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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MAY 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded companies 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.

*This announcement, for which the directors (the "**Directors**") of BCI Group Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**", "**we**" or "**our**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the 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 HIGHLIGHT

KEY FINANCIAL INFORMATION

	Year ended 31 May	
	2019	2018
	HK$'000	*HK$'000*
Revenue	**81,889**	85,343
Cost of inventories sold	**(17,739)**	(17,610)
Non-cash items:		
Fair value change on financial asset at fair value through profit or loss	**62**	(446)
Depreciation	**(3,942)**	(4,672)
Impairment loss on goodwill	**(2,209)**	–
Impairment loss on property, plant and equipment	**(2,379)**	–
Loss allowance on trade and other receivables	**(2,105)**	–
Loss before income tax expenses	**(27,706)**	(23,945)
Loss and total comprehensive income for the year	**(27,537)**	(25,773)

For the year ended 31 May 2019, the Group's revenue was approximately HK$81.9 million, representing a decrease of approximately 4.0% when compared with that for the year ended 31 May 2018.

The Group recorded a loss and total comprehensive expenses for the year ended 31 May 2019 of approximately HK$27.5 million, while there was a loss and total comprehensive expenses of approximately HK$25.8 million for the year ended 31 May 2018. Excluding those non-cash items, including but not limited to, the fair value change on financial assets at fair value through profit or loss, depreciation, impairment loss on goodwill and property, plant and equipment and loss allowance on trade and other receivables due to the adoption of Hong Kong Financial Reporting Standards ("**HKFRSs**") 9, the adjusted loss and total comprehensive expenses decreased by 17.9% to approximately HK$17.0 million for the year ended 31 May 2019 as compared with prior year.

The Board did not recommend payment of any dividend for the year ended 31 May 2019.

ANNUAL RESULTS

The board (the "**Board**") of Directors is pleased to announce the audited consolidated results of the Group for the year ended 31 May 2019, together with the audited comparative figures for the year ended 31 May 2018 as set out below.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 May 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5	**81,889**	85,343
Finance income		**626**	505
Cost of inventories sold		**(17,739)**	(17,610)
Other income and gains	6	**858**	377
Property rentals and related expenses		**(26,705)**	(25,180)
Advertising and marketing expenses		**(11,246)**	(14,094)
Employee benefits expenses	7	**(23,180)**	(27,244)
Depreciation	7	**(3,942)**	(4,672)
Other expenses		**(20,763)**	(20,639)
Fair value change on financial asset at fair value through profit or loss		**62**	(446)
Impairment loss on goodwill		**(2,209)**	–
Impairment loss on property, plant and equipment	7	**(2,379)**	–
Loss allowance on trade and other receivables	11	**(2,105)**	–
Finance cost		**(873)**	(285)
Loss before income tax credit/ (expense)	7	**(27,706)**	(23,945)
Income tax credit/(expense)	8	**169**	(1,828)
Loss and total comprehensive income for the year		**(27,537)**	(25,773)
Loss and total comprehensive income for the year attributable to:			
– Owners of the Company		**(26,780)**	(25,135)
– Non-controlling interests		**(757)**	(638)
		(27,537)	(25,773)
Loss per share attributable to owners of the Company			
– Basic and diluted	10	**HK(3.35) cents**	HK(3.14) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 May 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**12,933**	7,019
Prepayment for acquisition of property, plant and equipment	*11*	**330**	1,810
Other receivables	*11*	**6,061**	3,252
Deferred tax assets		**–**	–
Goodwill		**–**	2,209
		19,324	14,290
Current assets			
Inventories	*12*	**694**	775
Trade and other receivables	*11*	**8,766**	15,938
Financial assets at fair value through profit or loss		**12,991**	19,990
Amount due from a related company		**26**	82
Cash and cash equivalents		**20,311**	33,508
Restricted bank deposits		**9,473**	2,146
Tax recoverable		**–**	678
		52,261	73,117
Current liabilities			
Trade and other payables	*13*	**16,463**	13,989
Contract liabilities		**2,088**	–
Bank borrowings		**31,091**	30,667
Amounts due to a director		**668**	–
Current tax liabilities		**173**	–
		50,483	44,656
Net current assets		**1,778**	28,461
Total assets less current liabilities		**21,102**	42,751
Non-current liabilities			
Other payables	*13*	**2,065**	1,177
Loan from a shareholder		**5,000**	–
		7,065	1,177
Net assets		**14,037**	41,574
Equity			
Share capital	*14*	**8,000**	8,000
Reserves		**7,816**	34,596
Equity attributable to owners of the Company		**15,816**	42,596
Non-controlling interests		**(1,779)**	(1,022)
Total equity		**14,037**	41,574

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 May 2019

	Attributable to owners of the Company					
	Share capital	Share Premium#	Retained earnings/ (Accumulated loss)#	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 June 2017	8,000	56,525	3,206	67,731	(384)	67,347
Loss and total comprehensive income for the year	–	–	(25,135)	(25,135)	(638)	(25,773)
At 31 May 2018 and 1 June 2018	8,000	56,525	(21,929)	42,596	(1,022)	41,574
Loss and total comprehensive income for the year	–	–	(26,780)	(26,780)	(757)	(27,537)
At 31 May 2019	8,000	56,525	(48,709)	15,816	(1,779)	14,037

The total of these balances represents "reserves" in the consolidated statement of financial position.

1. GENERAL

BCI Group Holdings Limited (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. Its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of its registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and its principal place of business in Hong Kong is located at Basement, Ho Lee Commercial Building, No. 38-44 D'Aguilar Street, Central, Hong Kong. The Company is an investment holding company and the Group is principally engaged in the operation of clubbing, entertainment, restaurant business and securities investment in Hong Kong. The Company and its subsidiaries are collectively referred to as the "Group".

