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 2020

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

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

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded 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	
	2020	2019
	HK$'000	*HK$'000*
Revenue	**50,397**	81,889
Finance income	**249**	626
Changes in inventories	**(10,206)**	(17,739)
Non-cash items:		
Fair value change on financial assets at fair value through profit or loss	**(15)**	62
Depreciation of property, plant and equipment	**(3,916)**	(3,942)
Depreciation of right-of-use assets	**(17,537)**	—
Impairment loss on goodwill	—	(2,209)
Impairment loss on property, plant and equipment	**(2,090)**	(2,379)
Impairment loss on right-of-use assets	**(8,555)**	—
Loss allowance on trade and other receivables	**(476)**	(862)
Written off of trade and other receivables	**(2,988)**	(1,243)
Written off of amount due from a related company	**(172)**	—
Loss before income tax credit	**(36,624)**	(27,706)
Loss and total comprehensive income for the year	**(36,494)**	(27,537)

For the year ended 31 May 2020, the Group's revenue was approximately HK$50.4 million, representing a decrease of approximately 38.5% when compared with that for the year ended 31 May 2019.

The Group recorded a loss and total comprehensive income for the year ended 31 May 2020 of approximately HK$36.5 million, while there was a loss and total comprehensive income of approximately HK$27.5 million for the year ended 31 May 2019. 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 of property, plant and equipment and right-of-use assets (net of the repayment of lease liabilities), impairment loss on property, plant and equipment and right-of-use assets, written off of trade and other receivables, amount due from a related company and loss allowance on trade and other receivables, the adjusted loss and total comprehensive income increased by approximately 10.6% to approximately HK$18.8 million for the year ended 31 May 2020 as compared with that of the year ended 31 May 2019.

The Board did not recommend payment of any dividend for the year ended 31 May 2020.

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 2020, together with the audited comparative figures for the year ended 31 May 2019 as set out below.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 May 2020

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Revenue	*5*	**50,397**	81,889
Finance income		**249**	626
Changes in inventories		**(10,206)**	(17,739)
Other income and gains	*6*	**1,861**	858
Expense related to short term lease/total minimum lease payments for leases previously classified as operating lease under HKAS17	*7*	**(777)**	(26,705)
Advertising and marketing expenses		**(7,310)**	(11,246)
Employee benefits expenses	*7*	**(16,939)**	(23,180)
Fair value change on financial assets at fair value through profit or loss		**(15)**	62
Depreciation of property, plant and equipment	*7*	**(3,916)**	(3,942)
Depreciation of right-of-use assets	*7*	**(17,537)**	—
Other expenses		**(15,665)**	(20,763)
Impairment loss on goodwill		**—**	(2,209)
Impairment loss on property, plant and equipment		**(2,090)**	(2,379)
Impairment loss on right-of-use assets		**(8,555)**	—
Written off of trade and other receivables	*7*	**(2,988)**	(1,243)
Written off of amount due from a related company	*7*	**(172)**	—
Loss allowance on trade and other receivables	*11*	**(476)**	(862)
Finance costs		**(2,485)**	(873)
Loss before income tax credit		**(36,624)**	(27,706)
Income tax credit	*8*	**130**	169
Loss and total comprehensive income for the year		**(36,494)**	(27,537)
Loss and total comprehensive income for the year attributable to:			
— Owners of the Company		**(35,704)**	(26,780)
— Non-controlling interests		**(790)**	(757)
		(36,494)	(27,537)
Loss per share attributable to owners of the Company			
— Basic and diluted	*10*	**HK(4.46) cents**	HK(3.35) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 May 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
Non-current assets			
Property, plant and equipment		**6,690**	12,933
Right-of-use assets		**5,293**	—
Prepayment for acquisition of property, plant and equipment	*11*	—	330
Other receivables	*11*	—	6,061
		11,983	19,324
Current assets			
Inventories	*12*	**522**	694
Trade and other receivables	*11*	**11,149**	8,766
Financial assets at fair value through profit or loss		—	12,991
Amount due from a related company		—	26
Cash and cash equivalents		**6,424**	20,311
Restricted bank deposits		**17,038**	9,473
Tax recoverable		**10**	—
		35,143	52,261
Current liabilities			
Trade and other payables	*13*	**21,843**	16,463
Amount due to a related company		**136**	—
Contract liabilities		**582**	2,088
Bank borrowings		**17,035**	31,091
Amounts due to directors		**539**	668
Lease liabilities		**15,570**	—
Current tax liabilities		—	173
		55,705	50,483
Net current (liabilities)/assets		**(20,562)**	1,778
Total assets less current liabilities		**(8,579)**	21,102

	Notes	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Other payables	*13*	**—**	2,065
Loan from a shareholder		**13,878**	5,000
		13,878	7,065
Net (liabilities)/assets		**(22,457)**	14,037
Equity			
Share capital	*14*	**8,000**	8,000
Reserves		**(27,888)**	7,816
Equity attributable to owners of the Company		**(19,888)**	15,816
Non-controlling interests		**(2,569)**	(1,779)
Total (deficiency in assets)/equity		**(22,457)**	14,037

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 May 2020

	Attributable to owners of the Company					
	Share capital	**Share premium#**	**Accumulated losses#**	**Total**	**Non-controlling interests**	**Total**
	HK$'000 *(Note 14)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 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 and 1 June 2019	8,000	56,525	(48,709)	15,816	(1,779)	14,037
Loss and total comprehensive income for the year	—	—	(35,704)	(35,704)	(790)	(36,494)
At 31 May 2020	8,000	56,525	(84,413)	(19,888)	(2,569)	(22,457)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 May 2020

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, catering 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 2019

HKFRS 16, Leases

HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments

Amendments to HKFRS 9, Prepayment Features and Negative Compensation

Amendments to HKAS 19, Plan Amendment, Curtailment or Settlement

Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 included in Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new revised HKFRSs and amendment to HKFRSs in the current year has had no material impact on the Group's accounting policies.

