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BCI GROUP HOLDINGS LIMITED

高門集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8412)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 AUGUST 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

This announcement, for which the directors (the “Directors”) of BCI Group Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL HIGHLIGHTS

The Group's revenue for the three months ended 31 August 2017 was approximately HK\$23.1 million, representing a decrease of approximately 0.5% when compared with that of the corresponding period in 2016.

The Group recorded a loss and total comprehensive expense for the three months ended 31 August 2017 of approximately HK\$1.4 million, while there was a loss and total comprehensive expenses of approximately HK\$7.2 million for the three months ended 31 August 2016.

The Board did not recommend payment of any dividend for the three months ended 31 August 2017.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 August 2017

| | Notes | For the three months ended 31 August | |
|--|-------|---|---------------------------------|
| | | 2017 HK\$'000 (unaudited) | 2016 HK\$'000 (unaudited) |
| Revenue | 2 | 23,097 | 23,202 |
| Cost of inventories sold | | (4,599) | (4,819) |
| Other income and gains | | 2 | 73 |
| Property rentals and related expenses | | (5,812) | (5,809) |
| Advertising and marketing expenses | | (3,680) | (2,465) |
| Employee benefits expenses | | (4,850) | (4,404) |
| Depreciation | | (1,096) | (1,143) |
| Listing expenses | | – | (7,960) |
| Other expenses | | (4,550) | (3,420) |
| | | <hr/> | <hr/> |
| Loss before income tax credit/expense | | (1,488) | (6,745) |
| Income tax credit/(expense) | 3 | 41 | (429) |
| | | <hr/> | <hr/> |
| Loss and total comprehensive expense for the period | | <u>(1,447)</u> | <u>(7,174)</u> |
| Loss and total comprehensive expense for the period attributable to: | | | |
| – Owners of the Company | | (1,445) | (7,174) |
| – Non-controlling interests | | (2) | – |
| | | <hr/> | <hr/> |
| | | <u>(1,447)</u> | <u>(7,174)</u> |
| Loss per share attributable to owners of the Company Basic and diluted (HK cents) | 5 | <u>(0.02)</u> | <u>(0.12)</u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 August 2017

| | Attributable to owners of the Company | | | Non- | | Total |
|---|---------------------------------------|------------------|----------------------|-----------------|--------------------------|-----------------|
| | Share capital | Share premium | Retained earnings | Total | controlling interests | |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Balance at 1 June 2016 | – | – | 11,974 | 11,974 | – | 11,974 |
| Loss and total comprehensive expenses for the period | – | – | (7,174) | (7,174) | – | (7,174) |
| Transactions with owners: | | | | | | |
| Shares issued pursuant to the reorganisation | –* | 5,100 | – | 5,100 | – | 5,100 |
| Disposal of equity interest to a non- controlling interest | – | – | 745 | 745 | (120) | 625 |
| | –* | 5,100 | 745 | 5,845 | (120) | 5,725 |
| Balance at 31 August 2016 | –* | 5,100 | 5,545 | 10,645 | (120) | 10,525 |
| Balance at 1 June 2017 | 8,000 | 56,525 | 3,206 | 67,731 | (384) | 67,347 |
| Loss and total comprehensive expenses for the period | – | – | (1,445) | (1,445) | (2) | (1,447) |
| Balance at 31 August 2017 | 8,000 | 56,525 | 1,761 | 66,286 | (386) | 65,900 |

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 August 2017

1) GENERAL INFORMATION, BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands on 19 May 2016 and its registered office is located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business in Hong Kong is located at Unit B, 24/F Wyndham Place, 44 Wyndham Street, Central, Hong Kong. The shares of the Company were listed on the GEM of the Stock Exchange by way of share offer since 7 April 2017.

On the listing date, a total of 200,000,000 Shares of HK\$0.01 each were offered under the share offer, of which 100,000,000 Shares, representing 50% of the total Offer Shares, were offered by way of placing. The remaining 100,000,000 Shares, representing 50% of the total Offer Shares, were offered under the public offer.

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

The unaudited condensed consolidated financial statements for the three months ended 31 August 2017 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the three months ended 31 August 2017 are consistent with those adopted in the annual report for the year ended 31 May 2017 except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the “New and Revised HKFRSs”) (which include all HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA that are adopted for the first time for the current periods financial statements.

The adoption of the New and Revised HKFRSs has had no significant effect on the unaudited condensed consolidated financial statements for the three months ended 31 August 2017 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the three months ended 31 August 2017.