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 June 2018

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration

Other than the below on the adoption of HKFRS9, the application of the amendments to HKFRSs in the current year has no material impact on the amount reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

A HKFRS 9 – Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 June 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 June 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of reserves, retained earnings as of 1 June 2018 as follows (increase/(decrease)):

	HK$'000
Accumulated loss	
Accumulated loss as at 31 May 2018	(21,929)
Increase in expected credit losses ("**ECLs**") in trade and other receivables (note 2(a)A(ii) below)	(1,243)
Restated accumulated loss as at 1 June 2018	(23,172)

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("**FVTPL**"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVTPL**"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("**amortised costs**"); (ii) financial assets at fair value through other comprehensive income ("**FVOCI**"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "**solely payments of principal and interest**" criterion, also known as "**SPPI criterion**"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The following table summarizes the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 June 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 June 2018 under HKAS 39** *(HK$'000)*	**Carrying amount as at 1 June 2018 under HKFRS 9** *(HK$'000)*
Listed debt securities investment	Fair value through profit or loss ("**FVTPL**")	FVTPL	19,990	19,990
Trade and other receivables	Loans and receivables (note 2(a)A(ii)(II))	Amortised cost	16,494	15,251
Amount due from a related company	Loans and receivables (note 2(a)A(ii)(II))	Amortised cost	82	82
Cash and cash equivalents (including restricted bank deposits)	Loans and receivables	Amortised cost	35,654	35,654

(ii) *Impairment of financial assets*

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the ECLs model". HKFRS 9 requires the Group to recognised ECL for loan and receivables at amortised costs earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to loan receivables and other receivables at amortised cost, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group's debt investment at amortised cost are considered to have no credit risk since the issuers' credit rating are high.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the assets.

Impact of the ECL model

(I) Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables has been grouped based on shared credit risk characteristics and the days past due. The loss allowance as at 1 June 2018 was determined as follows for trade receivables:

1 June 2018	**Current**	**1 to 30 days past due**	**31 to 90 days past due**	**91 to 180 days past due**	**181 to 365 days past due**	**Total**
Expected credit loss rate (%)	–	4.2%	9.6%	1.2%	95.8%	–
Gross carrying amount (HK$'000)	–	659	125	1,363	1,238	3,385
Loss allowance (HK$'000)	–	28	12	17	1,186	1,243

The increase in loss allowance for trade receivables upon the transition to HKFRS 9 as of 1 June 2018 was HK$1,243,000. The loss allowances further increased for HK$684,000 for trade receivables during the year ended 31 May 2019.

Impairment of debt investments

All of the Group's debt investments at FVTPL are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months ECLs.

(II) Impairment of other receivables

ECL for other financial assets at amortised cost, including deposit, cash and cash equivalents, are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

The directors considered that the measurement of ECL has no material impact to the Group's retained earnings at 1 June 2018 and for the year ended 31 May 2019.

As a result of the above changes, the impact of the new HKFRS 9 impairment model results in additional impairment allowance as follow:

	HK$'000
Loss allowance as at 1 June 2018 under HKAS 39	–
Additional impairment recognised for trade receivables	1,243
Loss allowance as a 1 June 2018 under HKFRS 9	1,243

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 May 2018, but are recognised in the statement of financial position on 1 June 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 June 2018. Accordingly, the information presented for 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "**DIA**"):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

B HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group concluded that no adjustment to the opening balance of equity at the date of initial application (that is, 1 June 2018) as the cumulative effect of initial application of HKFRS 15 is immaterial.

There is no significant impact of adopting HKFRS 15 on the Group's consolidated statement of financial position as at 31 May 2019 and its consolidated statement of comprehensive income for the year ended 31 May 2019. Further, there was no material impact on the Groups consolidated statement of cash flow for the year ended 31 May 2019.

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first year.

However, reclassifications were made as at 1 June 2018 to be consistent with the terminology used under HKFRS 15 as follow:

– Receipt in advance ("**RIA**") of HK$3,232,000 that were previously included in trade and other payables have been reclassified as contract liabilities.

HKFRS 15 applies to the contracts with customers for the following transactions:

– Sales of food and beverages
– Revenue from services
– Sponsorship income
– Entertainment income

(i) Timing of revenue recognition

In accordance with the HKAS 18 during the year 31 May 2018, the revenue from the sales of food and beverage and revenue from services was generally recognised when the risk and rewards of the ownership of the goods had passed to the customers. Under HKFRS 15, the revenue is recognised when the customers obtain control of the promised goods in the contract. This may be at a single point- in- time. HKFRS 15 identifies the following three situations in which control of the promised goods and services is regarded as being transferred over time:

– When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

– When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls the assets is created or enhanced; or

– When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sales of food and beverage and revenue from services at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that are considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sales of goods and services as above. Under HKFRS 15, the Group recognises revenue from the sale of goods and revenue of services at a point in time when the customers can benefit from the goods and services either on its own or together with other resources that are readily available to the customers.

(ii) Membership scheme

Prior to the adoption of HKFRS 15, the VIP credit of membership scheme using the fair value to recognise the deferred revenue in relation to the gifts and VIP credit issued but not yet redeemed or expired.

The Group concluded that under HKFRS 15, the entire membership scheme gives rise to a separate performance obligation because it generally provides a material right to the customer regarding the gifts. Under HKFRS 15, the Group allocated a portion of the transaction price to the gifts based on the relative -standalone selling price. The Group determined that considering the relative standalone selling prices, the amount allocated to the prepaid membership scheme should not be significantly different compared to the previous accounting policy.

Under HKFRS 15, the estimated amount of gifts and VIP credits requires to be considered the reference to the guidance on constraining estimates of variable consideration as well as the Group's historical experience with the usage of gifts and VIP credits. Based on the past experience, the management of the Group considers the estimated amount of the gift and VIP credits as at 1 June 2018 and 31 May 2019 would not have a significant impact on the Group's financial position and performance.

(iii) The presentation of contract liability

Under HKFRS 15, the Group should recognise the contract liability, rather than a payable, when a customer pays non- refundable consideration or is contractually required to pay non- refundable consideration and the amount is already due before the Group recognises the related revenue.

