146 per Share as quoted on the Stock Exchange for the 180 consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 15,900% over the adjusted net asset value attributable to the owners of the Company of approximately HK\$0.0005 per Share based on (i) the audited loss attributable to owners of the Company of approximately HK\$19,888,000 as at 31 May 2020; (ii) the net proceeds from placing of shares completed on 18 August 2020 of approximately HK\$20,334,000; and (iii) the total number of issued Shares as at the Latest Practicable Date;
- (v) a premium of approximately 2,566.67% over the unaudited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.003 per Share (based on the total number of issued Shares as at the Latest Practicable Date) as at 31 August 2020 with reference to the unaudited condensed consolidated statement of changes in equity of the first quarterly report of the Company for the three months ended 31 August 2020;

- (vi) a premium of approximately HK\$0.0838 over the unaudited consolidated loss attributable to the owners of the Company of approximately HK\$0.0038 per Share (based on the total number of issued Shares as at the Latest Practicable Date) as at 30 November 2020; and
- (vii) a discount of approximately 56.52% to the closing price of HK\$0.184 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

(b) Historical price performance of the Shares

Set out below is the movement of the daily closing prices of the Shares on the Stock Exchange during the period from 9 December 2019 (being one year prior to the Last Trading Day) and up to and including the Latest Practicable Date (the “**Review Period**”) and the comparison of the Share price performance with the Hang Seng Index (“**HSI**”) and the Offer Price, and a summary of announcements published by the Company of significant events that took place:



Source: www.hkex.com.hk

Note:

1. Trading in the Shares was halted from 15 December 2020 to 17 December 2020.

The Shares were traded in a generally downward trend from 9 December 2019 to the Last Trading Day prior to the publication of the Joint Announcement dated 17 December 2020 (the “**Pre-announcement Review Period**”). During the Pre-announcement Review Period, the highest closing prices of the Shares were HK\$0.2 per Share on 9 December 2019 and the lowest closing price of the Shares was HK\$0.095 per Share on 26 and 27 May 2020, respectively. The Share price showed fluctuation along the average closing prices of the Pre-announcement Review Period of HK\$0.15 and has generally underperformed the HSI during the Pre-announcement Review Period.

The closing price of the Shares was HK\$0.182 per Share at the beginning of the Pre-announcement Review Period and the closing price of the Shares as at the Last Trading Day was HK\$0.178, representing a mild decrease of approximately 2.2%; whereas the HSI increased by approximately 0.03% during the same period. The closing prices of the Shares were at its highest level in early-January 2020. However, the closing prices of the Shares exhibited a general downward trend since its peak level following (i) the publication of interim results for the six months ended 30 November 2019 in mid-January and (ii) the slump in value of the global equity markets including the HSI in March 2020. The closing prices of the Shares further dropped to the third-lowest level in April 2020 during the Review Period due to the publication of the third quarterly results for the three months ended 29 February 2020. After the period of fluctuation along its low-price level from May 2020 to early-July 2020, the closing prices of the Shares started to exhibit a generally increasing trend, which may be attributable to the publication of annual results for the year ended 31 May 2020. However, the closing prices of the Shares displayed a decline in October 2020 since the publication of first quarterly results for the three months ended 31 August 2020, and then rebounded back to the highest level recorded in the aforesaid upward-trend period in November 2020. As the historical price chart above suggested, the price level of the Shares during the Review Period was mostly below its level on 14 December 2019, being the first date of the Review Period, and resumed to the beginning level in the last month of the Review Period.

The Offer Price of HK\$0.08 per Offer Share is below the lowest closing price of the Shares quoted on the Stock Exchange during the Pre-announcement Review Period, and it represented a discount of approximately 15.8% to the lowest closing price of HK\$0.095 per Share recorded on 26 and 27 May 2020, and a discount of approximately 60.0% to the highest closing price of HK\$0.20 per Share recorded on 9 December 2019. Besides, we noted that the discount of the Offer Price to the closing prices on the Last Trading Day and the average closing prices of the Shares for the 5, 10, and 30 consecutive trading days immediately prior to and including the Last Trading Day ranged from approximately 54.69% to 55.06%.

After the publication of the Joint Announcement on 17 December 2020 and up to the Latest Practicable Date (the “**Post-announcement Review Period**”), the closing price of the Shares surged to HK\$0.205 on 18 December 2018 and dropped into the range of HK\$0.176 to HK\$0.204 per Share.

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(c) Liquidity of the Shares

The table below sets out the monthly statistics of the average daily trading volume of the Shares per month and the respective percentages of the average daily trading volume as compared to the total number of issued Shares and total number of issued Shares held by public Shareholders respectively during the Review Period:

Exhibit 1

Month	Total trading volume	Average daily trading volume ^{Note 1}	% of the Average daily trading volume to total number of issued Shares as at the end of the relevant month ^{Note 1}	% of the Average daily trading volume to total number of issued Shares held by public Shareholders as at the end of the relevant month ^{Note 1}	Number of trading days in each month
Pre-announcement Review Period					
2019					
December (from the beginning of the Review Period)	3,250,000	270,833	0.03%	0.09%	12
2020					
January	2,290,000	114,500	0.01%	0.05%	20
February	470,000	23,500	0.003%	0.01%	20
March	400,000	18,182	0.002%	0.01%	22
April	280,000	14,737	0.002%	0.01%	19
May	11,120,000	556,000	0.07%	0.22%	20
June	150,830,000	7,182,381	0.90%	2.83%	21
July	47,510,000	2,159,545	0.27%	0.85%	22
August	59,000,000	2,809,524	0.35%	1.11%	21
September	20,410,000	927,727	0.10%	0.22%	22
October	177,430,000	9,857,222	1.03%	2.38%	18
November	113,190,000	5,390,000	0.56%	1.30%	21
December (up to and including the Last Trading Day)	60,000	6,000	0.001%	0.002%	10
Post-announcement Review Period					
2020					
December (from 18 to 31 December 2020)	16,030,000	1,781,111	0.19%	0.43%	9
2021					
January (up to and including the Latest Practicable Date)	20,840,000	1,603,077	0.17%	0.39%	13

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Set out below are the average daily trading volume of the Shares over the periods prior to the Last Trading Day:

Exhibit 2*The Shares***Over past one month**

Average daily trading volume (number of Shares)	97,619
As a percentage of issued Shares	0.01%
As a percentage of public float	0.02%
Number of trading day of which there is no transaction of the Shares	13

Over past three months

Average daily trading volume (number of Shares)	4,993,065
As a percentage of issued Shares	0.52%
As a percentage of public float	1.21%
Number of trading day of which there is no transaction of the Shares	28

Over past six months

Average daily trading volume (number of Shares)	4,547,040
As a percentage of issued Shares	0.47%
As a percentage of public float	1.10%
Number of trading day of which there is no transaction of the Shares	47

Over past one year

Average daily trading volume (number of Shares)	2,376,911
As a percentage of issued Shares	0.25%
As a percentage of public float	0.57%
Number of trading day of which there is no transaction of the Shares	129

Over past two years

Average daily trading volume (number of Shares)	1,231,043
As a percentage of issued Shares	0.13%
As a percentage of public float	0.30%
Number of trading day of which there is no transaction of the Shares	308

Source: The Stock Exchange website (www.hkex.com.hk)

Notes:

1. According to the announcement published on 18 August 2020 in relation to the completion of placing of new shares under the general mandate, immediately before completion of the Placing, the public shareholders held approximately 253,800,000 shares, with a total number of issued shares of 800,000,000. And immediately upon completion of the Placing and as at date of the aforesaid announcement, the public shareholders held approximately 253,800,000 shares, representing 31.71% of the total issued shares of 960,000,000 shares. Therefore, in our calculation for average daily trading volume as a percentage of issued share capital and public float, we adopted public float of 253,800,000 shares and issued share capital of 800,000,000 in the months before September 2020, and also adopted public float of 413,800,000 shares and issued share capital of 960,000,000 in the months starting from September 2020.

