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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 2018

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Directors”) of BCI Group Holdings Limited (the “Company”, together with its subsidiaries, the “Group”, “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 HIGHLIGHTS

For the year ended 31 May 2018, the Group's revenue was approximately HK\$85.3 million, representing a decrease of approximately 11.3% when compared with that for the year ended 31 May 2017.

The Group recorded a loss and total comprehensive expense for the year ended 31 May 2018 of approximately HK\$25.8 million, while there was a loss and total comprehensive loss of approximately HK\$9.8 million for the year ended 31 May 2017. Excluding the non-recurring Listing expenses of approximately HK\$15.5 million for the year ended 31 May 2017, the profit and total comprehensive income would be approximately HK\$5.7 million for the year ended 31 May 2017.

The Board did not recommend payment of any dividend for the year ended 31 May 2018.

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 2018, together with the audited comparative figures for the year ended 31 May 2017 as set out below. Unless otherwise specified, terms used herein shall have the same meanings as those defined in the Company's prospectus dated 24 March 2017 (the "Prospectus").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 May 2018

	<i>Notes</i>	2018 HK\$'000	2017 HK\$'000
Revenue	5	85,343	96,164
Finance income		505	–
Cost of inventories sold		(17,610)	(19,117)
Other income and gains	6	377	73
Property rentals and related expenses		(25,180)	(22,975)
Advertising and marketing expenses		(14,094)	(11,915)
Employee benefits expenses	7	(27,244)	(18,311)
Depreciation	7	(4,672)	(4,253)
Listing expenses	7	–	(15,532)
Fair value change on financial asset at fair value through profit or loss	7	(446)	–
Other expenses		(20,639)	(13,064)
Finance cost		(285)	–
Loss before income tax expense	7	(23,945)	(8,930)
Income tax expense	8	(1,828)	(847)
Loss and total comprehensive income for the year		<u>(25,773)</u>	<u>(9,777)</u>
Loss and total comprehensive income for the year attributable to:			
– Owners of the Company		(25,135)	(9,513)
– Non-controlling interests		(638)	(264)
		<u>(25,773)</u>	<u>(9,777)</u>
Loss per share attributable to owners of the Company			
– Basic and diluted (HK cents)	10	<u>(3.14)</u>	<u>(1.51)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 May 2018

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		7,019	7,405
Prepayment for acquisition of property, plant and equipment	<i>11</i>	1,810	–
Other receivables	<i>11</i>	3,252	4,902
Deferred tax assets		–	1,818
Goodwill		2,209	2,209
		<u>14,290</u>	<u>16,334</u>
Current assets			
Inventories	<i>12</i>	775	522
Trade and other receivables	<i>11</i>	15,938	7,680
Financial assets at fair value through profit or loss		19,990	–
Amount due from a related company		82	176
Cash and cash equivalents		33,508	60,672
Restricted bank deposits		2,146	–
Tax recoverable		678	–
		<u>73,117</u>	<u>69,050</u>
Current liabilities			
Trade and other payables	<i>13</i>	13,989	15,127
Bank borrowings		30,667	–
Current tax liabilities		–	1,620
		<u>44,656</u>	<u>16,747</u>
Net current assets		<u>28,461</u>	<u>52,303</u>
Total assets less current liabilities		<u>42,751</u>	<u>68,637</u>
Non-current liabilities			
Other payables	<i>13</i>	1,177	1,290
Net assets		<u>41,574</u>	<u>67,347</u>

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Equity			
Share capital	<i>14</i>	8,000	8,000
Reserves		34,596	59,731
		<hr/>	<hr/>
Equity attributable to owners of the Company		42,596	67,731
Non-controlling interests		(1,022)	(384)
		<hr/>	<hr/>
Total equity		41,574	67,347
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 May 2018