To reflect these changes in presentation, "receipt in advance" amounting to HKD3,232,000, which was previously included in trade and other payables (see note 13) are now classified as contract liabilities and separately presented in the consolidated statement of financial position upon the adoption of HKFRS 15 at 1 June 2018.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Company's financial statements, have been issued, but are not yet effective and have not been early adopted by the Company. The Company's current intention is to apply these changes on the date they become effective.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contract[3]
Amendments to HKAS 19	Plan Amendment, curtailment or settlement[1]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
HK(IFRIC)-Interpretation 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but is available for early adoption

The directors are in the process of assessing the impact of these new/revised HKFRSs and do not intend to adopt them before their respective effective dates. The nature of the impending changes in accounting policies on adoption of these new/revised HKFRSs is set up below.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As at 31 May 2019, the Company had non-cancellable operating lease commitments of approximately HK$38,103,000 (2018: HK$33,241,000). The directors do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance but it is expected that the Group has to separately recognise the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Group's consolidated statement of financial position as right of-use assets and lease liabilities. The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events (e.g. a change in the lease term) and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's consolidated statement of cash flows.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**").

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis. except for certain financial assets, which are measured at fair values as explained in the accounting policies set out below.

(c) Going concern assumption

During the year ended 31 May 2019, the Group has continued to sustain a net loss of approximately HK$26,780,000 (2018: HK$25,135,000) during the year ended 31 May 2019, and the net current assets and the net assets had decreased to HK$1,778,000 and HK$14,037,000 respectively as at 31 May 2019.

Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis as the Directors have given careful consideration to the impact of the current and anticipated future liquidity of the Group and are satisfied that:

(i) The management of the Group has prepared a cash flow projection covering a period of 12 months from 1 June 2019. The cash flow projection has taken into account the anticipated cash flows to be generated from the Group's business and the loan facilities available during the period under projection. The directors, after making due enquiries and considering the basis of management's projection described above, believe that there will be sufficient financial resources to continue its operations and to meet its financial obligation as when they fall due in the next 12 months from 1 June 2019.

(ii) The banking facilities from the Group's bankers for its working capital requirement for the next twelve months will be available as and when required, having regard to the following: (i) undrawn banking facilities amounting to HK$57,309,000; (ii) the balances of the bank borrowing amounted to HK$31,091,000; and (iii) enhancing our operational efficiency and further strengthening our cost control measures. The directors have confidence that the Group is able to extend and renew the banking facilities based on the related assets being pledged as securities for the banking facilities, the past history of the renewal and the Group continues to meet the fulfilment of covenants, no breach of covenants in the past approved by the bank and no repayment default record.

(iii) A shareholder confirmed that he will not request the Group to repay the outstanding amount of HK$5,000,000 until the Group is in position to repay. He has agreed to provide continuing financial support to the Group so as to enable the Group to continue its daily operations as a going concern notwithstanding any present or future financial difficulties experienced by the Group. As at 31 May 2019, the Group has available facilities from him up to approximately HK$20,000,000.

(iv) The management closely monitors the Group's financial performance and liquidity position. During August 2019, the management has been implementing measures to improve profitability, control operating costs and contain capital expenditures in order to improve the Group's operating performance and alleviate its liquidity risk. These measures include (i) reviewing the working procedures and laying off redundant staff, and (ii) refining the business strategies to cope with the continuing challenges. The management believes that these measures will result in an improvement in operating profitability and the resulting cash flows.

Having taken into account the above, the Directors consider that the Group will have sufficient financial resources to meet in full its working capital requirements and financial obligations as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

(d) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousands, except when otherwise indicated.

4. SEGMENT INFORMATION

The chief operating decision maker is defined as executive directors of the Company. The Group has identified its operating segment based on the regular internal financial information reported to the Company's executive directors for their decisions about resources allocation and review of performance.

The Group has two reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The Group has identified two reportable segments:

- The operation of clubbing, entertainment and catering business
- Securities investment

Disaggregation of revenue from contracts with customers and other sources is as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customer within the scope of HKFRS 15:		
Operation of clubbing, entertainment and catering business	**81,889**	85,343
Revenue from other sources:		
Securities investment	**–**	–

Timing of revenue recognised under HKFRS 15:

	Operation of clubbing, entertainment and catering business *HK$'000*
At point in time	73,938
Over time	7,951
	81,889

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11.

(a) Segment information about reportable segments

	Operation of clubbing, entertainment and catering business *HK$'000*	Securities investment *HK$'000*	Total *HK$'000*
For the year ended 31 May 2019			
Revenue from external customers	81,889	–	81,889
Reportable segment profit/(loss)	(22,777)	334	(22,443)
Finance income	–	626	626
Other income	445	282	727
Income tax expense	169	–	169
Finance cost	–	(578)	(578)
Depreciation	(3,942)	–	(3,942)
Fair value gain on financial assets at fair value through profit or loss	–	62	62
Loss allowance on trade and other receivables	(1,893)	(2)	(1,895)
Impairment loss on goodwill	(2,209)	–	(2,209)
Impairment loss on property, plant and equipment	(2,379)	–	(2,379)
Additions of non-current assets	(13,479)	–	(13,479)
As at 31 May 2019			
Reportable segment assets	26,852	29,821	56,673
Reportable segment liabilities	(19,886)	(26,269)	(46,155)

	Operation of clubbing, entertainment and catering business	Securities investment	Total
	HK$'000	*HK$'000*	*HK$'000*
For the year ended 31 May 2018			
Revenue from external customers	85,343	–	85,343
Reportable segment loss	(19,279)	(221)	(19,500)
Finance income	–	505	505
Other income	–	131	131
Income tax expense	(1,828)	–	(1,828)
Finance cost	–	(204)	(204)
Depreciation	(4,672)	–	(4,672)
Fair value loss on financial assets at fair value through profit or loss	–	(446)	(446)
Reversal of provision of reinstatement cost	200	–	200
Written off of property, plant and equipment	(912)	–	(912)
Provision for impairment of trade and other receivables	(45)	–	(45)
Addition of non-current assets	5,020	–	5,020
As at 31 May 2018			
Reportable segment assets	29,942	38,399	68,341
Reportable segment liabilities	(14,390)	(20,691)	(35,081)