HKFRS 16 — Lease

(i) Impact of adoption of HKFRS 16 — Lease

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("**HKAS 17**"), HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease", HK(SIC)-Int 15 "Operating Leases-Incentives" and HK(SIC)-Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases.

From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (iv) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following table summarises the impact of transition to HKFRS 16 on consolidated statement of financial position as of 31 May 2019 to that of 1 June 2019 as follows (increase/(decrease)):

Consolidated statement of financial position as at 1 June 2019

	HK$'000
Right-of-use assets	33,589
Property, plant and equipment	(389)
Other receivables	(249)
Other payables (current)	(2,538)
Other payables (non-current)	(435)
Lease liabilities (current)	19,504
Lease liabilities (non-current)	16,420

	HK$'000
Right-of-use assets	
Closing balance under HKAS 17 at 31 May 2019	—
— Recognition of additional right-of-use assets under HKFRS 16	33,589
Opening balance under HKFRS 16 at 1 June 2019	33,589
Lease liabilities	
Closing balance under HKAS 17 at 31 May 2019	—
— Recognition of additional lease liabilities under HKFRS 16	35,924
Opening balance under HKFRS 16 at 1 June 2019	35,924

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 as at 31 May 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 June 2019:

Reconciliation of operating lease commitment to lease liabilities

	HK$'000
Operating lease commitments as of 31 May 2019	38,103
Less: short term leases for which lease terms end on or before 31 May 2020	(777)
Less: future interest expenses	(1,402)
Total lease liabilities as of 1 June 2019	35,924
Analysis as:	
Current	19,504
Non-Current	16,420
	35,924

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 June 2019 is 4.62%.

The carrying amount of right-of-use assets for own use as at 1 June 2019 comprises the following:

	Notes	**Right-of-use assets** ***HK$'000***
Lease liabilities relating to operating leases recognised upon application of HKFRS 16		35,924
Add:		
Adjustments on property, plant and equipment as 1 June 2019	*(i)*	389
Adjustments on rental deposits as 1 June 2019	*(ii)*	249
Less:		
Accrued lease liabilities relating to rent-free period and lease payments increase progressively over lease terms as at 1 June 2019	*(iii)*	(2,973)
		33,589

(i) Before the application of HKFRS 16, the Group considered reinstatement cost as leasehold improvement included in property, plant and equipment. Based on the initial recognition under HKFRS 16, such reinstatement costs are estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. Accordingly, HK$389,000 was adjusted to right-of-use assets.

(ii) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under other receivables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK$249,000 was adjusted from refundable rental deposits paid to right-of-use assets.

(iii) These relate to accrued lease liabilities for leases of properties in which the lessors provided rent-free period. The carrying amount of the lease incentive liabilities of HK$2,973,000 under trade and other payables as at 1 June 2019 was adjusted to right-of-use assets at transition.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets (the Group has leased mobile phones, laptop computers and photocopying machines) and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset is recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that options; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application (1 June 2019). The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 June 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 June 2019.

The Group has elected to recognise all the right-of-use assets at 1 June 2019 for leases previously classified as operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 "Impairment of Assets" at 1 June 2019 to assess if there was any impairment as on that date.

The Group has also applied the following practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 June 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 June 2019; and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "**Determining whether an Arrangement contains a Lease**"; and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

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

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

Amendments to HKFRS 3	Definition of a business[1]
Amendments to HKAS 1 and HKAS 8	Definition of material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 16	Covid-19- Related Rent Concession[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKAS 16	Proceeds before Intended[4]
Amendments to HKAS 37	Cost of Fulfilling a Contract[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Annual Improvements to HKFRSs	2018-2020 Cycle[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 June 2020

3 Effective for annual periods beginning on or after 1 January 2021

4 Effective for annual periods beginning on or after 1 January 2022

5 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, 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 GEM 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

The Group continues to adopt the going concern basis in preparing its consolidated financial statements. During the year, the Group sustained a net loss of approximately HK$36,494,000 (2019: HK$27,537,000) and at the end of the reporting period, the Group's net current liabilities and the net liabilities were HK$20,562,000 (2019: net current assets of HK$1,778,000) and HK$22,457,000 (2019: net assets of HK$14,037,000) respectively. In addition, the operation of the Group's clubbing, entertainment and catering business has been hit by the third waves of new, untraceable local Novel Coronavirus ("**COVID-19**") cases, a series of precautionary and social distancing measures have been implemented by the Hong Kong Government starting from 15 July 2020. The limitations are currently in place for the group gatherings, dining in at the restaurant and further mandatory closure orders including gyms, sports grounds and bars. This situation created uncertainties in relation to the financial performance of the Group.