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

The unaudited condensed consolidated financial statements for the three months ended 31 August 2017 have been prepared on the historical cost basis. The unaudited condensed consolidated financial statements for the three months ended 31 August 2017 are presented in Hong Kong dollars (“HK\$”), which is the functional currency of the Company and its subsidiaries.

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

2) REVENUE

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

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

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

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

| | For the three months ended 31 August | |
|--------------------------------|---|---|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Revenue from: | | |
| Clubs operation | | |
| Sales of beverage | 19,766 | 19,110 |
| Less: Sales discounts | (3,548) | (2,816) |
| | <hr/> | <hr/> |
| Net sales of beverage | 16,218 | 16,294 |
| Entrance fee | 1,056 | 807 |
| Sponsorship income | 1,061 | 843 |
| Others | 405 | 267 |
| | <hr/> | <hr/> |
| Total clubbing revenue | 18,740 | 18,211 |
| | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Restaurants operation | | |
| Sales of food and beverage | 4,356 | 5,003 |
| Less: Sales discounts | (2) | (16) |
| | <hr/> | <hr/> |
| Net sales of food and beverage | 4,354 | 4,987 |
| Others | 3 | 4 |
| | <hr/> | <hr/> |
| Total restaurant revenue | 4,357 | 4,991 |
| | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Total revenue | 23,097 | 23,202 |
| | <hr style="border-top: 3px double black;"/> | <hr style="border-top: 3px double black;"/> |

3) TAXATION

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

| | For the three months ended 31 August | |
|-----------------------------|---|---------------------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Current income tax | (19) | (378) |
| Deferred tax | <u>60</u> | <u>(51)</u> |
| Income tax credit/(expense) | <u><u>41</u></u> | <u><u>(429)</u></u> |

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

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

4) DIVIDEND

No dividend was paid, declared and proposed by the Company during the three months ended 31 August 2016 and 2017.

5) LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

| | For the three months ended 31 August | |
|--|---|-----------------------|
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Loss attributable to owners of the Company (HK\$'000) | <u><u>(1,445)</u></u> | <u><u>(7,174)</u></u> |
| Weighted average number of ordinary shares for the purpose of calculating basic loss per share (in thousands) | <u><u>800,000</u></u> | <u><u>600,000</u></u> |

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Business Review and Outlook

During the three months ended 31 August 2017 and up to the date of this announcement, the Group had been principally engaged in the operation of clubbing and restaurant business in Hong Kong.

Operation of clubbing business

During the period under review, the Group strategically positions two clubs, namely Volar and Fly, to cover different segments of the night entertainment club market. Volar targets customers with strong spending power and aims to provide a premium clubbing experience, while Fly aims to appeal to the younger white collar professionals and university students and graduates and provide a high-end clubbing experience. Leveraging on the success in clubbing business, the Group is also engaged in organising music related featured events to offer music entertainment to its customers. In general, the Group conducts the overall organisation, ranging from sourcing of disc jockey (“DJ”), marketing, ticketing and stage design and set up. Internationally renowned DJs and artists are usually engaged to perform at these featured events which would enhance the premium and high-end image of the clubs, increase customer traffic and increase the overall revenue. The revenue generated from operation of clubbing business increased by approximately HK\$0.5 million, or approximately 2.9%, from approximately HK\$18.2 million for the three months ended 31 August 2016 to approximately HK\$18.7 million for the three months ended 31 August 2017. Such increase was mainly due to the enhanced image of our club as a result of the featured events held during the period which increased customer traffic at our clubs and in turn, our overall revenue from clubbing business.

Operation of restaurant business

The three “Tiger” branded restaurants aim to provide a contemporary Japanese dining experience in a relaxing atmosphere for their customers. Tiger Curry and Tiger Curry & Cafe are casual dining restaurants while Tiger Curry Jr. is a quick service restaurant. During the period under review, the Group seeks to distinguish itself from other local casual dining and quick service restaurant concepts by creating food menus centered on Japanese-style curry dishes yet at the same time offering a variety of other Japanese dishes with broad appeal. The revenue generated from operation of restaurant business decreased by approximately HK\$0.6 million, or approximately 12.7 %, from approximately HK\$5.0 million for the three months ended 31 August 2016 to approximately HK\$4.4 million for the three months ended 31 August 2017. The decrease in revenue was primarily attributable to a combined result of the rising competition and general downturns in the food and beverage industry.