(b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	2019	2018
	HK$'000	*HK$'000*
Loss before income tax expense		
Reportable segment loss	**(22,443)**	(19,500)
Finance income	**–**	–
Other income	**131**	46
Loss allowance on trade and other receivables	**(210)**	–
Unallocated corporate expenses	**(4,889)**	(4,410)
Finance costs	**(295)**	(81)
Consolidated loss before income tax expense from continuing operation	**(27,706)**	(23,945)

	2019	2018
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**56,673**	68,341
Tax recoverable	**–**	678
Unallocated corporate assets	**14,912**	18,388
Consolidated total assets	**71,585**	87,407

	2019	2018
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**(46,155)**	(35,081)
Current tax liabilities	**(173)**	–
Unallocated corporate liabilities	**(11,220)**	(10,752)
	(57,548)	(45,833)

Management determines the Group is domiciled in Hong Kong, which is the location where the Group principally operates. All revenue of the Group for the reporting period was derived in Hong Kong. All its non-current assets are located in Hong Kong.

In addition, the customers of the Group, based on the locations at which the services were provided, are all located in Hong Kong. No revenue from transactions with a single customer amounts to 10% or more of the Group's revenue.

5. REVENUE

The Group's principal activities are operation of clubs, entertainment and restaurants.

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

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

	2019	2018
	HK$'000	*HK$'000*
Revenue from:		
Clubs and entertainment operation		
Sales of beverage	**57,357**	56,620
Entrance fee	**2,303**	4,002
Entertainment income	**4,510**	1,259
Sponsorship income	**2,181**	2,887
Others	**1,127**	1,939
	67,478	66,707
Restaurants operation		
Sales of food and beverage	**14,400**	18,622
Others	**11**	14
	14,411	18,636
Total revenue	**81,889**	85,343

6. OTHER INCOME AND GAINS

	2019	2018
	HK$'000	*HK$'000*
Reversal of provision of reinstatement cost	**–**	200
Interest income	**419**	177
Others	**439**	–
	858	377

7. LOSS BEFORE INCOME TAX (CREDIT)/EXPENSE

Loss before income tax (credit)/expense is arrived at after (crediting)/charging:

	2019 *HK$'000*	2018 *HK$'000*
Cost of inventories recognised as expense		
– Clubs and entertainment operation	**13,868**	12,914
– Restaurants operation	**3,871**	4,696
	17,739	17,610
Auditors' remuneration	**739**	771
Depreciation of property, plant and equipment	**3,942**	4,672
Written off of property, plant and equipment	**1,268**	912
Loss allowance on trade and other receivables	**2,105**	45
Impairment loss on property, plant and equipment	**2,379**	–
Impairment loss on goodwill	**2,209**	–
Fair value change on financial asset at fair value through profit or loss	**(62)**	446
Staff costs (including directors' remuneration)		
– Wages, salaries and other benefits	**22,296**	26,366
– Contribution to defined contribution pension plans	**884**	878
	23,180	27,244
Minimum lease payments under operating leases	**26,705**	21,184

8. INCOME TAX (CREDIT)/EXPENSE

The Group is subject to income tax on profits arising in or derived from Hong Kong, being its principal place of business. The income tax (credit)/expense in the consolidated statement of comprehensive income represents:

	2019 *HK$'000*	2018 *HK$'000*
Current income tax – Hong Kong Profits Tax		
– tax for the year	**4**	10
– under/(over) provision in respect of prior year	**(173)**	–
	(169)	10
Deferred tax	**–**	1,818
Income tax (credit)/expense	**(169)**	1,828

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any taxation under the jurisdictions of the Cayman Islands. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

A reconciliation of the income tax (credit)/expense applicable to loss before income tax expense at the statutory tax rate to the income tax expense at the effective tax rate is as follows:

	2019	2018
	HK$'000	*HK$'000*
Loss before income tax (credit)/expense	**(27,706)**	(23,945)
Tax at the statutory rate of 16.5% (2018: 16.5%)	**(4,571)**	(3,951)
Tax effect of non-deductible expenses	**1,633**	1,501
Tax effect of temporary differences not recognised	**(173)**	1,614
Tax effect of revenue not taxable for tax purpose	**105**	105
Utilisation of tax losses previously not recognised	**2,837**	2,558
Others	**–**	1
Income tax (credit)/expense	**(169)**	1,828

9. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 May 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

10. LOSSES PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2019	2018
	HK$'000	*HK$'000*
Losses attributable to owners of the Company	**(26,780)**	(25,135)
Weighted average number of ordinary shares for the purpose of calculating basic losses per share (in thousands)	**800,000**	800,000

The number of ordinary shares for the purpose of calculating basic losses per share has been determined on the assumption that loss attributable to owners of the Company of approximately HK$26,780,000 (2018: HK$25,135,000) and on the basis of the weighted average number of 800,000,000 (2018: 800,000,000) ordinary shares.

The Company did not have any potential dilutive shares for the years ended 31 May 2019 and 2018. Accordingly, the diluted loss per share are the same as the basic losses per share for the year ended 31 May 2019 and 2018 respectively.

11. TRADE AND OTHER RECEIVABLES

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Trade receivables	*(a)*	**2,747**	3,385
Other receivables	*(b)*	**4,188**	5,195
Prepayments		**1,506**	4,506
Deposits		**6,716**	7,914
		15,157	21,000
Less: Prepayments for acquisition of property, plant and equipment		**(330)**	(1,810)
Non-current portion of other receivables		**(6,061)**	(3,252)
Trade and other receivables		**8,766**	15,938

Notes:

(a) Trade receivables

Majority of the Group's revenue is attributable to sales of food and beverages via cash and credit card. There was no credit term granted to the customers.