	Attributable to owners of the Company					
	Share capital HK\$'000 (Note 14)	Share premium# HK\$'000	Retained earnings/ (accumulated loss)# HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 June 2016	-	-	11,974	11,974	-	11,974
Loss and total comprehensive income for the year	-	-	(9,513)	(9,513)	(264)	(9,777)
Transactions with owners:						
Shares issued pursuant to the reorganisation (Note 14(i))	-*	5,100	-	5,100	-	5,100
Capitalisation issue of shares (Note 14(ii))	6,000	(6,000)	-	-	-	-
Shares issued pursuant to the share offer (Note 14(iii))	2,000	66,000	-	68,000	-	68,000
Transaction costs attributable to the share offer (Note 14(iii))	-	(8,575)	-	(8,575)	-	(8,575)
Disposal of equity interest to a non-controlling interest	-	-	745	745	(120)	625
	<u>8,000</u>	<u>56,525</u>	<u>745</u>	<u>65,270</u>	<u>(120)</u>	<u>65,150</u>
At 31 May 2017 and 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	<u>8,000</u>	<u>56,525</u>	<u>(21,929)</u>	<u>42,596</u>	<u>(1,022)</u>	<u>41,574</u>

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 May 2018

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 and catering business 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 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Except as explained below, the adoption of these new/revised HKFRSs has no material impact on the Group’s financial statement.

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the note to the consolidated financial statement.

(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.

HKFRS 9	Financial Instruments ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) ¹
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ²
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ²
HKFRS 16	Leases ²
HKFRS (Amendments)	Annual Improvement to HKFRSs 2015-2017 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

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 disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Hong Kong Stock Exchange (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) 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 following summary describes the operations in each of the Group’s reportable segments:

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

(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 2018			
Reportable segment revenue	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)
Additions 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)
For the year ended 31 May 2017			
Reportable segment revenue	96,164	–	96,164
Reportable segment loss	(8,780)	–	(8,780)
Other income	72	–	72
Depreciation	(4,253)	–	(4,253)
Income tax expense	(847)	–	(847)
Additions to non-current assets	753	–	753
As at 31 May 2017			
Reportable segment assets	25,396	–	25,396
Reportable segment liabilities	(13,043)	–	(13,043)

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loss before income tax expense		
Reportable segment loss	(19,500)	(8,780)
Other income	46	1
Unallocated corporate expenses	(4,410)	(151)
Finance costs	(81)	–
	<u> </u>	<u> </u>
Consolidated loss before income tax expense from continuing operation	(23,945)	(8,930)
	<u> </u>	<u> </u>
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Assets		
Reportable segment assets	68,341	25,396
Deferred tax assets	–	1,818
Tax recoverable	678	–
Unallocated corporate assets	18,388	58,170
	<u> </u>	<u> </u>
Consolidated total assets	87,407	85,384
	<u> </u>	<u> </u>
Liabilities		
Reportable segment liabilities	(35,081)	(13,043)
Current tax liabilities	–	(1,620)
Unallocated corporate liabilities	(10,752)	(3,374)
	<u> </u>	<u> </u>
Consolidated total liabilities	(45,833)	(18,037)
	<u> </u>	<u> </u>

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 the 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:

	2018	2017
	HK\$'000	HK\$'000
Revenue from:		
Clubs and entertainment operation		
Sales of beverage	70,107	83,553
Less: Sales discounts	(13,487)	(13,305)
	56,620	70,248
Entrance fee	4,002	3,463
Entertainment income	1,259	–
Sponsorship income	2,887	3,311
Others	1,939	1,455
	66,707	78,477
Restaurants operation		
Sales of food and beverage	18,903	17,615
Less: Sales discounts	(281)	(36)
	18,622	17,579
Others	14	108
	18,636	17,687
Total revenue	85,343	96,164

6. OTHER INCOME AND GAINS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Reversal of provision of reinstatement cost	200	–
Interest income	177	1
Management fee income	–	72
	<u>377</u>	<u>73</u>

7. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense is arrived at after charging:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Cost of inventories recognised as expense		
– Clubs and entertainment operation	12,914	14,571
– Restaurants operation	4,696	4,546
	<u>17,610</u>	<u>19,117</u>
Auditors' remuneration	771	608
Depreciation of property, plant and equipment	4,672	4,253
Written off of property, plant and equipment	912	–
Provision of impairment of trade and other receivables	45	–
Listing expenses	–	15,532
Fair value change on financial assets at fair value through profit or loss	446	–
Staff costs (including directors' remuneration)		
– Wages, salaries and other benefits	26,366	17,547
– Contribution to defined contribution pension plans	878	764
	<u>27,244</u>	<u>18,311</u>
Minimum lease payments under operating leases	<u>21,184</u>	<u>20,718</u>