2. The total issued Shares and the public float of the Shares as at the Last Trading Day were 960,000,000 and 413,800,000 respectively, as disclosed in the announcement published by the Company dated 18 August 2020 in relation to completion of placing of new shares under the general mandate.

As illustrated in Exhibit 1 above, the trading of the Shares was generally inactive prior to the publication of the Announcement. The average daily trading volume for the respective month or period during the above period before the publication of the Announcement ranged from approximately 6,000 Shares to approximately 9,857,222 Shares, representing approximately 0.001% to 1.03% of the total number of Shares in issue and approximately 0.002% to 2.83% of the total number of Shares held by the public. We consider that the relatively high daily trading volumes in June 2020 and October 2020 were primarily attributable to the announcement dated 30 June 2020 in relation to the placing of new shares under general mandate and the announcement date 9 October 2020 regarding positive profit alert.

As illustrated in the Exhibit 2 above, the average daily trading volume of the Shares has been generally low during the two years prior to the publication of the Announcement (the “**Review Period**”). The average daily trading volume of the Shares as a percentage of the total issued Shares ranged from approximately 0.01% to approximately 0.52% over the past two years, and the average daily trading volume of the Shares as a percentage of public float of the Company ranged from approximately 0.02% to approximately 1.21% during the last two years period. Although the average daily trading volume of the Shares as a percentage of public float of the Company reflected that the stock trading of the Company is not illiquid, the number of trading days of which there is no transaction in the Shares, on the contrary, accounted for roughly half of the trading days during the respective periods. Therefore, it indicated that during the Review Period, there were a considerable number of trading days without any trading of the Shares. Therefore, the trading of the Shares did not appear to be active.

Taking into consideration that the trading volume of the Shares were thin in general during the Pre-announcement Review Period, it is uncertain that the overall liquidity of the Shares could be maintained in the near future and that there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market, especially those with large volume of Shares, without exerting a downward pressure on the Share price. The Offer provides an opportunity for the Independent Shareholders to dispose of their shareholdings, especially for those holding a large block of the Shares, at the Offer Price if they wish to realise their investments.

In overall, despite the closing prices of the Shares was above the Offer Price over the entire Review Period, given that (i) both the Offer Price and the historical share price during the Review Period represented a significant premium over the unaudited net liabilities attributable to the owners of the Company as at 31 May 2020 and 30 November 2020 of approximately HK\$0.025 and HK\$0.0038 per Share respectively as discussed in the sub-section headed “(a) Offer Price comparisons” above; (ii) given the trading volume was rather thin in the period under review with considerable number of trading days without any trading of the Shares despite the relatively higher average daily trading volumes of the Shares in June 2020 and October 2020, there is no guarantee that the trading price of the Shares will sustain at a level higher than the Offer Price during and after the Offer Period; and (iii) the uncertainty whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of their Shares in the open market without depressing the Share price, we are of the view that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

5. Market comparable analysis**(a) Comparison with comparable companies**

As the Group is principally engaged in the food and beverage and entertainment business, reference to price-to-earnings ratio (the “**P/E Ratio**”) is the most common valuation methodology adopted by the investment community for the business of the Group. However, given that the Company reported consolidated net loss attributable to the owners of the Company for FY2020, the P/E Ratio analysis may not yield any conclusive meaning and the comparison on P/E Ratio was not adopted.

On the other hand, we have attempted to apply the price-to-book ratio (the “**P/B Ratio**”) analysis as an additional reference in assessing the reasonableness of the Offer Price. However, since the Group recorded net liabilities attributable to owners of the Company of approximately HK\$3.6 million as at 30 November 2020, the P/B Ratio implied by the Offer Price did not provide a meaningful figure and the comparison on P/B Ratio was not adopted.

Nevertheless, we noted that the underlying value of the Group of HK\$76,800,000 as implied by the Offer Price and the total number of issued Shares of 960,000,000 is significantly higher than the consolidated net liabilities attributable to owners of the Company as at 31 May 2020 and 30 November 2020 of approximately HK\$19.9 million and HK\$3.6 million respectively, which implied a premium represented by the Offer Price to the Company’s consolidated net deficit per Share in the precedent financial year end and the end of latest interim period.

(b) Comparison with comparable offers

Since the Company has been loss making for the last four consecutive full financial years and was in net liabilities financial position as at 30 November 2020, being the date of the latest financial report of the Company, we have searched on a best effort basis and identified 8 listed companies on the Stock Exchange which (i) have undergone a general cash offer exercise by an offeror with announcements published since 15 December 2019 and up to the Last Trading Day, being approximately a one-year review period (exclusive of any privatization made by way of a general offer); and (ii) were loss making for at least two consecutive full financial years prior to the publication of the announcement regarding the respective offers (the “**Comparable Offer(s)**”). The approximate one-year review period was adopted to demonstrate the recent market trends with sufficient and representative number of Comparable Offers and thus we consider the timeframe is reasonable and representative.

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The Comparable Offers represent an exhaustive list of comparable companies meeting the aforementioned criteria as identified by us based on our research on the Stock Exchange. We are of the view that the Comparable Offers are relevant in comparing the offer prices in the market of other similar transactions to the Offer to enable the Independent Shareholders to make a balanced and informed decision of whether the Offer Price is fair and reasonable as (i) the offer prices of the Comparable Offers can provide the general pricing trend of recent general offer transactions of loss-making listed companies in Hong Kong and are solely taken as a reference on general transaction terms in the amount which the offerors are willing to pay to the independent shareholders in order to obtain control over a listed company with persistent loss-making track record, under the current economic atmosphere where valuation based on P/E Ratio analysis is not applicable; and (ii) the purpose of the Comparable Offers analysis is to compare the offer prices of the Comparable Offers with the respective closing price as at the last trading day, so as to determine whether the Offer Price is in line with the offer prices of the recent general offer exercises in the market. Independent Shareholders should note that the below comparisons are only for general reference purpose as some aspects including scale of operation, trading prospect, financial performance and capital structure of the target companies of the Comparable Offers may not be exactly the same as that of the Company. Details of the Comparable Offers are set out below:

Company name	Announcement date	Closing share price as at the last trading day (as defined in the corresponding Comparable Offer) (HK\$)	Offer Price (HK\$)	Net loss attributable to the owners of the company in the latest full financial year ^{Note} (HK\$ million)	Net loss attributable to the owners of the company in the penultimate full financial year ^{Note} (HK\$ million)	Premium/(discount) of offer price over/ (to) the closing price of the last trading day (as defined in the corresponding Comparable Offer) (%)
Sunway International Holdings Limited (58)	8 January 2020	0.08	0.1	(50.5)	(7.8)	25.00
Imperium Group Global Holdings Limited (776)	24 January 2020	1.3	1.04	(34.9)	(9.1)	(20.00)
Bonjour Holdings Limited (653)	17 February 2020	0.124	0.1147	(39.6)	(202.3)	(7.50)
Easy Repay Finance & Investment Limited (8079)	15 March 2020	0.4	0.29	(37.1)	(6.8)	(27.50)
Bossini International Holdings Limited (592)	15 May 2020	0.148	0.043	(139.1)	(29.0)	(70.95)
The Sincere Company, Limited (244)	15 May 2020	0.3935	0.3806	(132.1)	(90.5)	(3.28)
Global Mastermind Capital Limited (905)	25 May 2020	0.106	0.09	(91.3)	(141.2)	(15.09)
CST Group Limited (985)	17 July 2020	0.025	0.028	(2,136.6)	(540.2)	12.00
					Maximum	25.00
					Minimum	(70.95)
					Average	(13.41)
					Median	(11.30)
The Company		0.178	0.08			(55.06)

Note:

The net loss attributable to the owners of the company is extracted from the annual report or the annual results published by the respective company prior to the announcements of the offer.

As set out in the table above, we noted that:

- (i) six out of eight of the Comparable Offers represented discount to the closing prices of the shares as at the respective last trading day, with a maximum discount of 70.95% and a minimum discount of 3.28%. The Offer Price represents a discount of approximately 55.06% of the closing prices as at the Last Trading Day is within the range of discounts of the offer prices under the Comparable Offers; and
- (ii) the discount of approximately 55.06% to the closing prices of the Shares as at the Last Trading Day that the Offer Price represents is (i) greater than the average of discount of approximately 13.41% to the closing prices of the shares as at the respective last trading day among the Comparable Offers; and (ii) greater than the median of discount of approximately 11.30% to the closing prices of the shares as at the respective last trading day among the Comparable Offers.

From the above analysis, we concluded that the offer prices of the majority of the Comparable Offers are at discount to the closing price of the shares as at the respective last trading day while the discount represented by the Offer Price (the “Discount”) was within the range of discounts of the offer prices under the Comparable Offers. Although the range of the premium/discount ratios of the Comparable Offers was relatively large, ranging from a discount of 70.95% to a premium of 25.00% and the Discount is close to the lower end of the range and the Discount is greater than the median of the discounts of approximately 11.30% of the Comparable Offers and the average of the discounts of approximately 13.41% of the Comparable Offers, we noted that an offer at discount was not uncommon under the Comparable Offers which indicate the market sentiment of similar general offer exercises.

6. Other considerations

(a) Intentions of the Offeror in relation to the Group

Upon Completion, the Offeror has become the controlling Shareholder. The Offeror has no intention to discontinue the employment of the employees or to dispose of or re-deploy the assets of the Group. The Offeror also intends to retain the management and experienced staff of the Group to continue to run the catering operating after Completion. The Offeror will, following the close of the Offer, conduct a detailed review of the business operations and financial position of the Group for the purpose of developing a sustainable business plan or strategy for the Group. Subject to the results of the review, the Offeror may explore other business opportunities and consider whether any restructuring and/or integration of the existing businesses of the Group will be appropriate in order to enhance long-term growth potential of the Group.

(b) Proposed change of Board composition of the Company

The Board is currently made up of seven (7) Directors, comprising three (3) executive Directors, being Mr. Ng Shing Joe Kester, Ms. Lau Sze Yuen and Mr. Ng Shing Chun Ray; one (1) non-executive Director, being Mr. Kan Sze Man; and three (3) independent non-executive Directors, being Mr. Wong Sui Chi, Mr. Li Lap Sun and Mr. Ng Kwok Kei Sammy.

The Offeror intends to retain Mr. Ng Shing Chun Ray as executive Director and nominate Mr. Pong Chun Yu as an independent non-executive Director to the Board with effect after the posting of the Composite Document. Save as disclosed in the Composite Document, the Offeror has not yet determined as to who will be nominated and the final composition of the Board as at the Latest Practicable Date. Any changes to the composition of the Board will be made in compliance with the Takeovers Code and the GEM Listing Rules and further announcement will be made as and when appropriate.

(c) Public float and maintaining the listing status of the Company

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Company to remain listed on GEM following the close of the Offer. The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the close of the Offer. The Offeror and the Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offer. In this connection, in the event that the public float of the Company falls below 25% upon the close of the Offer, the Offeror will, as soon as practicable, dispose of such number of Shares either directly in the market or through a placing agent to be appointed by the Offeror to ensure that the public float requirement under the GEM Listing Rules can be met. The Company and the Offeror will issue a separate announcement as and when necessary in this regard in compliance with the GEM Listing Rules.

RECOMMENDATIONS

Based on our analyses above, despite the Offer Price represents a discount of approximately 55.06% to the closing price of the Shares on the Last Trading Day, and having considered the following that (which should be read in conjunction with and interpreted in the full context of this letter):

- (i) the uncertainties of the prospect of the Group's business given that the clubbing and catering industries in Hong Kong are impacted by the COVID-19 and the corresponding social distancing requirements and the ongoing epidemic measures in 2020 and 2021 as we discussed in the section headed "2. *Historical financial performance and prospects of the Group*" in this letter;
- (ii) the Group recorded net loss attributable to owners of the Company for three consecutive financial years from the financial year ended 31 May 2018 to FY2020 and the Group continued to record a net loss attributable to owners of the Company of approximately HK\$4.1 million in 1H2021 or an adjusted net loss of approximately HK\$16.1 million after adjusting for the government subsidies and rental concession which are non-recurring in nature;
- (iii) the underlying value of the Group of HK\$76,800,000 as implied by the Offer Price and the total number of issued Shares of 960,000,000, is significantly higher than the consolidated net liabilities attributable to owners of the Company as at 30 November 2020 of approximately HK\$3.6 million; and
- (iv) disposing of large blocks of the Shares held by the Independent Shareholders in the open market may potentially exert a downward pressure on the price of the Shares as a result of the generally thin trading volume of the Shares, especially when the average daily trading volume of the Shares has been generally thin and there had been a considerable number of trading days without any trading of the Shares during the Review Period despite the surge in the average daily trading volume of the Shares in December 2020,

we are of the opinion that, on balance, the terms of the Offer, including the Offer Price, are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to accept the Offer.