An ageing analysis of the Group's trade receivables at the end of the reporting period, net of impairment, based on invoice date is as follows:

	2019	2018
	HK$'000	*HK$'000*
0-30 days	**1,306**	659
31-60 days	**370**	52
61-90 days	**267**	73
91-180 days	**515**	1,363
181-365 days	**289**	1,238
	2,747	3,385

At the end of the reporting period, the Group reviews receivables for evidence of impairment on both an individual and collective basis. Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The ageing of trade receivables at 31 May 2018, net of impairment, which are past due but not impaired is as follows:

	2018
	HK$'000
Neither past due nor impaired	–
Past due but not impaired	
1-30 days past due	659
31-90 days past due	125
91-180 days past due	1,363
181-365 days past due	1,238
	3,385

Receivables that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

(b) Other receivables

Included in the amount, balance of approximately HK$3,533,000 was loans receivable which was secured by the assets of the borrower, interest-free within the first six years from the drawn down date and had no fixed terms of repayment.

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amounts is remote, in which case the impairment losses are written off against trade receivables directly. Based on this assessment, the movements in impairment of loans and accounts receivables are as follows:

	2019	2018
	HK$'000	*HK$'000*
Balance at 1 June	**–**	–
Loss allowance in trade and other receivables recognised	**2,105**	–
Balance at 31 May	**2,105**	–

12. INVENTORIES

	2019	2018
	HK$'000	*HK$'000*
Beverage	**694**	775

13. TRADE AND OTHER PAYABLES

		2019	2018
	Note	***HK$'000***	*HK$'000*
Trade payables	*(i)*	**3,106**	3,254
Accruals and other payables	*(ii)*	**15,422**	8,680
Receipts in advance ("**RIA**")	*(iii)*	**–**	3,232
Total		**18,528**	15,166
Less: Current portion		**(16,463)**	(13,989)
Non-current portion		**2,065**	1,177

(i) An ageing analysis of the Group's trade payables at the end of the reporting period based on invoice date is as follows:

	2019	2018
	HK$'000	*HK$'000*
0-30 days	**1,550**	1,639
31-60 days	**1,444**	1,499
Over 60 days	**112**	116
	3,106	3,254

(ii) Accruals and other payables included accrued renovation expenses, accrued salary and deferred rental expense.

(iii) As a result of the adoption of HKFRS 15, RIA which represent the prepayments from customers in respect of the membership scheme operated by the Group, is included in contract liabilities in the consolidated statement of financial position.

14. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised, ordinary shares of HK$0.01 each:		
At 1 June 2017, 31 May 2018, 1 June 2018 and 31 May 2019	10,000,000,000	100,000
Issued and fully paid, ordinary shares of HK$0.01 each:		
At 1 June 2017, 31 May 2018, 1 June 2018 and 31 May 2019	800,000,000	8,000

15. RELATED PARTY TRANSACTIONS

(a) Related party transactions

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with related parties during the year:

Related party identity	Type of transactions	*Notes*	**2019** **HK$'000**	2018 *HK$'000*
Model Genesis	Marketing and promotion fee	*(i) & (ii)*	**1,260**	2,354

Notes:

(i) The transactions were conducted at terms and conditions mutually agreed between the relevant parties. The directors of the Company are of the opinion that those related party transactions were conducted in the normal ordinary course of business of the Group.

(ii) CSI Properties Limited, being one of the ultimate shareholders of the Company, held beneficial interests in the related company.

(b) Compensation of key management personnel

Remuneration for key management personnel of the Group, excluding amounts paid to the directors of the Company is as follows:

	2019	2018
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**375**	2,363

MANAGEMENT DISCUSSION AND ANALYSIS

At present, the Group is operating (i) two night clubs, namely Volar and Mudita (formerly known as Fly); (ii) a sports-themed bar, namely Paper Street; (iii) an entertainment studio, namely Maximus Studio; and (iv) two restaurants focusing on Japanese-style dishes under the proprietary "Tiger" brand, namely Tiger San and Tiger Room.

BUSINESS REVIEW AND OUTLOOK

For the year ended 31 May 2019 and up to the date of this announcement, the Group had been principally engaged in the operation of clubbing and entertainment and restaurant business in Hong Kong.

Operation of clubbing and entertainment business

During the period under review, the Group strategically positioned two night clubs (namely, Volar and Mudita (formerly known as Fly)), an entertainment studio (namely, Maximus Studio) and a sports-themed bar, namely Paper Street, to cover different segments of the night lifestyle, clubbing and entertainment market. Volar targets customers with strong spending power and aims to provide a premium clubbing experience to our customers; Mudita (formerly known as Fly) aims to be a more sophisticated high-end and contemporary bar with no dance floor, offering a variety of entertainment such as live band shows and international DJ's performance; Maximus Studio is working to achieve a lifestyle designed by the customer and is a place to build the greatest self, while Paper Street aims at providing a casual and comfortable environment for its patronage. The revenue generated from the operation of clubbing and entertainment business slightly increased by approximately HK$0.8 million, or approximately 1.2%, from approximately HK$66.7 million for the year ended 31 May 2018 to approximately HK$67.5 million for the year ended 31 May 2019. Such increase was mainly due to the increase in revenue contributed from the opening of a sports-themed bar, namely Paper Street, on 20 July 2018 and an entertainment studio, namely Maximus Studio, on 21 January 2019, but was partially offset by (i) a decrease in revenue generated by Mudita (formerly known as Fly) which was being temporarily closed for business from July to October 2018 for its renovation and refurbishment; and (ii) a decrease in revenue generated by Volar preliminary due to the rising competition in the clubbing business for the year ended 31 May 2019.

Operation of restaurant business

For the year ended 31 May 2019, the Company owned four "Tiger" branded restaurants which aimed to provide a contemporary Japanese dining experience in a relaxing atmosphere for their customers. Tiger Curry & Café, Tiger San and Tiger Room are casual dining restaurants while Tiger Curry Jr. is a quick service restaurant.