8. INCOME TAX 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 expense in the consolidated statement of comprehensive income represents:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current income tax – Hong Kong Profits Tax	10	1,225
Deferred tax	1,818	(378)
Income tax expense	1,828	847

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 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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loss before income tax expense	(23,945)	(8,930)
Tax at the statutory rate of 16.5% (2017: 16.5%)	(3,951)	(1,473)
Tax effect of non-deductible expenses	1,501	2,586
Tax effect of temporary differences not recognised	1,614	(311)
Tax effect of revenue not taxable for tax purpose	105	–
Tax effect of tax loss not recognised	2,558	–
Others	1	45
Income tax expense	1,828	847

9. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 May 2018, nor has any dividend been proposed since the end of the reporting period (2017: nil).

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2018	2017
Loss attributable to owners of the Company (HK\$'000)	(25,135)	(9,513)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (in thousands)	800,000	630,137

The number of ordinary shares for the purpose of calculating basic loss per share has been determined on the assumption that the reorganisation and the capitalisation issue as described in Note 14 has been effective on 1 June 2015.

The Company did not have any potential dilutive shares for the years ended 31 May 2018 and 2017. Accordingly, the diluted loss per share are the same as the basic loss per share for the years ended 31 May 2018 and 2017 respectively.

11. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables	<i>(a)</i>	3,385	2,995
Other receivables	<i>(b)</i>	5,195	547
Prepayments		4,506	2,188
Deposits		<u>7,914</u>	<u>6,852</u>
Total		21,000	12,582
Less: Prepayments for acquisition of property, plant and equipment		(1,810)	–
Other receivables (non-current portion)		<u>(3,252)</u>	<u>(4,902)</u>
Trade and other receivables		<u><u>15,938</u></u>	<u><u>7,680</u></u>

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:

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	659	909
31-60 days	52	625
61-90 days	73	717
91-180 days	1,363	744
181-365 days	1,238	–
	<u>3,385</u>	<u>2,995</u>

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 the end of the reporting period, net of impairment, which are past due but not impaired is as follows:

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	–	–
Past due but not impaired		
1-30 days past due	659	909
31-90 days past due	125	1,342
91-180 days past due	1,363	744
181-365 days past due	1,238	–
	<u>3,385</u>	<u>2,995</u>

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\$3,896,000 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.

12. INVENTORIES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Beverage	<u>775</u>	<u>522</u>

13. TRADE AND OTHER PAYABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade payables	3,254	2,885
Accruals and other payables	8,680	10,954
Receipts in advance	<u>3,232</u>	<u>2,578</u>
Total	15,166	16,417
Less: Current portion	<u>(13,989)</u>	<u>(15,127)</u>
Non-current portion	<u>1,177</u>	<u>1,290</u>

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0-30 days	1,639	1,604
31-60 days	1,499	1,281
Over 60 days	<u>116</u>	<u>–</u>
	<u>3,254</u>	<u>2,885</u>

Accruals and other payables included provision of reinstatement and deferred rental expense.

14. SHARE CAPITAL

The following changes in the Company's authorised and issued share capital took place during the period from 1 June 2016 to 31 May 2018.

	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised, ordinary shares of HK\$0.01 each:		
At 1 June 2016, 31 May 2017, 1 June 2017 and 31 May 2018	10,000,000,000	100,000
Issued and fully paid, ordinary shares of HK\$0.01 each:		
At 1 June 2016	1	—*
Shares issued pursuant to the reorganisation ^{(Note (i))}	9,999	—*
Capitalisation issue credited as fully paid on the share premium account of the Company ^{(Note (ii))}	599,990,000	6,000
Shares issued pursuant to the share offer ^{(Note (iii))}	200,000,000	2,000
At 31 May 2017, 1 June 2017 and 31 May 2018	800,000,000	8,000

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

Notes:

- (i) In July 2016, pursuant to the reorganisation in preparation for the listing of shares of the Company on GEM of the Stock Exchange and for the purpose of rationalising the Group's structure, 6,191, 2,653, 133, 172, 600 and 250 ordinary shares were issued to Aplus Concept Limited, Phoenix Year Limited, Ethers Entertainment Limited, Jet Top Investment Limited, Jubilee Success Investments Limited and Perfect King Investments Limited respectively.
- (ii) On 7 April 2017, the Company capitalised an amount of HK\$6,000,000 standing to the credit of share premium account of the Company and the said sum was applied in paying up full the 599,990,000 shares issued to the shareholders immediately prior to the listing according to their respective shareholding.
- (iii) On 7 April 2017, the Company listed its shares on GEM operated by the Stock Exchange with public offer shares of 200,000,000 at an issue price of HK\$0.34 per share. The transaction costs attributable to issue of shares amounted to HK\$8,575,000.

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	2018 HK\$'000	2017 HK\$'000
Digital Option Limited and High Supreme Limited	Rental expenses	(i), (ii) & (iii)	–	1,273
Capital Delight Limited	Rental expenses	(i) & (ii)	–	19
Model Genesis	Marketing and promotion fee	(i), (ii) & (iv)	2,354	2,372
Model Genesis	Management income	(i)	–	72

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) CSI Properties Limited has disposed its interest in the related companies on 31 March 2017. Transactions with the related companies are classified as related party transactions up to 31 March 2017.
- (iv) 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:

	2018 HK\$'000	2017 HK\$'000
Salaries, allowances and benefits in kind	<u>2,363</u>	<u>1,455</u>

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW AND OUTLOOK

For the year ended 31 May 2018 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

For the year ended 31 May 2018, the Group strategically positions two clubs and an entertainment studio, namely Volar, Fly and Maximus Studio, to cover different segments of the night lifestyle, club and entertainment market. Volar targets customers with strong spending power and aims to provide a premium clubbing experience, Fly aims to appeal to the younger white collar professionals and university students and graduates and provide a high-end clubbing lifestyle experience, while Maximus Studio is working to achieve a lifestyle designed by the customer and is a place to build a greatest self. The revenue generated from operation of clubbing and entertainment business decreased by approximately HK\$11.8 million, or approximately 15.0%, from approximately HK\$78.5 million for the year ended 31 May 2017 to approximately HK\$66.7 million for the year ended 31 May 2018. Such decrease was mainly due to the result of rising competition in clubbing business and the decrease in sale of prepaid beverage packages to our customers.

Operation of restaurant business

For the year ended 31 May 2018, 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, Tiger Curry & Cafe and Tiger San are casual dining restaurants while Tiger Curry Jr. is a quick service restaurant.

Tiger Curry was closed on 10 April 2018 due to a notice in writing has been given by the lawyer of the landlord in which the landlord decided to terminate the existing tenancy agreement.

The Group seeks to distinguish itself from other local casual dining and quick service restaurant concepts by creating food menus centered on Japanese-style dishes yet at the same time offering a variety of other Japanese dishes with broad appeal. The revenue generated from operation of restaurant business increased by approximately HK\$0.9 million, or approximately 5.4%, from approximately HK\$17.7 million for the year ended 31 May 2017 to approximately HK\$18.6 million for the year ended 31 May 2018. The increase in revenue was primarily attributable to the result of the increase by revenue contributed from Tiger San which was opened on 16 December 2017 but partially offset by rising competition and general downturns in the food and beverage industry.

OUTLOOK

The food and beverage, lifestyle and entertainment industry is always challenging, dynamic with keen competitions. The demand for our clubbing business is highly susceptible to the changing lifestyle trends and tastes. Operating in a competitive business, the Group recognises a renovation would provide an opportunity for us to update our venues, refresh our brand image and attract customers.

Currently, we have engaged an internationally acclaimed interior designer to design the venue of Fly and the renovation and refurbishment of Fly was started in July 2018 and we expect that it will be completed by September 2018. After the renovation and refurbishment, we will be able to refresh the image and brand of the Group, broaden the customer base and Fly will be a more sophisticated, high-end and contemporary bar with no dance floor, offering a variety of entertainment such as live band show and international DJ's performance. In addition, the renovation and refurbishment of Volar will commence in or around the third quarter of 2018 to ensure that each remains attractive to our customers.