These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern, and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of these circumstances, the Directors of the Company have given careful consideration of the liquidity and future cash flows of the Group in assessing whether the Group will have the ability to continue as a going concern. For this purpose, management has prepared a cash flow forecast, which covers a period of 18 months from the year end date of 31 May 2020, that takes account of the following:

(i) The raise of additional working capital of approximately HK$20,334,000 upon the completion of the Placing on 18 August 2020;

(ii) As at 31 May 2020, the Group had undrawn loan facility granted by a shareholder for an amount of HK$11,122,000 from a total of HK$25,000,000 out of which HK$13,878,000 was already drawndown. The Group will further utilise this facility to support its liquidity needs. In respect of the drawndown amount, the shareholder further undertook that he will not request the Group to repay the outstanding amount of HK$13,878,000 until the Group is in position to repay;

(iii) Communicated with the lending bank and considered that the bank would not exercise its discretionary rights to demand immediate repayment of the bank borrowings of approximately HK$17,035,000 as long as the restricted bank deposits are maintained;

(iv) Implementing various cost tightening and control measures, including reviewing the working procedures and refining the business strategies to cope with the continuing challenges, which in management's view, offers a more cost-competitive advantage; and

(v) The different possible outcomes of the COVID-19 pandemic and its impact to the cash flow forecast.

Based on the above, the Directors of the Company are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations over the forecast period. Accordingly, the Directors considered that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to reduce the values of the assets to their net realisable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

(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:

	2020 ***HK$'000***	2019 *HK$'000*
Revenue from contracts with customer within the scope of HKFRS 15:		
Operation of clubbing, entertainment and catering business	**50,397**	81,889
Revenue from other sources:		
Securities investment	**249**	626

Timing of revenue recognised under HKFRS 15:

	Operation of clubbing, entertainment and catering business **2020** ***HK$'000***	Operation of clubbing, entertainment and catering business 2019 *HK$'000*
At point in time	**44,317**	73,938
Over time	**6,080**	7,951
	50,397	81,889

(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 2020			
Revenue from external customers	50,397	249	50,646
Reportable segment loss	(32,177)	(764)	(32,941)
Other income and gains	1,439	226	1,665
Expenses related to short-term lease	(777)	—	(777)
Employee benefits expenses	(16,939)	—	(16,939)
Depreciation of property, plant and equipment	(3,916)	—	(3,916)
Depreciation of right-of-use assets	(17,537)	—	(17,537)
Fair value change on financial assets at fair value through profit or loss	—	(15)	(15)
Impairment loss on property, plant and equipment	(2,090)	—	(2,090)
Impairment loss on right-of-use assets	(8,555)	—	(8,555)
Written off of trade and other receivables	(2,988)	—	(2,988)
Written off of amount due from a related company	(172)	—	(172)
Loss allowance on trade and other receivables	684	2	686
Other expenses	(13,107)	(299)	(13,406)
Additions of non-current assets	(1,089)	—	(1,089)
Finance costs	(1,100)	(927)	(2,027)
As at 31 May 2020			
Reportable segment assets	25,149	18,721	43,870
Reportable segment liabilities	(36,229)	(31,255)	(67,484)

	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	626	82,515
Reportable segment (loss)/profit	(22,777)	334	(22,443)
Other income	445	282	727
Total minimum lease payments for leases previously classifies as operating lease under HKAS 17	(26,705)	—	(26,705)
Employee benefits expenses	(23,180)	—	(23,180)
Depreciation of property, plant and equipment	(3,942)	—	(3,942)
Fair value gain on financial assets at fair value through profit or loss	—	62	62
Impairment loss on goodwill	(2,209)	—	(2,209)
Impairment loss on property, plant and equipment	(2,379)	—	(2,379)
Written off of trade and other receivables	(1,243)	—	(1,243)
Loss allowance on trade and other receivables	(650)	(2)	(652)
Other expenses	(33,467)	(56)	(33,523)
Additions of non-current assets	(13,479)	—	(13,479)
Finance costs	—	(578)	(578)
As at 31 May 2019			
Reportable segment assets	26,852	29,821	56,673
Reportable segment liabilities	(19,886)	(26,269)	(46,155)

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

	2020	2019
	HK$'000	*HK$'000*
Loss before income tax credit		
Reportable segment loss	**(32,941)**	(22,443)
Other income and gains	**196**	131
Loss allowance on trade and other receivables	**(1,162)**	(210)
Unallocated corporate expenses	**(2,259)**	(4,889)
Finance costs	**(458)**	(295)
Loss before income tax credit	**(36,624)**	(27,706)

	2020	2019
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**43,870**	56,673
Unallocated corporate assets	**3,256**	14,912
Consolidated total assets	**47,126**	71,585

	2020	2019
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**(67,484)**	(46,155)
Current tax liabilities	**—**	(173)
Unallocated corporate liabilities	**(2,099)**	(11,220)
Consolidated total liabilities	**(69,583)**	(57,548)

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

Revenue represents the amount received or receivable from the sales of food and beverages, entrance fees, sponsorship income, entertainment income and others.