Tiger Curry & Café and Tiger Curry Jr. were closed down due to the non-renewal of the lease on 7 August 2018 and 7 May 2019, respectively.

The revenue generated from the operation of restaurant business decreased by approximately HK$4.2 million, or approximately 22.7%, from approximately HK$18.6 million for the year ended 31 May 2018 to approximately HK$14.4 million for the year ended 31 May 2019. Such decrease was mainly due to the closure of Tiger Curry & Café on 7 August 2018 and Tiger Curry on 10 April 2018 as well as the rising competition and general downturns in the food and beverage industry.

OUTLOOK

Looking ahead, the uncertainties in the global economy, in particular those arising from the ongoing US-China trade tension as well as local political turmoil, are likely to continue to affect consumption as well as food and beverage, lifestyle and entertainment industry in Hong Kong. Hence, the overall business environment will become more challenging in the forthcoming year as the spending power and spending desirability of the population in the community and the number of tourists visiting Hong Kong are more likely to be influenced inevitably.

In order to cope with these challenges, the Group is prepared to strenghthen its market position by (i) upgrading our club facilities on an as-needed basis depending on the condition of our equipment and facilities; (ii) refining business strategies to cope with the continuing challenges; and (iii) enhancing our operational efficiency and further strengthening our cost control measures.

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

FINANCIAL REVIEW

Revenue

For the year ended 31 May 2019, the Group's revenue was generated from the operation of clubbing and entertainment business and restaurant business in Hong Kong. For the year ended 31 May 2019, the Group was operating two night clubs, one sports-themed bar, one entertainment studio and four "Tiger" branded restaurants located in Hong Kong. Two of the restaurants, namely, Tiger Curry & Café and Tiger Curry Jr. were closed down due to the non-renewal of the lease on 7 August 2018 and 7 May 2019, respectively.

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

The table below sets forth the breakdown of the revenue of clubbing and entertainment operations and restaurant operations for the years ended 31 May 2018 and 2019:

	For the year ended 31 May			
	2019		2018	
	HK$'000	***% of total revenue***	*HK$'000*	*% of total revenue*
Clubbing and entertainment operations	**67,478**	**82.4**	66,707	78.2
Restaurant operations	**14,411**	**17.6**	18,636	21.8
Total	**81,889**	**100.0**	85,343	100.0

The revenue generated from the operation of clubbing and entertainment business slightly increased by approximately HK$0.8 million, or approximately 1.2%, from approximately HK$66.7 million for the year ended 31 May 2018 to approximately HK$67.5 million for year ended 31 May 2019. Such increase was mainly due to the increase in revenue contributed from the opening of a sports-themed bar, namely Paper Street, on 20 July 2018 and an entertainment studio, namely Maximus Studio, on 21 January 2019, but was partially offset by (i) a decrease in revenue generated by Mudita (formerly known as Fly) which was being temporarily closed for business from July to October 2018 for its renovation and refurbishment; and (ii) a decrease in revenue generated by Volar preliminary due to the rising competition in the clubbing business for the year ended 31 May 2019.

The revenue generated from the operation of the restaurant business decreased by approximately HK$4.2 million, or approximately 22.7%, from approximately HK$18.6 million for the year ended 31 May 2018 to approximately HK$14.4 million for the year ended 31 May 2019. Such decrease was mainly due to the closure of Tiger Curry & Café on 7 August 2018 and Tiger Curry on 10 April 2018 as well as the rising competition and general downturns in the food and beverage industry.

Cost of inventories sold

The cost of inventories sold mainly represented the cost of beverage and food ingredients used in the Group's clubbing and entertainment and restaurant operations. The major beverage and food ingredients purchased by the Group include, 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 remained at similar level of approximately HK$17.6 million for the year ended 31 May 2018 as compared to approximately HK$17.7 million for the year ended 31 May 2019.

Property rentals and related expenses

Property rentals and related expenses primarily represented the rental payments under operating leases and property management fee paid for the club and entertainment premises, restaurants premises and office premises. The property rentals and related expenses were one of the components of the operating expenses which increased by approximately HK$1.5 million, or approximately 6.1%, from approximately HK$25.2 million for the year ended 31 May 2018 to approximately HK$26.7 million for the year ended 31 May 2019. Such increase was mainly due to the property rentals and related expenses incurred by our Paper Street which was opened on 20 July 2018.

Advertising and marketing expenses

Advertising and marketing expenses primarily consisted of advertising and promotional expenses such as the cost of engaging resident and guest DJs and the expenses incurred for engaging a public relations company for the provision of marketing and promotion services to the Group's clubbing, entertainment and restaurant operations. The advertising and marketing expenses decreased by approximately HK$2.9 million, or approximately 20.2%, from approximately HK$14.1 million for the year ended 31 May 2018 to approximately HK$11.2 million for the year ended 31 May 2019. Such decrease was mainly due to the lesser expenses incurred for featured events including night entertainment events headlined by an internationally renowned guest DJ or based on festival and holiday themes, for the year ended 31 May 2019.

Employee benefits expenses

Employee benefits expenses primarily consisted of all salaries and benefits payable to all employees and staff, including the executive Directors, headquarters staff and operational staff in each outlet. The employee benefits expenses decreased by approximately HK$4.0 million, or approximately 14.9%, from approximately HK$27.2 million for the year ended 31 May 2018 to approximately HK$23.2 million for the year ended 31 May 2019. Such decrease was mainly due to the absence of the discretionary bonus of approximately HK$5.4 million paid to Directors, senior management and employee of the Company for the year ended 31 May 2018, which was non-recurring in nature.

Depreciation

Depreciation represented the depreciation charge for property, plant and equipment, including, among others, leasehold improvements, furniture and fixtures and equipment. 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 recorded at approximately HK$4.7 million and HK$3.9 million for each of the year ended 31 May 2018 and 2019, respectively.