To expand our market share in food and beverage, lifestyle and entertainment industry in Hong Kong, we opened a sport-themed bar, namely Paper Street, on 20 July 2018, which aims at providing a casual and comfort environment for its patronage, and a restaurant, namely Tiger Room, on 15 June 2018, in the heart of Sheung Wan. While a restaurant, namely Tiger Curry & Cafe, was closed on 7 August 2018 due to the non-renewal of the lease.

The Group's strategy remains unchanged and diversifies our outlet network by adopting the following key business strategies:

Upgrade our club facilities

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

Expand our market share in food and beverage, lifestyle and entertainment industry

Despite the keen competition and challenging operating environment in the food and beverage, lifestyle and entertainment industry in Hong Kong, the Group is still looking for business opportunities to enhance the market share in both clubbing and entertainment and restaurant business, in the meantime, the Group will continue to refine the business strategy to cope with the continuing challenges.

FINANCIAL REVIEW

Revenue

For the year ended 31 May 2018, the Group's revenue was generated from the operation of clubbing and entertainment and restaurant business in Hong Kong. For the year ended 31 May 2017, the Group was operating two clubs, one entertainment studio and four restaurants located in Hong Kong. Tiger Curry was closed on 10 April 2018 due to a notice in writing has been given by the lawyer of the landlord in which the landlord decided to terminate the existing tenancy agreement.

The Group recognised revenue from (a) the clubbing and entertainment operations when (i) sales of beverages were delivered; (ii) services were provided 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 food and beverage and other related services have been rendered; and (c) entertainment income when services have been rendered.

The table below sets forth the breakdown of the revenue by clubbing and entertainment and restaurant operations for the years ended 31 May 2018 and 2017:

	For the year ended 31 May			
	2018		2017	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Clubbing and entertainment operations	66,707	78.2	78,477	81.6
Restaurant operations	18,636	21.8	17,687	18.4
Total	85,343	100.0	96,164	100.0

The revenue generated from operation of clubbing and entertainment business decreased by approximately HK\$11.8 million, or approximately 15.0%, from approximately HK\$78.5 million for the year ended 31 May 2017 to approximately HK\$66.7 million for the year ended 31 May 2018. Such decrease was mainly due to the result of rising competition in clubbing business and the decrease in sale of prepaid beverage packages to our customers.

The revenue generated from operation of restaurant business increased by approximately HK\$0.9 million, or approximately 5.4%, from approximately HK\$17.7 million for the year ended 31 May 2017 to approximately HK\$18.6 million for the year ended 31 May 2018. The increase in revenue was primarily attributable to the result of the increase by revenue contributed from Tiger San which was opened on 16 December 2017 but partially offset by rising competition and general downturns in the food and beverage industry and close down of Tiger Curry on 10 April 2018.

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 includes, but is not limited to, champagne, frozen food, dried food, etc.. The cost of inventories sold was one of the components of the operating expenses which decreased by approximately HK\$1.5 million, or approximately 7.9%, from approximately HK\$19.1 million for the year ended 31 May 2017 to approximately HK\$17.6 million for the year ended 31 May 2018. The decrease was mainly due to the decreased revenue of clubbing operations.

Other income and gains

Other income and gains mainly represents the reversal of provision of reinstatement cost, management fee income and bank interest income.

The table below sets forth the breakdown of the other income and gains for the years ended 31 May 2017 and 2018.

	For the year ended 31 May	
	2018	2017
	<i>HKD</i>	<i>HKD</i>
Reversal of provision of reinstatement cost	200	–
Interest income	177	1
Management fee income	–	72
	<hr/>	<hr/>
Total	377	73
	<hr/> <hr/>	<hr/> <hr/>

The other income and gains increased by approximately HK\$0.3 million, or approximately 416.4%, from approximately HK\$0.1 million for the year ended 31 May 2017 to approximately HK\$0.4 million for the year ended 31 May 2018. The increase was mainly due to (i) the increase in reversal of provision of reinstatement cost on Tiger Curry which was closed on 10 April 2018; and (ii) the increase in interest income which is mainly generated from net proceeds placed in the bank accounts of the Group.