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

	2020	2019
	HK$'000	*HK$'000*
Revenue from:		
Clubs and entertainment operation		
Sales of food and beverage	**36,311**	57,357
Entrance fee	**905**	2,303
Entertainment income	**4,520**	4,510
Sponsorship income	**1,084**	2,181
Others	**1,330**	1,127
	44,150	67,478
Restaurants operation		
Sales of food and beverage	**6,221**	14,400
Others	**26**	11
	6,247	14,411
Total revenue	**50,397**	81,889

The following table provides information about trade receivables and contract liabilities from contracts with customers.

	2020	2019
	HK$'000	*HK$'000*
Trade receivables (Note 11)	**1,921**	2,747
Contract liabilities	**582**	2,088

Contract liabilities decreased by HK$2,088,000 (2019: 3,232,000) as result of redemption of the advance consideration received from the customers for sales of beverage and entertainment income and recognised to revenue during the year.

6. OTHER INCOME AND GAINS

	2020	2019
	HK$'000	*HK$'000*
Bank interest income	**423**	419
Government grants (note)	**640**	—
Charity subsidy	**240**	—
Others	**558**	439
	1,861	858

Note:

The government grants represents subsidies of HK$640,000 under the Food Licence Holders Subsidy Scheme launched by the Hong Kong Government for the five Group's subsidiaries, which holding light refreshment restaurant license and general restaurants license.

7. LOSS BEFORE INCOME TAX CREDIT

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

	2020	2019
	HK$'000	*HK$'000*
Changes in inventories recognised as expense		
— Clubs and entertainment operation	**8,512**	13,868
— Restaurants operation	**1,694**	3,871
	10,206	17,739
Auditors' remuneration	**479**	739
Depreciation of property, plant and equipment	**3,916**	3,942
Depreciation of right-of-use assets	**17,537**	—
Gain relating to the lease termination	**(130)**	—
Written off of property, plant and equipment	**789**	1,268
Loss on disposal of property, plant and equipment	**128**	—
Written off of trade and other receivables	**2,988**	1,243
Written off of amount due from a related company	**172**	—
Total minimum lease payments for leases previously classified as operating leases under HKAS17 (note)	**—**	26,705
Expense related to short term lease	**777**	—
Staff costs (including directors' remuneration)		
— Wages, salaries and other benefits	**16,299**	22,296
— Contribution to defined contribution pension plans	**640**	884
	16,939	23,180

Note:

The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 June 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 June 2019, the Group as the lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information has not been restated. See note 2(a).

8. INCOME TAX CREDIT

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

	2020	2019
	HK$'000	*HK$'000*
Current income tax — Hong Kong Profits Tax		
— tax for the year	**—**	4
— over-provision in respect of prior years	**(130)**	(173)
	(130)	(169)
Income tax credit	**(130)**	(169)

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 applicable to loss before income tax credit at the statutory tax rate to the income tax credit at the effective tax rate is as follows:

	2020	2019
	HK$'000	*HK$'000*
Loss before income tax credit	**(36,624)**	(27,706)
Tax at the statutory rate of 16.5% (2019: 16.5%)	**(6,043)**	(4,571)
Tax effect of non-deductible expenses	**660**	1,633
Tax effect of non-taxable income	**(216)**	—
Tax effect of temporary differences not recognised	**2,302**	—
Tax effect of tax losses not recognised	**3,355**	105
Over-provision in respect of prior years	**(130)**	(173)
Utilisation of tax losses	**(58)**	2,837
Income tax credit	**(130)**	(169)

The Group has accumulated tax losses arising in Hong Kong of approximately HK$57,986,000 as at the year ended 31 May 2020 (2019: HK$38,004,000). Deferred tax assets have not been recognised in respect of this loss as it is not probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. The tax loss can be carried forward in Hong Kong indefinitely. In the opinion of the directors of the Group, there are no other deferred tax asset which have a significant impact to the Group.

9. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 May 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.

10. LOSSES PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2020	2019
Losses attributable to owners of the Company (HK$'000)	**(35,704)**	(26,780)
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$35,704,000 (2019: HK$26,780,000) and on the basis of the weighted average number of 800,000,000 (2019: 800,000,000) ordinary shares.

The Company did not have any potential dilutive shares for the years ended 31 May 2020 and 2019. Accordingly, the diluted loss per share are the same as the basic losses per share for the years ended 31 May 2020 and 2019 respectively.

11. TRADE AND OTHER RECEIVABLES

	Notes	2020 HK$'000	2019 HK$'000
Trade receivables	*(a)*	**1,921**	2,747
Other receivables	*(b)*	**2,183**	4,188
Prepayments		**823**	1,506
Deposits		**6,222**	6,716
		11,149	15,157
Less: Prepayments for acquisition of property, plant and equipment		—	(330)
Non-current portion of other receivables		—	(6,061)
Trade and other receivables		**11,149**	8,766

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:

	2020 HK$'000	2019 HK$'000
0-30 days	**728**	1,306
31-60 days	**36**	370
61-90 days	**33**	267
91-180 days	**1,124**	515
181-365 days	—	289
	1,921	2,747

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.