Outlook

Looking forward, to maintain our leading market players in the clubbing market and further strengthen our business in restaurants operation in Hong Kong, the Group will continue to expand and diversify our outlet network by establishing sports-themed bars and expanding our restaurant network under our “Tiger” brand, and upgrade our club facilities.

Currently, the Group intends to achieve our objectives by adopting the following key business strategies:

Upgrade our club facilities

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

Expand our market share in food and beverage industry

The Group (i) executed a letter of offer to lease on 6 September 2016 confirming the major terms for the lease of a property in Tsing Yi; and (ii) entered a provisional tenancy agreement with an independent third party on 31 August 2017 for a property in Sheung Wan, whereby, the Group intends to open two outlets for food and beverage industry in the aforesaid location in Hong Kong by the end of December 2017.

The Group’s ongoing expansion plans will enhance the market share in both clubbing and restaurant business while the Group will continue to refine the business strategy to cope with the continuing challenges.

Financial Review

Revenue

During the period under review, the Group’s revenue was generated from the operation of clubbing and restaurant business in Hong Kong. As at 31 August 2017, the Group was operating two clubs and three restaurants, located in Hong Kong.

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

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

| | For the three months ended 31 August | | | |
|-----------------------|---|---------------------------|-----------------|---------------------------|
| | 2017 | | 2016 | |
| | <i>HK\$'000</i> | <i>% of total revenue</i> | <i>HK\$'000</i> | <i>% of total revenue</i> |
| Clubbing operations | 18,740 | 81.1% | 18,211 | 78.5% |
| Restaurant operations | 4,357 | 18.9% | 4,991 | 21.5% |
| Total | <u>23,097</u> | <u>100.0</u> | <u>23,202</u> | <u>100.0</u> |

The revenue generated from operation of clubbing business increased by approximately HK\$0.5 million, or approximately 2.9 %, from approximately HK\$18.2 million for the three months ended 31 August 2016 to approximately HK\$18.7 million for the three months ended 31 August 2017. Such increase was mainly due to the enhanced image of our club as a result of the featured events held during the period which increased customer traffic at our clubs and in turn, our overall revenue from clubbing business.

The revenue generated from operation of restaurant business decreased by approximately HK\$0.6 million, or approximately 12.7%, from approximately HK\$5.0 million for the three months ended 31 August 2016 to approximately HK\$4.4 million for the three months ended 31 August 2017. The decrease in revenue was primarily attributable to a combined result of the rising competition and general downturns in the food and beverage industry.

Cost of inventories sold

The cost of inventories sold mainly represents the cost of beverage and food ingredients used in the Group's clubbing and restaurant operations. The major beverage and food ingredients purchased by the Group includes, but is not limited to, champagne, frozen food, dried food, etc.. The cost of inventories sold was one of the components of the operating expenses which decreased by approximately HK\$0.2 million, or approximately 4.6%, from approximately HK\$4.8 million for the three months ended 31 August 2016 to approximately HK\$4.6 million for the three months ended 31 August 2017. The decrease was mainly due to the decrease in revenue of restaurant operations.

Property rentals and related expenses

Property rentals and related expenses primarily represent the rental payments under operating leases and property management fee paid for the club premises, restaurants and office premises. The property rentals and related expenses were the largest components of the operating expenses. The property rentals and related expenses remained relatively stable at approximately HK\$5.8 million for the three months ended 31 August 2016 and 2017.

Advertising and marketing expenses

Advertising and marketing expenses primarily consist of advertising and promotional expenses such as the cost of engaging resident and guest DJs and the expenses incurred for engaging a public relations company for the provision of marketing and promotion services to the Group's clubbing and restaurant operations. The advertising and marketing expenses increased by approximately HK\$1.2 million, or approximately 49.3 %, from approximately HK\$2.5 million for the three months ended 31 August 2016 to approximately HK\$3.7 million for the three months ended 31 August 2017. The increase was mainly due to the increase in advertising and marketing expenses on the featured events which included night entertainment events (i) lead by an internationally renowned guest DJ; or (ii) based on festive and holiday themes, for the three months ended 31 August 2017.

Employee benefits expenses

Employee benefits expenses primarily consisted of all salaries and benefits payable to all employees and staff, including the executive director, headquarters staff and operational staff in each outlet. The employee benefits expenses increased by approximately HK\$0.5 million, or approximately 10.1 %, from approximately HK\$4.4 million for the three months ended 31 August 2016 to approximately HK\$4.9 million for the three months ended 31 August 2017. The increase was primarily due to the increase in staff cost as a result of additional staff in our head office after Listing.