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\$2.2 million, or approximately 9.6%, from approximately HK\$23.0 million for the year ended 31 May 2017 to approximately HK\$25.2 million for the year ended 31 May 2018. The increase was mainly due to property rentals and related expenses incurred by our Tiger San and Maximus Studio which were opened on 16 December 2017 and 21 January 2018, respectively.

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 increased by approximately HK\$2.2 million, or approximately 18.3%, from approximately HK\$11.9 million for the year ended 31 May 2017 to approximately HK\$14.1 million for the year ended 31 May 2018. The increase was mainly due to the increase in advertising and marketing expenses on the featured events which included night entertainment events (i) lead by an internationally renowned guest DJ; or (ii) based on festival and holiday themes, for the year ended 31 May 2018.

Employee benefits expenses

Employee benefits expenses primarily consisted of all salaries and benefits payable to all employees and staff, including the executive Director, headquarters staff and operational staff in each outlet. The employee benefits expenses increased by approximately HK\$8.9 million, or approximately 48.8%, from approximately HK\$18.3 million for the year ended 31 May 2017 to approximately HK\$27.2 million for the year ended 31 May 2018. The increase was primarily due to the (i) increase in staff cost as a result of additional staff in our head office after Listing, (ii) the discretionary bonus of approximately HK\$5.4 million for the year ended 31 May 2018 paid to directors, senior management and employees of the Company with reference to the Group's and individual's performance and (iii) the increase in staff costs as a result the expansion of our clubbing, entertainment and restaurant operations.

Depreciation

Depreciation represented the depreciation charge for property, plant and equipment, including, among others, leasehold improvements, furniture, fixtures and equipment and motor vehicles. Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The depreciation recorded at approximately HK\$4.3 million and HK\$4.7 million for the year ended 31 May 2017 and 2018, respectively.

Listing expenses

Listing expenses of approximately HK\$15.5 million were recognised for the year ended 31 May 2017. No such expenses were incurred for the year ended 31 May 2018.

Other expenses

Other expenses mainly represented security expenses for the clubs, credit card commissions, repairs and maintenance costs, promotional expenses, cleaning expenses, professional fee and impairment loss on property, plant and equipment. The other expenses increased by approximately HK\$7.5 million, or approximately 58.0%, from approximately HK\$13.1 million for the year ended 31 May 2017 to approximately HK\$20.6 million for the year ended 31 May 2018. Such increase was mainly due to the (i) additional professional fee paid after Listing, (ii) the increase in other expenses in line with our business expansion, (iii) written off of property, plant and equipment due to close of outlets and (iv) the increase in promotional expenses.

Loss before income tax expense

As a result of the cumulative factors discussed above, the loss before income tax expense increased from approximately HK\$8.9 million for the year ended 31 May 2017 to approximately HK\$23.9 million for the year ended 31 May 2018.

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\$9.8 million for the year ended 31 May 2017 to approximately HK\$25.8 million for the year ended 31 May 2018.

FINANCIAL POSITION, LIQUIDITY AND FINANCIAL RESOURCES

The Group recorded net cash used in operating activities of approximately HK\$9.9 million for the year ended 31 May 2017 to net cash used in operating activities of approximately HK\$49.2 million for the year ended 31 May 2018, primarily due to (i) increase in financial assets at fair value through profit and loss; (ii) the decrease of revenue receipts and (iii) the payment of advertising and marketing expenses, employee benefits expenses and other expenses.

As at 31 May 2018, the Group's total cash and bank balances (including cash and cash equivalents and restricted bank deposits) were approximately HK\$35.7 million (2017: approximately HK\$60.7 million). The current ratio (calculated by current assets divided by current liabilities) of the Group decreased from approximately 4.1 times as at 31 May 2017 to approximately 1.6 times as at 31 May 2018. The gearing ratio (calculated by net debt divided by total capital) of the Group were net cash position as at 31 May 2017 and 2018.

As at 31 May 2018, the Group obtained total unutilised banking facility of HK\$57.8 million granted from commercial banks for the working capital.