(b) Other receivables

Included in the amount, balance of approximately HK$3,000,000 (2019: HK$3,533,000) was loans receivable which was secured by the assets of the borrower, interest-free within the first three 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:

	2020	2019
	HK$'000	*HK$'000*
Balance at 1 June	**862**	—
Loss allowance in trade and other receivables recognised	**476**	862
Balance at 31 May	**1,338**	862

The resulting potential deferred tax assets amounting to HK$221,000 (2019: HK$142,000) have not been recognised in respect of the above items due to the unpredictability of future profit streams. The tax losses are subject to the review of Hong Kong Inland Revenue Department and may be carried forward indefinitely.

12. INVENTORIES

	2020	2019
	HK$'000	*HK$'000*
Beverage	**522**	694

13. TRADE AND OTHER PAYABLES

	Note	2020 HK$'000	2019 HK$'000
Trade payables	*(i)*	**1,968**	3,106
Accruals and other payables	*(ii)*	**19,875**	15,422
Total		**21,843**	18,528
Less: Current portion		**(21,843)**	(16,463)
Non-current portion		**—**	2,065

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

	2020 HK$'000	2019 HK$'000
0-30 days	**800**	1,550
31-60 days	**205**	1,444
Over 60 days	**963**	112
	1,968	3,106

(ii) Accruals and other payables accrued renovation expenses and accrued salary.

14. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised, ordinary shares of HK$0.01 each:		
At 1 June 2018, 31 May 2019, 1 June 2019 and 31 May 2020	10,000,000,000	100,000
Issued and fully paid, ordinary shares of HK$0.01 each:		
At 1 June 2018, 31 May 2019, 1 June 2019 and 31 May 2020	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*	**2020**	2019
			HK$'000	*HK$'000*
Model Genesis International Management Limited	Marketing and promotion fee	(i), (ii) & (iii)	985	1,260

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.

(iii) Mr. Kester Ng, being an executive director 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:

	2020	2019
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**850**	375

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW AND OUTLOOK

For the year ended 31 May 2020 and up to the date of this announcement, the Group had been principally engaged in the operation of clubbing, entertainment and catering 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), an entertainment studio (namely, Maximus Studio) and a sports-themed bar (namely Paper Street) to cover different segments of the clubbing and entertainment market. Volar targets customers with strong spending power and aims to provide a premium clubbing experience to our customers; Mudita aims to be a more sophisticated high-end and contemporary bar with no dance floor, offering a variety of entertainment such as live entertainment shows as well as international DJ's performance; Maximus Studio is working to achieve a lifestyle designed by our customers and is a place to build the greatest self; while Paper Street aims at providing a casual and comfortable environment for its patronage. The revenue generated from the operation of clubbing and entertainment business decreased by approximately HK$ 23.3 million, or approximately 34.5%, from approximately HK$67.5 million for the year ended 31 May 2019 to approximately HK$44.2 million for the year ended 31 May 2020.

Operation of catering business

For the year ended 31 May 2020, the Company owned two "Tiger" branded restaurants namely Tiger San and Tiger Room which are casual dining restaurants and aimed to provide a contemporary Japanese dining experience in a relaxing atmosphere for their customers.

Tiger Room was closed down in mid-February 2020 due to its unsatisfactory performance resulted from ongoing social unrest since June 2019 and the outbreak of COVID-19 (the "**Epidemic**") since January 2020.

The revenue generated from the operation of catering business decreased by approximately HK$8.2 million, or approximately 56.9 %, from approximately HK$14.4 million for the year ended 31 May 2019 to approximately HK$6.2 million for the year ended 31 May 2020.

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 (including but not limited to the continuing social unrest in Hong Kong since late June 2019), are likely to continue to affect the consumers' spending sentiment as well as the food and beverage, lifestyle and entertainment industry in Hong Kong. The situation became even worse due to the outbreak of the Epidemic since January 2020, severely affecting the operating environment for retail and food and beverage business in Hong Kong. To avoid the spread of the Epidemic, the Hong Kong government has implemented various social distancing measures to control the spread of the Epidemic which has led to the decline of both local customers and tourists, seriously affecting the pedestrian traffic and the consumers' spending sentiment. Hence, the overall business environment in Hong Kong 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 strengthen its market position by (i) upgrading our club facilities on an as-needed basis depending on the condition of our equipment and facilities; (ii) refining business strategies to cope with the continuing challenges; (iii) actively negotiate with business partners including suppliers and landlords on mitigative measures during such unabated difficult period; and (iv) enhancing our operational efficiency and further strengthening our cost control measures.

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

FINANCIAL REVIEW

Revenue

For the year ended 31 May 2020, the Group's revenue was generated from the operation of clubbing and entertainment and catering business in Hong Kong. For the year ended 31 May 2020, the Group was operating two night clubs, one sports-themed bar, one entertainment studio and two restaurants located in Hong Kong. One of the restaurants, namely, Tiger Room was closed down in mid-February 2020 result from ongoing social unrest since June 2019 and COVID-19 since Januay 2020.