Depreciation

Depreciation represents the depreciation charge for property, plant and equipment, including, among others, leasehold improvements, furniture, fixtures and equipment and motor vehicles. Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The depreciation remained relatively stable at approximately HK\$1.1 million for the three months ended 31 August 2016 and 2017.

Listing expenses

Listing expenses of approximately HK\$8.0 million were recognised for the three months ended 31 August 2016. No such expenses were incurred for the three months ended 31 August 2017.

Other expenses

Other expenses mainly represents security expenses for the clubs, credit card commissions, repairs and maintenance costs, cleaning expenses and professional fee. The other expenses increased by approximately HK\$1.2 million, or approximately 33.0%, from approximately HK\$3.4 million for the three months ended 31 August 2016 to approximately HK\$4.6 million for the three months ended 31 August 2017. Such increase was mainly due to the additional professional fee paid after Listing.

Loss before income tax credit/expense

As a result of the cumulative factors discussed above, the loss before income tax credit/expense decreased from approximately HK\$6.7 million for the three months ended 31 August 2016 to approximately HK\$1.5 million for the three months ended 31 August 2017.

Loss and total comprehensive expense for the period

As a result of the cumulative factors discussed above, the loss and total comprehensive expenses decreased from approximately HK\$7.2 million for the three months ended 31 August 2016 to approximately HK\$1.4 million for the three months ended 31 August 2017.

Use of Proceeds

Based on the offer price of HK\$0.34 per offer share, the net proceeds from the Listing, after deducting the underwriting commission and other estimated expenses, amounted to approximately HK\$43.9 million. The Group intended to apply such net proceeds in accordance with the purposes set out in the section headed “Future Plans and Use of Proceeds” in the Company’s prospectus dated 24 March 2017.

During the period from the Listing Date to 31 August 2017, the Group has applied the net proceeds as follows:

| | Adjusted allocation of net proceeds as at 31 August 2017 HK\$'000 | Amount utilised as at 31 August 2017 HK\$'000 | Amount unutilised as at 31 August 2017 HK\$'000 |
|---|--|--|--|
| Continue to expand and diversify our outlet network | 26,248 | – | 26,248 |
| Upgrade our club facilities | 16,153 | 397 | 15,756 |
| Working capital and other general purpose | 1,492 | 903 | 589 |
| Total | <u>43,893</u> | <u>1,300</u> | <u>42,593</u> |

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

Principal Risks and Uncertainties

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

- 1) In order to expand and diversify our outlet network, we expect to establish sports-themed bars and set up more restaurants in Hong Kong. The food and beverage and entertainment industry in Hong Kong is highly competitive. Our ability to successfully open new outlets is subject to a number of risks and uncertainties, including identifying suitable locations and/or securing leases on reasonable terms, timely securing necessary governmental approvals and licences, ability to hire quality personnel, timely delivery in decoration and renovation works, securing sufficient customer demand, securing adequate suppliers and inventory that meet our quality standards on timely basis, reducing potential cannibalisation effects between the locations of our outlets and the general economic conditions. The costs incurred in opening of new outlets and the expansion plans may place substantial strain on our managerial, operational and financial resources. As such, we cannot assure that we can always operate the expanded network on a profitable basis or that any new outlet will reach the planned operating levels. If any new outlet experiences prolonged delays in breaking even or achieving our desired level of profitability or operate at a loss, our operational and financial resources could be strained and our overall profitability could be affected.
- 2) For the three months ended 31 August 2016 and 2017, revenue generated from Volar accounted for approximately 64.1% and 65.9% of our total revenue, respectively. Our success therefore depends significantly on our ability to attract beverage sales, entrance income and market our other offerings under our "Volar" brand, which in turn depends on, among other things, the market perception and acceptance of the brand. Negative publicity about our "Volar" brand, the premises on which Volar operates or its offerings, us or our management could materially and adversely affect public perception of this brand. Any significant operational or other difficulties in the business at or from Volar may reduce, disrupt or halt our operation and business at the premises, which would materially and adversely affect our business, prospects, reputation, financial condition and results of operation. Experiencing problems in operation which result in the need to close the club temporarily or permanently will materially and adversely affect our results of operations and financial condition.
- 3) As we lease or license all of the properties on which our outlets operate, we are exposed to the fluctuations in the commercial real estate market. There is no objective way for us to accurately predict the rental rates in the commercial real estate market in Hong Kong, and our substantial operating lease obligations expose us to potentially significant risks, including increasing our vulnerability to adverse economic conditions, limiting our ability to obtain additional financing and reducing our cash available for other purposes. Any non-renewal (whether a result of the landlord's or licensor's or our decision) or termination of any of our leases or licence or substantial increased rentals or licence fees could cause us to close the relevant outlet or relocate to another site, depending on our business needs or performance from time to time. In such events, we could face a drop in sales, write off leasehold improvements, and could incur relocation costs for renovation, removal and resources allocation, which could in turn result in financial strain in our operations and diversion of management resources.