Nonetheless, we would like to remind the Independent Shareholders who would like to realise part or all of their investments in the Shares to closely monitor the market price and liquidity of the Shares during the Offer Period and may, instead of accepting the Offer, consider selling their Shares in the open market should such sale proceeds, net of all transaction costs, exceed the amount receivable under the Offer. The Independent Shareholders who believe that they will not be able to sell the Shares in the market at a price higher than the Offer Price because of their size of the shareholding may consider the Offer as an alternative exit of their investments.

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In any case, the Independent Shareholders should read carefully the procedures for accepting the Offer as detailed in the Composite Document and are strongly advised that the decision to realise or to hold their investment in the Shares is subject to individual circumstances and investment objectives.

Yours faithfully,
For and on behalf of
Octal Capital Limited
Alan Fung **Wong Wai Leung**
Managing Director *Executive Director*

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 28 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

Mr. Wong Wai Leung has been a responsible officer of Type 1 (dealing in securities), Type 6 (advising on corporate finance) regulated activities since 2008 and is also a responsible officer Type 9 (asset management) regulated activities. Mr. Wong has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Takeovers Code.

1. PROCEDURES FOR ACCEPTANCE OF THE OFFER

- (a) To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Offer.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) by post or by hand, to the Registrar, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, marked “**BCI Group Holdings Limited – Offer**” on the envelope, as soon as possible and in any event no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code.
- (c) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your holding of Shares (whether in full or in part), you must either:
 - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the duly completed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

- (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.

- (d) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

- (e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror and/or Shenwan Hongyuan Securities or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

- (f) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code) and the Registrar has recorded the acceptance and any relevant documents required by the Takeovers Code have been so received, and is:
 - (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or

- (ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (f)); or
- (iii) certified by the Registrar or the Stock Exchange.
- (g) If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or power of attorney) to the satisfaction of the Registrar must be produced.
- (h) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (i) The address of the Registrar, Boardroom Share Registrars (HK) Limited, is Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong.

2. SETTLEMENT OF THE OFFER

Provided that a valid Form of Acceptance and the relevant documents required to render the relevant acceptance under the Offer are complete and in good order in all respects and have been received by the Registrar by no later than 4:00 p.m. (Hong Kong time) on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque for the amount due to the relevant accepting Shareholder, less seller's ad valorem stamp duty (if any) payable by the relevant accepting Shareholder, will be despatched to the relevant accepting Shareholder by ordinary post at his/her/its own risk as soon as possible, but in any event within seven (7) Business Days after the date on which all relevant documents are received by the Registrar to render such acceptance complete and valid.

Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect to the payment of the seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder.

No fractions of a cent will be payable and the amount of cash consideration payable to an Independent Shareholder who accepts the Offer will be rounded up to the nearest cent.

Cheque(s) not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holders should contact the Offeror for payment.

3. ACCEPTANCE PERIOD AND REVISIONS

- (a) The Offer is made on 22 January 2021, being the date of despatch of this Composite Document, and are capable of acceptance on and from this date until 4:00 p.m. on the Closing Date.
- (b) In order to be valid for the Offer, the Form of Acceptance must be received by the Registrar (in respect of the Offer) in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date, unless the Offer is extended or revised with the consent of the Executive. The Offer is unconditional in all respect.
- (c) The Offeror reserves the right to revise the terms of the Offer after the despatch of this Composite Document until such day as it may determine and in accordance with the Takeovers Code. If the Offeror revises the terms of the Offer, all the Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms.
- (d) If the Offer is extended or revised, the announcement of such extension or revision will state the next closing date or the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offer is closed to the Independent Shareholders who have not accepted the Offer, and an announcement will be released. The revised Offer will be kept open for at least 14 days thereafter.
- (e) If the Closing Date of the Offer is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer as so extended.

4. ANNOUNCEMENTS

By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry or unconditionality of the Offer. The Offeror must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been revised or extended, or has expired.

The announcement will state the total number of Shares:

- (a) for which acceptances of the Offer have been received;
- (b) held, controlled or directed by the Offeror and/or parties acting in concert with him before the Offer Period; and
- (c) acquired by the Offeror and/or parties acting in concert with him during the Offer Period.

The announcement will include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror and/or parties acting in concert with him has borrowed or lent, save for any borrowed securities which have been either on-lent or sold.

The announcement will also specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers of Shares.

In computing the total number of Shares represented by acceptances, only valid acceptances that are complete, in good order and fulfill the acceptance conditions set out in this Appendix I, and which have been received by the Registrar (in respect of the Offer) respectively by no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.

As required under the Takeovers Code, all announcements in relation to the Offer which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be made in accordance with the requirements of the Takeovers Code and the GEM Listing Rules.

5. NOMINEE REGISTRATION

To ensure equality of treatment of all Independent Shareholders, those Independent Shareholders who hold Shares as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owners separately. In order for beneficial owners of Shares, whose investments are registered in the names of nominees, to accept the Offer, it is essential that they provide instructions of their intentions with regard to the Offer to their nominees.

6. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offer tendered by Independent Shareholders or by their respective agent(s) on their respective behalf shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the subparagraph (b) below;
- (b) in the circumstances set out in Rule 19.2 of the Takeovers Code (which is to the effect that if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offer as described under the paragraph headed “4. Announcements” above), the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met.

In such case, when the Independent Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to the relevant Independent Shareholder(s) at their own risks.

7. STAMP DUTY

In Hong Kong, the seller's ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by the relevant Independent Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the cash amount payable by the Offeror to such Independent Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Independent Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance.

8. OVERSEAS SHAREHOLDERS

The Offeror intends to make the Offer available to all Independent Shareholders, including those who are residing outside Hong Kong. The availability of the Offer to persons not residing in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or limited by the laws or regulations of the relevant jurisdictions. Such Independent Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. Persons who are residents, citizens or nationals outside Hong Kong should inform themselves about and observe, at their own responsibility, any applicable laws, regulations, requirements and restrictions in their own jurisdictions in connection with the acceptance of the Offer, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with the other necessary formalities and the payment of any issue, transfer or other fares from the accepting Independent Shareholder(s) due in such jurisdiction.

Any acceptance by the Independent Shareholders and the beneficial owners of the Shares who are citizens, residents or nationals of a jurisdiction outside Hong Kong will be deemed to constitute a representation and warranty from such persons to the Offeror that the local laws and requirements have been complied with and such acceptance shall be valid and binding in accordance with all applicable laws. The Independent Shareholders should consult their respective professional advisers if in doubt. The Independent Shareholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

9. TAX ADVICE

The Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with him, the Company and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

10. GENERAL

- (a) All communications, notices, the Form of Acceptance, share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk. Such communications, notices, documents and remittances will be sent to the Independent Shareholders at their addresses as appeared in the register of members of the Company. None of the Offeror and parties acting in concert with him, the Company, Shenwan Hongyuan Securities, INCU, Shenwan Hongyuan Capital, the Independent Financial Adviser, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form of Acceptance form part of the terms of the Offer.
- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer are made will not invalidate the Offer in any way.
- (d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form of Acceptance will constitute an irrevocable authority to the Offeror and/or Shenwan Hongyuan Securities (or such person or persons as the Offeror and/or Shenwan Hongyuan Securities may direct) to complete and execute any document on behalf of the person accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror (or such person or persons as it may direct) the Shares in respect of which such person has accepted the Offer.
- (f) Acceptance of the Offer by the Independent Shareholders will be deemed to constitute a warranty by such person(s) to the Offeror that such Shares acquired under the Offer are sold or tendered by the Independent Shareholders free from all Encumbrances or similar third party rights or claims of any kind and together with all rights accruing or attaching thereto on the date on which the Offer are made or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, recommended, declared, made or paid by reference to a record date on or after the date on which the Offer is made that is, the date of despatch of this Composite Document. The making of the Offer to a person with a registered address in a jurisdiction outside Hong Kong may be affected by the applicable laws of the relevant jurisdiction. Overseas Shareholders with registered addresses in jurisdiction outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions.