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

The table below sets forth the breakdown of the revenue by clubbing and entertainment operation and restaurant operation for the years ended 31 May 2020 and 2019:

	Year ended 31 May			
	2020		2019	
	HK$'000	***% of total revenue***	*HK$'000*	*% of total revenue*
Clubbing and entertainment operation	**44,150**	**87.6**	67,478	82.4
Restaurant operation	**6,247**	**12.4**	14,411	17.6
Total	**50,397**	**100.0**	81,889	100.0

The revenue generated from the operation of clubbing and entertainment business decreased by approximately HK$23.3 million, or approximately 34.5%, from approximately HK$67.5 million for the year ended 31 May 2019 to approximately HK$44.2 million for year ended 31 May 2020. Such decrease was mainly due to a decrease in revenue generated from Volar and Mudita as a result of the uncertainties in the global economy, in particular those arising from the ongoing US-China trade tension as well as local political turmoil (including but not limited to the continuing social unrest in Hong Kong since late June 2019), together with the outbreak of the Epidemic which resulted in the overall severe weakening of consumer's spending sentiment in the food and beverage, lifestyle and entertainment industry in Hong Kong as there was a significant decline in the pedestrian traffic and tourist arrival to Hong Kong and a reduction in the business hours of our outlets during the reporting period under review. The situation worsen of as the government imposed certain laws and regulations which require mandatory closure of Volar, Mudita, Paper Street and Maximus Studio for approximately two months during the year ended 31 May 2020.

The revenue generated from the operation of catering business decreased by approximately HK$8.2 million, or approximately 56.9 %, from approximately HK$14.4 million for the year ended 31 May 2019 to approximately HK$6.2 million for the year ended 31 May 2020. Such decrease was mainly due to the closure of Tiger Curry & Café, Tiger Curry Jr. and Tiger Room in August 2018, May 2019 and February 2020, respectively as well as the rising competition and general downturns in the food and beverage industry.

Changes in inventories

The changes in inventories mainly represented the cost of beverage and food ingredients used in the Group's clubbing, entertainment and restaurant operations. The major beverage and food ingredients purchased by the Group include, but is not limited to, champagne, frozen food, dried food, etc.. The changes in inventories was one of the components of the operating expenses which decreased by approximately HK$7.5 million, or approximately 42.4%, from approximately HK$17.7 million for the year ended 31 May 2019 to approximately HK$10.2 million for the year ended 31 May 2020. Such decrease was mainly due to the closure of Tiger Curry & Café, Tiger Curry Jr. and Tiger Room in August 2018, May 2019 and February 2020, respectively, and was generally in line with the decrease in revenue for the year ended 31 May 2020.

Expenses related to short term lease/ total minimum lease payments for leases previously classified as operating lease under HKAS17

These expenses were one of the components of the operating expenses which decreased by approximately HK$25.9 million, or approximately 97.0%, from approximately HK$26.7 million for the year ended 31 May 2019 to approximately HK$0.8 million for the year ended 31 May 2020. Such decrease in expenses was mainly due to the adoption of HKFRS 16 during the financial period beginning on 1 June 2019 where the lease payments were offset against with the lease liabilities recognised in the consolidated statement of financial position instead of charging to the profit or loss as rental expenses for the year ended 31 May 2020.

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$3.9 million, or approximately 34.8%, from approximately HK$11.2 million for the year ended 31 May 2019 to approximately HK$7.3 million for the year ended 31 May 2020. Such decrease was mainly due to the lesser expenses incurred for public relation services and advertising and marketing services during the year ended 31 May 2020.

Employee benefits expenses

Employee benefits expenses primarily consisted of all salaries and benefits payable to all employees and staff, including the Directors, headquarters staff and operational staff in each outlet. The employee benefits expenses decreased by approximately HK$6.3 million, or approximately 27.2%, from approximately HK$23.2 million for the year ended 31 May 2019 to approximately HK$16.9 million for the year ended 31 May 2020. Such decrease was mainly due to the (i) closure of Tiger Curry & Café, Tiger Curry Jr. and Tiger Room in August 2018, May 2019 and February 2020, respectively; and (ii) the salary adjustment for senior management and certain staff during the reporting period under review.

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

Depreciation represented the depreciation charge for property, plant and equipment (including, among others, leasehold improvements, furniture, fixtures and equipment) and right-of-use assets. Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The total depreciation increased by approximately HK$17.6 million, or approximately 451.3%, from approximately HK$3.9 million for the year ended 31 May 2019 to approximately HK$21.5 million for the year ended 31 May 2020. Such increase was mainly due to the recognition of right-of-use assets upon the adoption of HKFRS 16 during the financial period beginning on 1 June 2019 and approximately HK$17.5 million of right-of-use assets were depreciated during the reporting period under review.

Other expenses

Other expenses mainly represented security expenses for the clubs, credit card commissions, repairs and maintenance costs, cleaning expenses, professional fee and entertainment expenses. The other expenses decreased by approximately HK$5.1 million, or approximately 24.5%, from approximately HK$20.8 million for the year ended 31 May 2019 to approximately HK$15.7 million for the year ended 31 May 2020. Such decrease was mainly due to less operating restaurants during the year as well as mandatory temporary closure of our two night clubs, an entertainment studio and a sports-themed bar for approximately two months during the year ended 31 May 2020. Hence, the relevant other expenses decreased.

Loss before income tax credit

As a result of the cumulative factors discussed above, the loss before income tax credit increased from approximately HK$27.7 million for the year ended 31 May 2019 to approximately HK$36.6 million for the year ended 31 May 2020.