The shares of the Company were successfully listed on GEM of the Stock Exchange on 7 April 2017, 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 2018, the equity attributable to owners of the Company amounted to approximately HK\$42.6 million (2017: approximately HK\$67.7 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. 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 are set out as follows:

Uses of the Net Proceeds	Original allocation <i>HK\$ million</i>	Revised allocation <i>HK\$ million</i>	Utilised net proceeds (as at 11 May 2018) <i>HK\$ million</i>	Remaining balance after revised allocation <i>HK\$ million</i>
Continuing to expand and diversify the outlet network of the Group				
– Establishing two sports-themed bars	19.5	12.0	1.9	10.1
– Establishing two standalone restaurants and two food court restaurants	6.8	6.8	3.5	3.3
	<u>26.3</u>	<u>18.8</u>	<u>5.4</u>	<u>13.4</u>
Upgrading the club facilities of the Group				
– Renovating and refurbishing Volar	11.6	6.7	0.2	6.5
– Renovating and refurbishing Fly	4.5	9.4	1.5	7.9
	<u>16.1</u>	<u>16.1</u>	<u>1.7</u>	<u>14.4</u>
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	1.5	4.3	1.5	2.8
	<u>43.9</u>	<u>43.9</u>	<u>8.6</u>	<u>35.3</u>

The details of the re-allocation of the use of proceeds was set out in the announcement of the Company dated 11 May 2018.

Accordingly, up to 31 May 2018, following the above-mentioned adjustment and change in use of the net proceeds (collectively the “**Adjustments**”), the plans for application of the net proceeds were adjusted as follows (the “**Adjusted Plan**”):

Uses of the net proceeds	Adjusted allocation of net proceeds in accordance with the Adjusted Plan up to 31 May 2018 <i>HK\$ million</i>	Amount utilised as at 31 May 2018 <i>HK\$ million</i>	Amount unutilised in accordance with the Adjusted Plan as at 31 May 2018 <i>HK\$ million</i>
Continuing to expand and diversify the outlet network of the Group	18.8	5.4	13.4
Upgrading the club facilities of the Group	16.1	1.7	14.4
Increasing marketing effort of the Group	3.7	0.6	3.1
Enhancing corporate image of the Group	1.0	–	1.0
General working capital of the Group	4.3	2.8	1.5
	<u>43.9</u>	<u>10.5</u>	<u>33.4</u>

The unutilised net proceeds from the Listing in accordance with the Adjusted Plan 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 announcement of the Company dated 11 May 2018 while the 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 2018
(1) Upgrade our club facilities	<p>Renovate and refurbish Fly</p> <ul style="list-style-type: none"> • Execute planned renovation at Fly <p>Renovate and refurbish Volar</p> <ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Renovation and refurbishment of Fly have not been carried out as at 31 May 2018. • We have set up a project team and obtained quotation from various contractors and designer. • No renovation and refurbishment of Volar have been carried out as at 31 May 2018 as the Company is still under negotiation with the contractor and designer.
(2) Continue to expand and diversify our outlet network for clubbing operation	<p>Establish sports-themed bars</p> <ul style="list-style-type: none"> • Execute planned establishment of first sports-themed bar • Explore opportunities with cooperation partners and conduct feasibility studies for our second sports-themed bar 	<ul style="list-style-type: none"> • A sports-themed bar is opened on 20 July 2018. • We have set up a project team and conducted 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 2018
(3) Continue to expand and diversify our outlet network for restaurant operation	Set up a standalone restaurant in Tsing Yi • Execute planned establishment of standalone restaurant in Tsing Yi	• A standalone restaurant in Tsing Yi is opened on 16 December 2017.
	Set up a standalone restaurant in Sheung Wan • Execute planned establishment of standalone restaurant in Sheung Wan	• A standalone restaurant in Sheung Wan has not been opened as at 31 May 2018.
	Set up food court restaurants • Set up a project team and conduct a 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 outlet network, we expect to establish sports-themed bars and set up more restaurants in Hong Kong. The food and beverage, lifestyle and entertainment industry in Hong Kong is highly competitive. Our ability to successfully open new outlets is subject to a number of risks and uncertainties, including identifying suitable locations and/or securing leases on reasonable terms, timely securing necessary governmental approvals and licences, ability to hire quality personnel, timely delivery in decoration and renovation works, securing sufficient customer demand, securing adequate suppliers and inventory that meet our quality standards on timely basis, reducing potential cannibalisation effects between the locations of our outlets and the general economic conditions. The costs incurred in opening of new outlets and the expansion plans may place substantial strain on our managerial, operational and financial resources. As such, we cannot assure that we can always operate the expanded network on a profitable basis or that any new outlet will reach the planned operating levels. If any new outlet experiences prolonged delays in breaking even or achieving our desired level of profitability or operate at a loss, our operational and financial resources could be strained and our overall profitability could be affected.