- (g) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of the Shares it has indicated in the Form of Acceptance is the aggregate number of the Shares for which such nominee has received authorisations from the beneficial owners to accept the Offer on their behalf.
- (h) References to the Offer in this Composite Document and in the Form of Acceptance shall include any extension and/or revision thereof.
- (i) The English text of this Composite Document and the Form of Acceptance shall prevail over the Chinese text for the purpose of interpretation.
- (j) In making their decision, the Independent Shareholders must rely on their own examination of the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror, the Company, Shenwan Hongyuan Securities, INCU, Shenwan Hongyuan Capital, the Independent Financial Adviser, the Registrar or their respective professional advisers. The Independent Shareholders should consult their own professional advisers for professional advice.
- (k) The Offer is made in accordance with the Takeovers Code.
- (l) The English transliteration of the Chinese name(s) in this Composite Document, where indicated by an asterisk (*), is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the financial results of the Group for each of the three years ended 31 May 2020 as extracted from the annual reports of the Company and for each of the six months ended 30 November 2019 and 2020 as extracted from the interim report of the Company.

	For the year ended			For the six months ended	
	31 May 2018 HK\$'000 (Audited)	31 May 2019 HK\$'000 (Audited)	31 May 2020 HK\$'000 (Audited)	30 November 2019 HK\$'000 (Unaudited)	30 November 2020 HK\$'000 (Unaudited)
Revenue	85,343	81,889	50,397	29,958	11,903
Finance income	505	626	249	210	–
Cost of inventories sold	(17,610)	(17,739)	(10,206)	(6,659)	(2,705)
Other income and gains	377	858	1,861	229	12,170
Expense related to short term lease/total minimum lease payments for leases previously classified as operating lease under HKAS17	(25,180)	(26,705)	(777)	(1,216)	(743)
Advertising and marketing expenses	(14,094)	(11,246)	(7,310)	(4,767)	(1,373)
Employee benefits expenses	(27,244)	(23,180)	(16,939)	(9,859)	(5,653)
Fair value change on financial assets at fair value through profit or loss	(446)	62	(15)	–	–
Depreciation of property, plant and equipment	(4,672)	(3,942)	(3,916)	(2,071)	(1,837)
Depreciation of right-of-use assets	–	–	(17,537)	(9,411)	(10,535)
Other expenses	(20,639)	(20,763)	(15,665)	(7,481)	(5,167)
Impairment loss on goodwill	–	(2,209)	–	–	–
Impairment loss on property, plant and equipment	–	(2,379)	(2,090)	–	–
Impairment loss on right-of-use assets	–	–	(8,555)	–	–
Written off of trade and other receivables	–	(1,243)	(2,988)	–	–
Written off of amount due from a related company	–	–	(172)	–	–
(Loss)/reversal of loss allowance on trade and other receivables	–	(862)	(476)	–	509
Finance costs	(285)	(873)	(2,485)	(1,382)	(789)

APPENDIX II**FINANCIAL INFORMATION OF THE GROUP**

	For the year ended			For the six months ended	
	31 May 2018	31 May 2019	31 May 2020	30 November 2019	30 November 2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Loss before income tax	(23,945)	(27,706)	(36,624)	(11,233)	(4,220)
Income tax (expense)/credit	<u>(1,828)</u>	<u>169</u>	<u>130</u>	<u>-</u>	<u>-</u>
Loss and total comprehensive income for the year attributable to:					
– Owners of the Company	(25,135)	(26,780)	(35,704)	(10,908)	(4,094)
– Non-controlling interests	<u>(638)</u>	<u>(757)</u>	<u>(790)</u>	<u>(325)</u>	<u>(126)</u>
	<u><u>(25,773)</u></u>	<u><u>(27,537)</u></u>	<u><u>(36,494)</u></u>	<u><u>(11,233)</u></u>	<u><u>(4,220)</u></u>
Loss per share attributable to owners of the Company					
– Basic and diluted	HK(3.14) cents	HK(3.35) cents	HK(4.46) cents	HK(1.36) cents	HK(0.46) cents
Dividend per Share	N/A	N/A	N/A	N/A	N/A

There are no other items of income or expense which are material for each of the years ended 31 May 2018, 2019 and 2020 and each of the six months ended 30 November 2019 and 2020.

There is no dividend paid for each of the three years ended 31 May 2020.

No qualified opinion had been issued by the auditor of the Company, BDO Limited, in respect of the Group's audited consolidated financial statements for each of the three years ended 31 May 2020.

There was no change in the Group's accounting policy during the three years ended 31 May 2020 which would result in the figures in its consolidated financial statements being not comparable to a material extent.

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION

The Company is required to set out or refer to in this Composite Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 May 2020 (the “**2020 Financial Statements**”); (ii) the audited consolidated financial statements of the Group for the year ended 31 May 2019 (the “**2019 Financial Statements**”); (iii) the audited consolidated financial statements of the Group for the year ended 31 May 2018 (the “**2018 Financial Statements**”); and (iv) the unaudited consolidated financial statements of the Group for the six months ended 30 November 2020 (the “**2020 Interim Financial Statements**”), together with signature accounting policies and the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The 2020 Financial Statements are set out on pages 83 to 198 of the annual report of the Company for the year ended 31 May 2020, which was published on 31 August 2020. The annual report of the Company for the year ended 31 May 2020 is posted on the websites of the Stock Exchange and the Company. Please also see below a direct link:

<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0831/2020083102419.pdf>

The 2019 Financial Statements are set out on pages 75 to 194 of the annual report of the Company for the year ended 31 May 2019, which was published on 30 August 2019. The annual report of the Company for the year ended 31 May 2019 is posted on the websites of the Stock Exchange and the Company. Please also see below a direct link:

<https://www1.hkexnews.hk/listedco/listconews/gem/2019/0830/2019083000390.pdf>

The 2018 Financial Statements are set out on pages 69 to 146 of the annual report of the Company for the year ended 31 May 2018, which was published on 30 August 2018. The annual report of the Company for the year ended 31 May 2018 is posted on the websites of the Stock Exchange and the Company. Please also see below a direct link:

<https://www1.hkexnews.hk/listedco/listconews/gem/2018/0830/gln20180830001.pdf>

The 2020 Interim Financial Statements are set out on pages 7 to 31 of the interim report of the Company for the six months ended 30 November 2020, which was published on 14 January 2021. The interim report of the Company for the six months ended 30 November 2020 is posted on the website of the Stock Exchange and the Company. Please also see below a direct link:

<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0114/2021011401149.pdf>

The 2020 Financial Statements, the 2019 Financial Statements, the 2018 Financial Statements and the 2020 Interim Financial Statements (but not any other part of the annual report of the Company for the year ended 31 May 2020, the annual report of the Company for the year ended 31 May 2019, the annual report of the Company for the year ended 31 May 2018 and the interim report of the Company for the six months ended 30 November 2020 in which they respectively appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

3. INDEBTEDNESS

As at the close of business of 30 November 2020, being the latest practicable date for the purpose of ascertaining the following indebtedness statement prior to the printing of the Composite Document, the Group had the following indebtedness:

(a) Bank borrowings

As at 30 November 2020, the total outstanding bank borrowings of the Group was approximately HK\$31,476,000. The amount is secured by a restricted bank deposit placed by the Group in the bank.

(b) Other borrowings

As at 30 November 2020, the total outstanding amount of other borrowings was approximately HK\$4,238,000.

(c) Shareholder's loan from Mr. Ng

As at 30 November 2020, the total outstanding principal amount of the shareholder's loan from Mr. Ng was approximately HK\$2,114,000. The amount is unsecured and interest-bearing.

(d) Amounts due to non-controlling shareholders

As at 30 November 2020, the total outstanding amount due to non-controlling shareholders was approximately HK\$2,830,000. The amount due is non-trade notice unsecured, interest-free and repayable on demand.

(e) Lease liabilities

As at 30 November 2020, the Group had lease liabilities of approximately HK\$27,558,000 measured in accordance with Hong Kong Financial Report Standard 16 "Leases" which are effective from 1 January 2019.

Save as disclosed above and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, debt securities or other similar indebtedness, finance lease or hire purchases and finance lease commitments, liabilities under acceptances or acceptance credits or any other guarantees or other material contingent liabilities as at 30 November 2020.

4. MATERIAL CHANGE

The Directors confirm that save as and except for disclosed below, there had been no material change in the financial or trading position or outlook of the Group since 31 May 2020 (being the date to which the latest published audited financial statements of the Group were made up) and up to and including the Latest Practicable Date:

- (i) as disclosed in the interim report of the Company for the six months ended 30 November 2020 (the “**2021 Interim Report**”), the Group’s revenue for the six months ended 30 November 2020 (“**1H2021**”) was approximately HK\$11.9 million, representing a decrease of approximately HK\$18.1 million, or approximately 60.3% when compared with that of the six months ended 30 November 2019 (“**1H2020**”), which was mainly due to the decrease in revenue generated from the operation of clubbing and entertainment business by approximately HK\$16.5 million, or approximately 63.2%, from approximately HK\$26.1 million for 1H2020 to approximately HK\$9.6 million for 1H2021. Such decrease was mainly due to the reduction in the business hours of the Group’s outlets during 1H2021 caused by the coronavirus pandemic (“**COVID-19**”). The revenue generated from the operation of restaurant business decreased by approximately HK\$1.6 million, or approximately 39.7%, from approximately HK\$3.9 million for 1H2020 to approximately HK\$2.3 million for 1H2021. Such decrease was mainly due to the reduction in the business hours of Tiger San during 1H2021 caused by COVID-19;
- (ii) as disclosed in the 2021 Interim Report, the Group recorded loss and total comprehensive income of approximately HK\$4.2 million for 1H2021 as compared to the loss and total comprehensive income of approximately HK\$11.2 million for 1H2020. The reduction in loss during 1H2021 was mainly due to the subsidies amounting to HK\$3.3 million received from the government of Hong Kong as a result of the outbreak of COVID-19 and the rent concession in the sum of approximately HK\$8.7 million obtained from the Group’s landlords for the previous rent paid;
- (iii) as disclosed in the announcement of the Company dated 30 June 2020, the Company entered into a placing agreement with Brilliant Norton Securities Company Limited (the “**Placing Agent**”), to procure at least six placees who are independent third parties to subscribe up to 160,000,000 placing shares at the net issue placing price of HK\$0.12 per Placing Share (the “**Placing**”). As further disclosed in the announcement of the Company dated 21 July 2020, the Company and the Placing Agent have entered into a supplemental agreement to mutually agree to extend the date of fulfillment of the conditions from 21 July 2020 to 11 August 2020, and the placing price per placing Share was changed from HK\$0.12 to HK\$0.13. As disclosed in the announcement of the Company dated 18 August 2020, the completion of the Placing took place on 18 August 2020 and the net proceeds from the Placing, after deduction of the placing commission and other related expenses, amounted to approximately HK\$20,334,000. The Company applied the entire net proceeds from the Placing for general working capital of the Group; and
- (iv) as disclosed in the 2021 Interim Report, 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 have also generally been suspended or slowed down. The Directors expect the Company to record a significant decrease in sales which may impose an adverse impact on the Group’s financial performance for the year of 2021.

APPENDIX III GENERAL INFORMATION OF THE OFFEROR

1. RESPONSIBILITY STATEMENT

The information contained in this Composite Document relating to the Offeror and his intention has been supplied by the Offeror. The Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than those in relation to the Group, the Vendors and parties acting in concert with any one of them), and confirms, having made all reasonable enquires, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by the Group, the Vendors and parties acting in concert with any one of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. MARKET PRICES

The table below shows the closing price of the Shares quoted on the Stock Exchange on (i) the last trading day in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date.

Date	Closing price per Share HK\$
30 June 2020	0.139
31 July 2020	0.119
31 August 2020	0.137
30 September 2020	0.182
30 October 2020	0.163
30 November 2020	0.177
14 December 2020 (being the Last Trading Day)	0.178
31 December 2020	0.189
20 January 2021 (being the Latest Practicable Date)	0.184

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.205 per Share on 18 December 2020 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.100 per Share on 18 June 2020.