Other expenses

Other expenses mainly represented security expenses for the clubs, credit card commissions, repairs and maintenance costs, promotional expenses, cleaning expenses, and professional fee and written off of property, plant and equipment. The other expenses slightly increased by approximately HK$0.2 million, or approximately 0.6%, from approximately HK$20.6 million for the year ended 31 May 2018 to approximately HK$20.8 million for the year ended 31 May 2019. Such increase was mainly due to the increase in written off of property, plant and equipment.

Loss before income tax credit/(expenses)

As a result of the cumulative factors discussed above, the loss before income tax expenses increased from approximately HK$23.9 million for the year ended 31 May 2018 to approximately HK$27.7 million for the year ended 31 May 2019.

Loss and total comprehensive expenses for the year

As a result of the cumulative factors discussed above, the loss and total comprehensive expenses increased from approximately HK$25.8 million for the year ended 31 May 2018 to approximately HK$27.5 million for the year ended 31 May 2019.

FINANCIAL POSITION, LIQUIDITY AND FINANCIAL RESOURCES

The Group recorded net cash used in operating activities of approximately HK$49.2 million for the year ended 31 May 2018 to net cash generated from operating activities of approximately HK$1.2 million for the year ended 31 May 2019, primarily due to (i) decrease in operating loss before working capital changes; (ii) decrease in trade and other receivable and financial assets at fair value through profit or loss and (iii) increase in trade and other payable.

As at 31 May 2019, the Group's total cash and bank balances (including cash and cash equivalents and restricted bank deposits) were approximately HK$29.8 million (2018: approximately HK$35.7 million). The current ratio (calculated by current assets divided by current liabilities) of the Group decreased from approximately 1.6 times as at 31 May 2018 to approximately 1.0 times as at 31 May 2019. The gearing ratio (calculated by net debt divided by total equity) of the Group was approximately 38.9% as of 31 May 2019 while the net cash position as at 31 May 2018.

As at 31 May 2019, the Group obtained total unutilised banking facility of approximately HK$57.3 million granted from commercial banks for its working capital.

The shares of the Company were successfully listed on GEM of the Stock Exchange on 7 April 2017 (the "**Listing Date**"), since then, there was no change in the capital structure of the Group. The capital structure of the Group comprises of issued share capital and reserves. As at 31 May 2019, the equity attributable to owners of the Company amounted to approximately HK$15.8 million (2018: approximately HK$42.6 million).

USE OF PROCEEDS

Based on the offer price of HK$0.34 per offer share, the net proceeds from the Listing, after deducting the underwriting commission and other estimated expenses, amounted to approximately HK$43.9 million.

On 11 May 2018, the Board resolved to change the use of the net proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 24 March 2017 (the "**Prospectus**"). Details of the original allocation of the net proceeds, the revised allocation of the net proceeds, the utilisation of the net proceeds as at 11 May 2018 and the remaining balance after the revised allocation of the net proceeds were set out in the announcement of the Company dated 11 May 2018 (the "**May 2018 Announcement**").

During the period from the Listing Date to 31 May 2019, the Group has applied the net proceeds as follows:

	Adjusted allocation of net proceeds in accordance with the adjusted plan (as disclosed in the May 2018 Announcement) up to 31 May 2019	Amount utilised as at 31 May 2019	Amount unutilised as at 31 May 2019
	HK$ million	*HK$ million*	*HK$ million*
Continuing to expand and diversify the outlet network of the Group	18.8	10.0	8.8
Upgrading the club facilities of the Group	16.1	7.8	8.3
Increasing marketing effort of the Group	3.7	3.7	–
Enhancing corporate image of the Group	1.0	1.0	–
General working capital of the Group	4.3	4.3	–
Total	43.9	26.8	17.1

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

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

Business objective and strategy	**Business plan and activity**	**Actual business progress up to 31 May 2019**
(1) Upgrade our club facilities	Renovate and refurbish Fly • Execute planned renovation at Fly (currently known as Mudita)	• Renovation and refurbishment of Fly (currently known as Mudita) have been carried out and completed in October 2018.
	Renovate and refurbish Volar • Set up project team • Engage contractors for the renovation and refurbishment	• We have set up a project team and obtained quotation from various contractors and designers.
	• Engage designers for the concept of renovation and refurbishment • Carry out renovation and refurbishment	• No renovation and refurbishment of Volar have been carried out as at 31 May 2019 as the Company is still under negotiation with the contractors and designers.
(2) Continue to expand and diversify our outlet network for the clubbing operation	Establish sports-themed bars • Execute planned establishment of the first sports-themed bar	• A sports-themed bar, namely Paper Street, has been opened on 20 July 2018.
	• Explore opportunities with cooperation partners and conduct feasibility studies for our second sports-themed bar	• We have set up a project team and conducted a study of potential locations regarding the accessibility, visibility, size, structure, the demographics and rental trends.

Business objective and strategy	Business plan and activity	Actual business progress up to 31 May 2019
(3) Continue to expand and diversify our outlet network for the restaurant operations	Set up a standalone restaurant in Tsing Yi • Execute planned establishment of a standalone restaurant in Tsing Yi	• A standalone restaurant in Tsing Yi has been opened on 16 December 2017.
	Set up a standalone restaurant in Sheung Wan • Execute planned establishment of a standalone restaurant in Sheung Wan	• A standalone restaurant in Sheung Wan has been opened on 15 June 2018.
	Set up food court restaurants • Set up a project team and conduct a feasibility study	• We have set up a project team and conducted a study of potential location regarding pedestrian traffic, convenience, demographics, size, structure and completion.