- 4) For the three months ended 31 August 2016 and 2017, purchases from our largest supplier accounted for approximately 47.8% and 50.0% of our total purchases, respectively. We make purchases from the supplier under individual purchase order, and have not entered into any long-term contracts. If the supplier for any reason reduces the volume supplied to us or cease to supply to us, we will need to find alternative suppliers on similar sale terms and conditions acceptable to us. If we fail to do so in a timely manner, the operations of our clubs will be interrupted, our costs may increase and our business, financial condition, results of operations and growth prospects may therefore be materially and adversely affected.

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

DISCLOSURE OF ADDITIONAL INFORMATION

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at the date of this announcement, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

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

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

Note:

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

Save as disclosed above, none of the Directors and chief executive of the Company has any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporation

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

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

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

Notes:

1. The entire issued share capital of Aplus Concept Limited is wholly-owned by Mr. Kester Ng.
2. Ms. Louey Andrea Alice is the spouse of Mr. Kester Ng. By virtue of the SFO, Ms. Louey Andrea Alice is deemed to be interested in the same number of shares in which Mr. Kester Ng is deemed to be interested under the SFO.
3. Mr. Chung Cho Yee, Mico (“Mr. Chung”) owns the entire interest of Digisino Assets Limited (“Digisino”) which in turn owns the entire interest in Earnest Equity Limited (“Earnest Equity”). Earnest Equity and Mr. Chung own approximately 47.87% and 0.03% of the entire issued shares capital of CSI Properties Limited respectively. Therefore, Mr. Chung, Digisino and Earnest Equity are deemed to be interested in the same number of shares held by CSI Properties Limited under SFO.
4. CSI Properties Limited is deemed to be interested in the same number of shares held by Phoenix Year Limited under the SFO.
5. The entire issued share capital of Phoenix Year Limited is wholly-owned by CSI Properties Limited.

Share Options

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

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

Purchase, Sale or Redemption of the Company’s Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the three months ended 31 August 2017.

Directors’ Interests in Contracts

For the three months ended 31 August 2017, no Director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

Directors’ and Substantial Shareholders’ Competing Interest

For the three months ended 31 August 2017, save as disclosed in the annual report for the year ended 31 May 2017, none of the directors or substantial shareholders of the Company or any of their respective close associates (as defined in the GEM Listing Rules) has interest or engaged in any business that competes or may compete with the business of the Group, or have any other conflict of interests with the Group.

Directors' Securities Transactions

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

Compliance with Code on Corporate Governance Practices

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

Interests of the Compliance Adviser

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Lego Corporate Finance Limited (“Lego”) to be the compliance adviser. Lego, being the sponsor to the listing of the Company, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. Save as provided for under the underwriting agreement relating to the share offer, neither Lego nor any of its associates and none of the directors or employees of Lego who have been involved in providing advice to the Company as the sponsor, has or may, as a result of the share offer, have any interest in any securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities).

The compliance adviser's appointment is for a period commencing on the listing date and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of the despatch of its annual report of the financial results for the second full financial year commencing after the listing date, i.e. for the year ending 31 May 2019, or until the compliance adviser agreement is terminated, whichever is earlier.

Audit Committee and Review of Accounts

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

The Audit Committee had reviewed with the management of the Company the accounting principles and practices adopted by the Group and this announcement. The condensed consolidated financial results for the three months ended 31 August 2017 are unaudited, but have been reviewed by the Audit Committee.

Dividend

No dividend has been paid or declared by the Company, or by any of the companies now comprising the Group for the three months ended 31 August 2016 and 2017.

Material Acquisition and Disposal

The Group did not have any material acquisition or disposal of subsidiaries or associates during the three months ended 31 August 2017.

Publication of First Quarterly Report

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

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

Hong Kong, 10 October 2017

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

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk and the GEM website at www.hkgem.com on the "Latest Listed Company Information" page for at least 7 days from the date of its posting. This announcement will also be published on the Company's website at www.bciigroup.com.hk.