Source: Website of the Stock Exchange as at the Latest Practicable Date

3. DISCLOSURE OF INTERESTS BY THE OFFEROR

As at the Latest Practicable Date, the Offeror and the parties acting in concert with him held 530,700,000 Shares, representing approximately 55.28% of the total issued share capital of the Company, which include 371,520,000 Shares held by the Offeror (representing 38.70% of the total issued share capital of the Company) and 159,180,000 Shares held by Mr. Wong (representing approximately 16.58% of the total issued share capital of the Company). Save for the above, as at the Latest Practicable Date, none of the Offeror and the parties acting in concert with him had any interest in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

4. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS OF THE OFFEROR IN THE COMPANY

Save for the purchase of the Sale Shares pursuant to the Sale and Purchase Agreement, none of the Offeror or any parties acting in concert with him had dealt for value in any Shares, derivatives, warrants, options, convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into the Shares during the Relevant Period. Save for the purchase of the Sale Shares under the Sale and Purchase Agreement as disclosed in the “Letter from Shenwan Hongyuan Securities” in this Composite Document, as at the Latest Practicable Date:

- (i) none of the Offeror and parties acting in concert with him held, owned or had control or direction over any voting rights or rights over any Shares, convertible securities, warrants, options or derivatives of the Company;
- (ii) none of the Offeror and parties acting in concert with him had received any irrevocable commitment to accept or reject the Offer;
- (iii) there is no outstanding derivative in respect of the securities in the Company which has been entered into by the Offeror and any person acting in concert with him;
- (iv) there was no agreement, arrangement or understanding that any securities acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons;
- (v) there is no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between the Offeror or any parties acting in concert with him and any other person;
- (vi) there is no agreement or arrangement to which the Offeror or any parties acting in concert with him is a party to which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or condition to the Offer;
- (vii) none of the Offeror and parties acting in concert with him has borrowed or lent relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;
- (viii) save for Consideration, none of the Offeror nor the parties acting in concert with him has paid and/or will pay any other consideration, compensation or benefit in whatever form to the Vendors and any parties acting in concert with them in connection with the sale and purchase of the Sale Shares;

- (ix) there is no understanding, arrangement or agreement which would constitute a special deal (as defined in Rule 25 of the Takeovers Code) between the Offeror or any parties acting in concert with him (including Mr. Wong) on the one hand, and the Vendors and any parties acting in concert with them on the other hand;
- (x) there is no understanding, arrangement or agreement which would constitute a special deal (as defined in Rule 25 of the Takeovers Code) between (1) any Shareholder; and (2)(a) the Offeror and the parties acting in concert with him, or (b) the Company, its subsidiaries or associated companies (as defined in the Takeovers Code);
- (xi) no agreement, arrangement or understanding (including any compensation arrangement) exists between the Offeror and any person acting in concert with him and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the outcome of the Offer; and
- (xii) no benefit (other than statutory compensation) had been and would be given to any Director as compensation for loss of office or otherwise in connection with the Offer.

5. CONSENTS AND QUALIFICATIONS OF PROFESSIONAL ADVISERS

The following are the qualifications of the experts whose letter or opinion are contained in this Composite Document:

Name	Qualifications
INCU	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Shenwan Hongyuan Capital	a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Shenwan Hongyuan Securities	a licensed corporation to carry out Type 1 (dealing in securities) regulated activity under the SFO

Each of the above professional advisers has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter or report and/or references to its name in the form and context in which they are respectively included.

6. GENERAL

- (i) The Offeror is Mr. Sze. As at the Latest Practicable Date, the Offeror and the parties acting in concert with him held 530,700,000 Shares, representing approximately 55.28% of the total issued share capital of the Company, which include 371,520,000 Shares held by the Offeror (representing 38.70% of the total issued share capital of the Company) and 159,180,000 Shares held by Mr. Wong (representing approximately 16.58% of the total issued share capital of the Company).
- (ii) The principal member of the Offeror's concert parties are the Offeror and Mr. Wong.
- (iii) The correspondence addresses of the Offeror and Mr. Wong are situated at 3/F, Yue On Commercial Building, Nos.385-387 Lockhart Road, Wanchai, Hong Kong and Room 1604, 16/F, Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong respectively.
- (iv) The principal business address of INCU is situated at Room 1604A, 16/F, Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.
- (v) The principal business address of Shenwan Hongyuan Capital is situated at Level 19, 28 Hennessy Road, Hong Kong.
- (vi) The principal business address of Shenwan Hongyuan Securities is situated at Level 19, 28 Hennessy Road, Hong Kong.
- (vii) The English text of this Composite Document and Form of Acceptance shall prevail over the Chinese text in the case of inconsistency.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (a) at the principal office of Shenwan Hongyuan Securities at Level 19, 28 Hennessy Road, Hong Kong from 9:00 a.m. to 5:00 p.m., Monday to Friday (except public holidays), unless (i) a tropical cyclone warning signal number 8 or above is hoisted or is announced to be hoisted; or (ii) a black rainstorm warning signal is issued or is announced to be issued; (b) on the SFC's website at www.sfc.hk; and (c) the website of the Company at www.bcigroup.com.hk, during the period from the date of this Composite Document up to and until close of the Offer:

- (i) the letter from Shenwan Hongyuan Securities, the text of which is set out in the section headed "Letter from Shenwan Hongyuan Securities" in this Composite Document; and
- (ii) the written consents referred to under the paragraph headed "5. Consents and Qualifications of Professional Advisers" in this Appendix III.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Independent Shareholders with regard to the Offeror, the Group and the Offer.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Offeror and parties acting in concert with him) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror and parties acting in concert with him) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each, of which 960,000,000 Shares had been issued and were fully paid or credited as fully paid. All the existing issued Shares are fully paid up and rank pari passu in all respects including all rights as to capital, dividends and voting.

Save for and except the issue of 160,000,000 Placing Shares, the Company has not issued any Shares since 31 May 2020, being the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date.

Save as disclosed above, the Company had no other outstanding shares, options, warrants, derivatives or other securities that are convertible or exchangeable into Shares or other types of equity interest in issue as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

(a) Directors and chief executives' interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations.

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions of in any Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be 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 were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules or which were required to be disclosed under the Takeovers Code.

(b) Substantial shareholders' interests and short positions in shares, underlying shares and securities of the Company.

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors, the persons or entities who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interested in ten percent or more of the issued voting shares of any other member of the Group, or in any options in respect of such share capital were as follows:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares	Approximate percentage of interest in the Company's issued share capital
The Offeror	Beneficial owner	371,520,000	38.70%
Mr. Wong	Beneficial owner	159,180,000	16.58%

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, no person had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in ten percent or more of the issued voting shares of any other member of the Group, or any options in respect of such share capital.

Save as disclosed above, as at the Latest Practicable Date, no other person had any interest or short position in the Shares or underlying shares of the Company recorded in the register required to be kept by the Company under section 336 of the SFO.

4. INTERESTS IN THE COMPANY AND THE OFFEROR AND ARRANGEMENTS IN CONNECTION WITH THE OFFER

As at the Latest Practicable Date:

- (i) no arrangement was in place for any benefit to be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (ii) there were no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which the Company or the Directors, had borrowed or lent;

- (iii) none of the subsidiaries of the Company or the pension funds of the Company or any member of the Group or any persons who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (excluding exempt principal traders and exempt fund managers) owned or controlled any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company, and no such person had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;
- (iv) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and no such person had owned, controlled or dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;
- (v) no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers connected with the Company;
- (vi) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and
- (vii) save for the Sale and Purchase Agreement, no material contracts have been entered into by the Offeror in which any Director has a material interest.