Loss and total comprehensive income for the year

The loss and total comprehensive income increased by approximately HK$9.0 million, or approximately 32.7%, from approximately HK$27.5 million for the year ended 31 May 2019 to approximately HK$36.5 million for the year ended 31 May 2020. In the financial year, the outbreak of the Epidemic since January 2020 and continuing social unrest had brought negative impact on the economy, resulting in a decline in asset prices. Losses for the year include provision for impairment of non-cash items such as right-of-use assets, property, plant and equipment and other financial assets amounting to approximately HK$14.3 million. With the combined effect of the above, the Group's loss and total comprehensive income for the year ended 31 May 2020 had increased as compared to the year ended 31 May 2019.

FINANCIAL POSITION, LIQUIDITY AND FINANCIAL RESOURCES

The Group recorded net cash generated from operating activities of approximately HK$1.2 million for the year ended 31 May 2019 and net cash generated from operating activities of approximately HK$19.5 million for the year ended 31 May 2020. Such increase in net cash generated from operating activities was primarily due to (i) the decrease in financial assets at fair value through profit and loss; (ii) the increase in trade and other payables; and (iii) the repayment of principal portion of the lease liabilities move to financing activities due to the effect of adoption of HKFRS 16.

As at 31 May 2020, the Group's total cash and bank balances (including cash and cash equivalents and restricted bank deposits) were approximately HK$23.5 million (2019: approximately HK$29.8 million). The current ratio (calculated by current assets divided by current liabilities) of the Group decreased from approximately 1.0 times as at 31 May 2019 to approximately 0.6 times as at 31 May 2020. The gearing ratio (calculated by total debts divided by total equity) of the Group was Nil (2019: approximately 38.9%).

As at 31 May 2020, the Group obtained total unutilised banking facility of approximately HK$71.4 million granted from banks for the working capital.

The shares of the Company were successfully listed on GEM of the Stock Exchange on 7 April 2017 (the "**Listing Date**"). Save as disclosed in the paragraph headed "2020 Placing" below, there was no change in the capital structure of the Group since 7 April 2017. The capital structure of the Group comprises of issued share capital and reserves. As at 31 May 2020, the equity attributable to owners of the Company amounted to approximately HK$19.9 million deficiency in assets (2019: approximately HK$15.8 million equity).

USE OF PROCEEDS

The Company has conducted the following equity fund raising activities for Listing and subsequently after 31 May 2020.

Use of Proceeds from Listing

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 2020, 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 2020 *HK$ million*	**Amount utilised as at 31 May 2020** *HK$ million*	**Amount unutilised as at 31 May 2020** *HK$ million*
Continuing to expand and diversify the outlet network of the Group	18.8	11.0	7.8
Upgrading the club facilities of the Group	16.1	8.8	7.3
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	28.8	15.1

As at 31 May 2020, approximately HK$15.1 million (representing approximately 34.4% of the net proceeds) had not yet been utilised. It is expected that the remaining net proceeds will be fully utilised by 31 May 2022 in accordance with the revised intended use as stated in May 2018 Announcement.

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

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

Business objective and strategy	Business plan and activity	Actual business progress up to 31 May 2020
(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 and Paper Street • Set up project team • Engage contractors for the renovation and refurbishment • Engage designers for the concept of renovation and refurbishment • Carry out renovation and refurbishment	• We have set up a project team and obtained quotation from various contractors and designers • A small part of renovation and refurbishment of Volar were carried out during the period between December 2019 and February 2020. • Paper Street was carrying out a small renovation work during the period between December 2019 and February 2020 in order to enhance the customers' safistaction.
(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 • Explore opportunities with cooperation partners and conduct feasibility studies for our second sports-themed bar	• A sports-themed bar, namely Paper Street, has been opened on 20 July 2018. • We had signed a new lease agreement with landlord for our second sports-themed bar which will be located in Central. We expect the second sports-themed bar will commence business in November or December 2020.

Business objective and strategy	Business plan and activity	Actual business progress up to 31 May 2020
(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 Set up a standalone restaurant in Sheung Wan • Execute planned establishment of a standalone restaurant in Sheung Wan Set up food court restaurants • Set up a project team and conduct a feasibility study	• A standalone restaurant in Tsing Yi was opened on 16 December 2017. • A standalone restaurant in Sheung Wan was opened on 15 June 2018 and its lease contract was early terminated in mid-February 2020. • We have set up a project team and conducted a study of potential location regarding pedestrian traffic, convenience, demographics, size, structure and completion.

Use of Proceeds from the Placing of New Shares under General Mandate (the "2020 Placing")

2020 Placing

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

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

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

	Intended use of net proceeds from the 2020 Placing	**Utilised net proceeds from the 2020 Placing as at the date of this announcement**	**Unutilised net proceeds from the 2020 Placing as at the date of this announcement**	**Expected timeline for net proceeds from the 2020 Placing to be fully utilised**
	HK$ million	*HK$ million*	*HK$ million*	
General working capital of the Group	20.3	—	20.3	By May 2021
Total	20.3	—	20.3	

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

2) For each of the year ended 31 May 2019 and 2020, our revenue generated from Volar accounted for approximately 60.1% and 53.1% of our total revenue, respectively. Our success therefore depends significantly on our ability to attract beverage sales, entrance fees income and market our other offerings under our "Volar" brand, which in turn depends on, among other things, the market perception and acceptance of the brand. Negative publicity about our "Volar" brand, the premises on which Volar operates or its offerings, could materially and adversely affect public perception of this brand. Any significant operational or other difficulties in the business of Volar may reduce, disrupt or halt our operation and business at the premises, which would materially and adversely affect our business, prospects, reputation, financial condition and results of operation. Experiencing problems in operation which result in the need to close the night club temporarily or permanently will materially and adversely affect our results of operations and financial condition.