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 outlets network, we expect to establish more sports-themed bars and set up more restaurants in Hong Kong. The food and beverage and entertainment industry in Hong Kong is highly competitive. Our ability to successfully open new outlets is subject to a number of risks and uncertainties, including identifying suitable locations and/or securing leases on reasonable terms, timely securing necessary governmental approvals and licences, ability to hire quality personnel, timely delivery in decoration and renovation works, securing sufficient customer demand, securing adequate suppliers and inventory that meet our quality standards on timely basis, reducing potential cannibalisation effects between the locations of our outlets and the general economic conditions. The costs incurred in the opening of new outlets and the expansion plans may place substantial strain on our managerial, operational and financial resources. As such, we cannot assure that we can always operate the expanded outlets network on a profitable basis or that any new outlet will reach the planned operating levels. If any new outlet experiences prolonged delays in breaking even or achieving our desired level of profitability or operate at a loss, our operational and financial resources could be strained and our overall profitability could be affected.

2) For each of the year ended 31 May 2018 and 2019, our revenue generated from Volar accounted for approximately 64.9% and 60.1% 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, could materially and adversely affect public perception of this brand. Any significant operational or other difficulties in the business of Volar may reduce, disrupt or halt our operation and business at the premises, which would materially and adversely affect our business, prospects, reputation, financial condition and results of operation. Experiencing problems in operation which result in the need to close down the night club temporarily or permanently will materially and adversely affect our results of operations and financial conditions.

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 as a result of the landlord’s or licensor’s or our decision) or termination of any of our lease or licence or substantial increased rentals or licence fees could cause us to close down 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 each of the year ended 31 May 2018 and 2019, purchases from our largest supplier accounted for approximately 53.4% and 51.4% of our total purchases, respectively. We make purchases from our largest supplier under individual purchase order, and have not entered into any long term contract. If our largest supplier for any reason reduces the volume supplied to us or cease to supply to us, we will need to find alternative suppliers on similar sale terms and conditions acceptable to us. If we fail to do so in a timely manner, the operations of our clubs will be interrupted, our costs may increase and our business, financial conditions, results of operations and growth prospects may therefore be materially and adversely affected.

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

CAPITAL STRUCTURE

The Company’s shares were successfully listed on GEM of the Stock Exchange on 7 April 2017. There has been no change in the Company’s capital structure since 7 April 2017. The capital structure of the Group comprises of issued share capital and reserves. The Directors will review and manage the Group’s capital structure regularly.

SIGNIFICANT INVESTMENTS HELD

During the period from 2 August 2017 to 11 September 2017, Bannock Holdings Limited, a wholly-owned subsidiary of the Company, subscribed for the US$-denominated short dated corporate bonds with an aggregate principal amount of US$2,550,000 (equivalent to approximately HK$19.9 million). Details of the above investment were disclosed in the announcement of the Company dated 2 October 2017.

During the year ended 31 May 2019, the maturity dates of the US$-denominated short dated corporate bonds with an aggregate principal amount of US$900,000 (equivalent to approximately HK$7.0 million) were expired. As such, as at 31 May 2019, the principal amount of the remaining principal amount of the US$-denominated short dated corporate bonds was US$1,650,000 (equivalent to approximately HK$12.9 million).

Save as disclosed above, except for investment in its subsidiaries, the Group did not hold any significant investment for the year ended 31 May 2019.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

The Group did not carry out any material acquisition nor disposal of any subsidiaries for the year ended 31 May 2019.

DIVIDENDS

No dividend has been paid or declared by the Company, or by any of the companies now comprising the Group for the years ended 31 May 2018 and 2019.

FOREIGN EXCHANGE EXPOSURE

Since most of transactions are denominated in Hong Kong dollars, the Group is not exposed to significant foreign exchange exposure.

CAPITAL COMMITMENTS

As at 31 May 2019, the Group had no capital commitments (2018: HK$2.4 million).

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 May 2018 and 2019.

PLEDGE OF ASSETS

As at 31 May 2019, all of financial assets at fair value through profit or loss with aggregate value of approximately HK$13.0 million (2018: HK$20.0 million) and restricted bank deposit of approximately HK$9.5 million (2018: approximately HK$2.1 million) were pledged to secured bank loan.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 May 2019, the Group employed 102 employees (2018: 125 employees). Employee benefit expenses (including Directors' remuneration, wages, salaries, performance related bonuses, other benefits and contribution to defined contribution pension plans) amounted to approximately HK$23.2 million for the year ended 31 May 2019 (2018: approximately HK$27.2 million). The Group endeavors to ensure that the employees' salary levels are in line with industry practice and the prevailing market conditions and that the employees' overall remuneration is determined based on the Group's and their performance.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year ended 31 May 2019.

DIRECTORS' SECURITIES TRANSACTIONS

The Group adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings.

Having made specific enquiries with all the Directors and all the Directors have confirmed they have complied with the required standard of dealings under the code of conduct for Directors' securities transactions during the year ended 31 May 2019.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules throughout the year. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the year ended 31 May 2019. The Board will keep on reviewing and updating such practices from time to time to ensure compliance with legal and commercial standards.

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. Save for the compliance adviser agreement entered into between the Company and Lego dated 22 August 2016, neither Lego nor any of its associates and none of the directors, employees or close associates (as defined under the GEM Listing Rules) of Lego had any interest in any securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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.

EVENTS AFTER REPORTING PERIOD

Save as disclosed, up to the date of this announcement, there was no significant event after the reporting period under review of the Group.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The audit committee of the Company (the "**Audit Committee**") has discussed and reviewed with management of the Group and the Group's independent auditor, BDO Limited, the audited consolidated financial statements of the Group for the year ended 31 May 2019. The Audit Committee comprises three independent non-executive Directors, namely Mr. Wong Sui Chi, Mr. Li Lap Sun and Mr. Ng Kwok Kei Sammy. Mr. Wong Sui Chi is the chairman of the Audit Committee who has appropriate professional qualifications and experience as required by the GEM Listing Rules.

REVIEW OF THE ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 May 2019 as set out in this announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this announcement.

By order of the Board
BCI Group Holdings Limited
NG Shing Joe Kester
Chairman and Executive Director

Hong Kong, 27 August 2019

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

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk 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.bcigroup.com.hk.