5. DEALINGS IN SECURITIES AND ARRANGEMENTS IN RELATION TO DEALINGS

- (a) As at the Latest Practicable Date, neither the Company nor any Director had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror.
- (b) As at the Latest Practicable Date:
 - (i) save as disclosed in paragraph 3(a) above, none of the Directors had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

- (ii) none of the subsidiaries of the Company, pension funds of the Company or of any member of the Group or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code but excluding any exempt principal trader and exempt fund managers had owned or controlled any of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period;
 - (iii) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and none of such persons had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period;
 - (iv) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company, and none of them had dealt in any relevant securities in the Company during the Relevant Period;
 - (v) none of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to accept or reject the Offer;
 - (vi) neither the Company nor any of the Directors had borrowed or rent any of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.
- (c) During the Relevant Period:
- (i) Mr. Ng Shing Joe Kester, an executive Director and the chairman of the Company, on 14 December 2020, had agreed to dispose of 371,520,000 Shares at a price of HK\$0.08 per Share pursuant to the terms of the Sale and Purchase Agreement and the Completion took place on 14 December 2020. Mr. Ng Shing Chun Ray, an executive Director and not a concert party of the Offeror, on 23 October 2020, had disposed of 15,500,000 Shares at a price of HK\$0.14 per Share. Save for such dealings, during the Relevant Period, none of the Directors had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company; and
 - (ii) none of the Company nor any Director had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror.

6. SERVICE CONTRACTS WITH DIRECTORS

As at the Latest Practicable Date, saved as disclosed below, none of the Directors had entered into any service contracts with the Company or any of its subsidiaries or associated companies which (i) have been entered into or amended (including both continuous and fixed term contracts) within 6 months prior to the commencement of the Offer Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period:

- (a) Mr. Ng Shing Joe Kester as an executive Director, entered into a service contract with the Company for a term of 3 years commencing from 7 April 2017, subject to early termination by either party giving the other not less than 3 months' prior notice in writing. The remuneration of Mr. Ng Shing Joe Kester under such service contract is HK\$576,000 per annum;
- (b) Ms. Lau Sze Yuen as an executive Director, entered into a service contract with the Company for a term of 3 years commencing from 7 April 2017, subject to early termination by either party giving the other not less than 3 months' prior notice in writing. The remuneration of Ms. Lau Sze Yuen under such service contract is HK\$444,000 per annum;
- (c) Mr. Kan Sze Man as a non-executive Director, entered into a service contract with the Company for a term of 3 years commencing from 7 April 2017, subject to early termination by either party giving the other not less than 1 months' prior notice in writing. The remuneration of Mr. Kan Sze Man under such service contract is HK\$240,000 per annum;
- (d) Mr. Wong Sui Chi as an independent non-executive Director, entered into a service contract with the Company for a term of 3 years commencing from 7 April 2017, subject to early termination by either party giving the other not less than 1 months' prior notice in writing. The remuneration of Mr. Wong Sui Chi under such service contract is HK\$120,000 per annum;
- (e) Mr. Li Lap Sun as an independent non-executive Director, entered into a service contract with the Company for a term of 3 years commencing from 7 April 2017, subject to early termination by either party giving the other not less than 1 months' prior notice in writing. The remuneration of Mr. Li Lap Sun under such service contract is HK\$120,000 per annum;
- (f) Mr. Ng Kwok Kei Sammy as an independent non-executive Director, entered into a service contract with the Company for a term of 3 years commencing from 7 April 2017, subject to early termination by either party giving the other not less than 1 months' prior notice in writing. The remuneration of Mr. Ng Kwok Kei Sammy under such service contract is HK\$120,000 per annum; and
- (g) Mr. Ng Shing Chun Ray as an executive Director, entered into a service contract with the Company for a term of 3 years commencing from 2 November 2018, subject to early termination by either party giving the other not less than 3 months' prior notice in writing. The remuneration of Mr. Ng Shing Chun Ray under such service contract is HK\$396,000 per annum;

None of the Directors will be or has been given any benefits (save for any statutory compensation required under appropriate laws) as compensation for loss of office or otherwise in connection with the Offer.

7. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, were entered into by any member of the Group after the date falling two years before the commencement of the Offer Period up to and including the Latest Practicable Date and are or may be material:

- (a) a shareholder's loan agreement dated 27 May 2019 entered into between the Company (as a borrower) and Mr. Ng Shing Joe Kester (as a lender) (details of which are set out in the announcement of the Company dated 27 May 2019) as supplemented by the first supplemental letter dated 31 May 2020 and the second supplemental letter dated 4 December 2020 pursuant to which the lender has agreed to make available to the Company an unsecured revolving loan facility of up to HK\$25,000,000; and
- (b) a placing agreement dated 30 June 2020 as supplemented by a supplemental agreement dated 21 July 2020 and entered into between the Company and Brilliant Norton Securities Company Limited in relation to the Placing pursuant to which the Company received gross proceeds of approximately HK\$20.8 million from the Placing (details of which are set out in the announcements of the Company dated 30 June 2020, 21 July 2020 and 18 August 2020).

8. LITIGATION

As at the Latest Practicable Date, none of the Company or any members of the Group was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance was pending or threatened by or against the Company or any other member of the Group.

9. CONSENT AND QUALIFICATIONS OF PROFESSIONAL ADVISER

The following is the name and the qualifications of the professional adviser whose letter, opinions or advice are contained or referred to in this Composite Document:

Name	Qualification
Octal Capital	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Octal Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter, opinions or advice and references to its names in the form and context in which it appear.

As at the Latest Practicable Date, Octal Capital does not have any direct or indirect interest in any assets which have been, since 31 May 2020 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. GENERAL

- (i) The registered office of the Company is at Winward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and the principal place of business of the Company is at Basement, Ho Lee Commercial Building, No. 38-44 D'Aguilar Street, Central, Hong Kong.
- (ii) The Hong Kong branch share registrar and transfer office of the Company is Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong.
- (iii) The English texts of this Composite Document and the Form of Acceptance shall prevail over the Chinese texts, in case of any inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on (a) the website of the SFC (<http://www.sfc.hk>); (b) the website of the Company at www.bcigroup.com.hk; and (c) at the principal place of business of the Company on Business Days during normal business hours from 9:00 a.m. to 5:00 p.m. at Basement, Ho Lee Commercial Building, No. 38-44 D'Aguilar Street, Central, Hong Kong, unless (i) a tropical cyclone warning signal number 8 or above is hoisted or is announced to be hoisted; or (ii) a black rainstorm warning signal is issued or is announced to be issued, during the period from the date of this Composite Document up to and until close of the Offer:

- (i) the memorandum and articles of association of the Company;
- (ii) the annual reports of the Company for the two years ended 31 May 2020 and the interim report of the Company for the six months ended 30 November 2020;
- (iii) the letter from the Board, the text of which is set out on pages 14 to 20 of this Composite Document;
- (iv) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 21 to 22 of this Composite Document;
- (v) the letter from the Independent Financial Adviser, the text of which is set out on pages 23 to 46 of this Composite Document;
- (vi) the written consent referred to under the paragraphs headed "Consent and qualifications of professional adviser" in this Appendix IV; and
- (vii) the material contracts referred to in the paragraph headed "Material contracts" in this Appendix IV.