3) As we lease or license all of the properties on which our outlets operate, we are exposed to the fluctuations in the commercial real estate market. There is no objective way for us to accurately predict the rental rates in the commercial real estate market in Hong Kong, and our substantial lease liabilities expose us to potentially significant risks, including increasing our vulnerability to adverse economic conditions such as COVID-19 impact, limiting our ability to obtain additional financing and reducing our cash available for other purposes. Any non-renewal (whether as a result of the landlord's or licensor's or our decision) or termination of any of our leases or licence or substantial increased rentals or licence fees could cause us to close down the relevant outlet or the need to relocate to another site, depending on our business needs or performance from time to time. In such events, we could face a drop in sales, write off leasehold improvements, and could incur relocation costs for renovation, removal and resources allocation, which could in turn result in financial strain in our operations and diversion of management resources.

4) For each of the year ended 31 May 2019 and 2020, our purchases from our largest supplier accounted for approximately 51.4% and 49.7% of our total purchases, respectively. We make purchases from our largest supplier under individual purchase order, and have not entered into any long term contract with it. If our largest supplier for any reason reduces the volume supplied to us or cease to supply to us, we will need to find alternative suppliers on similar sale terms and conditions acceptable to us. If we fail to do so in a timely manner, the operations of our clubs will be interrupted, our costs may increase and our business, financial condition, results of operations and growth prospects may therefore be materially and adversely affected.

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

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

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

CAPITAL STRUCTURE

The Company's shares were successfully listed on GEM of the Stock Exchange on 7 April 2017. Save as disclosed in the paragraph headed "2020 Placing" above, 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 2020, the maturity dates of the remaining principal amount of US$1,650,000 (equivalent to approximately HK$12.9 million) of the US$-denominated short dated corporate bonds were expired, hence, the Group did not hold any US$-denominated short dated corporate bonds as at 31 May 2020.

Save as disclosed above, the Group did not hold any significant investment for the year ended 31 May 2020.

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 2020.

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 2019 and 2020.

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

The Group did not have any capital commitments as at 31 May 2019 and 2020.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 May 2020, save as disclosed in Prospectus, May 2018 Announcement and in this announcement, the Group does not have any future plans for material investments or capital assets.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 May 2019 and 2020.

PLEDGE OF ASSETS

As at 31 May 2020, all of financial assets at fair value through profit or loss with aggregate value of HK$Nil (31 May 2019: approximately HK$13.0 million) and restricted bank deposit of approximately HK$17.0 million (31 May 2019: approximately HK$9.5 million) were pledged to secured bank borrowings.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 May 2020, the Group employed 62 employees (31 May 2019: 102 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$ 16.9 million for the year ended 31 May 2020 (31 May 2019: approximately HK$23.2 million). The Group endeavors to ensure that the employees' salary levels are in line with industry practice and the prevailing market conditions and that employees' overall remuneration is determined based on the Group's and their performance. Share options may be granted to respective employees with outstanding performance and contributions to the Group.

EVENTS AFTER THE REPORTING PERIOD

Discloseable Transaction in Relation to the New Lease Agreement

On 1 June 2020, Crown Grand Limited, an indirect wholly-owned subsidiary of the Company, entered into the new lease agreement ("**New Lease Agreement**") as tenant with Top Smarties Limited, an Independent Third Party, as landlord in respect of the leasing of the premises for a term of three years commencing from 1 August 2020 to 31 July 2023 (both days inclusive) for the operation of the Group's entertainment business.

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

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

The outbreak of COVID-19

Subsequent to 31 May 2020 and up to now, the Group noted a continuous downturn on its operating performance. The management noted that the Epidemic caused material disruption to the Group's clubbing, entertainment and restaurants operation, which adversely affects the Group's business, financial condition and operating performance. The Group has been actively adopting cost control measures including re-prioritising work plans to improve liquidity position, closely monitoring the market situation and timely adjusting the business strategies in view of the development of the Epidemic.

Save as disclosed above and the content under the paragraph headed "2020 Placing", there is no other important event affecting the Company after the year ended 31 May 2020.

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 2020.

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 2020.

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 2020, except the following deviation. The Board will keep on reviewing and updating such practices from time to time to ensure compliance with legal and commercial standards.

CODE PROVISION A.2.1

Under Code Provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual. During the year ended 31 May 2020, the Company has not separated the roles of chairman and chief executive officer of the Company. Mr. Ng Shing Joe Kester was the chairman of the Company and responsible for overseeing the operations of the Group. There is no chief executive officer of the Company. The Board considers that such arrangement has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group.

Nevertheless, the Company will continue to look for suitable candidates and will make necessary arrangement pursuant to the requirement under Code Provision A.2.1 of the CG Code as and when necessary.

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 2020. 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 2020 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, 26 August 2020

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

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