- 2) For the years ended 31 May 2017 and 2018, revenue generated from Volar accounted for approximately 65.5% and 64.9% of our total revenue, respectively. Our success therefore depends significantly on our ability to attract beverage sales, entrance income and market our other offerings under our “Volar” brand, which in turn depends on, among other things, the market perception and acceptance of the brand. Negative publicity about our “Volar” brand, the premises on which Volar operates or its offerings, us or our management could materially and adversely affect public perception of this brand. Any significant operational or other difficulties in the business at or from Volar may reduce, disrupt or halt our operation and business at the premises, which would materially and adversely affect our business, prospects, reputation, financial condition and results of operation. Experiencing problems in operation which result in the need to close the club temporarily or permanently will materially and adversely affect our results of operations and financial condition.
- 3) As we lease or license all of the properties on which our outlets operate, we are exposed to the fluctuations in the commercial real estate market. There is no objective way for us to accurately predict the rental rates in the commercial real estate market in Hong Kong, and our substantial operating lease obligations expose us to potentially significant risks, including increasing our vulnerability to adverse economic conditions, limiting our ability to obtain additional financing and reducing our cash available for other purposes. Any non-renewal (whether a result of the landlord’s or licensor’s or our decision) or termination of any of our leases or licence or substantial increased rentals or licence fees could cause us to close the relevant outlet or relocate to another site, depending on our business needs or performance from time to time. In such events, we could face a drop in sales, write off leasehold improvements, and could incur relocation costs for renovation, removal and resources allocation, which could in turn result in financial strain in our operations and diversion of management resources.
- 4) For the years ended 31 May 2017 and 2018, purchases from our largest supplier accounted for approximately 54.8% and 53.4% of our total purchases, respectively. We make purchases from the supplier under individual purchase order, and have not entered into any long term contracts. If the supplier for any reason reduces the volume supplied to us or cease to supply to us, we will need to find alternative suppliers on similar sale terms and conditions acceptable to us. If we fail to do so in a timely manner, the operations of our clubs will be interrupted, our costs may increase and our business, financial condition, results of operations and growth prospects may therefore be materially and adversely affected.

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

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 review and manage the Group's capital structure regularly.

SIGNIFICANT INVESTMENTS HELD

For the year ended 31 May 2018, 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 were disclosed in the announcement of the Company dated 2 October 2017.

Save as disclosed above, except for investment in its subsidiaries, the Group did not hold any significant investment for the year ended 31 May 2018.

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 2018.

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 2017 and 2018.

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 2018, the Group had capital commitments amounted to approximately HK\$2.4 million (2017: HK\$0.1 million).

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 May 2017 and 2018.

PLEDGE OF ASSETS

As at 31 May 2018, all of financial assets at fair value through profit or loss with aggregate value of approximately HK\$20.0 million (31 May 2017: Nil) and restricted bank deposit of approximately HK\$2.1 million (31 May 2017: Nil) were pledged to secured bank loan.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 May 2018, the Group employed 125 employees (2017: 104 employees). Employee costs (including Directors' remuneration, wages, salaries, performance related bonuses, other benefits and contribution to defined contribution pension plans) amounted to approximately HK\$27.2 million for the year ended 31 May 2018 (2017: approximately HK\$18.3 million). The Group will endeavor to ensure that the employees' salary levels are in line with industry practice and prevailing market conditions and that 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 2018.

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 to all the Directors, all the Directors confirmed they have complied with the required standard of dealings and the code of conduct for directors' securities transactions for the year ended 31 May 2018.

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 2018, except for certain deviations as specified with considered reasons for such deviations. The Board will keep 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. Lego, being the sponsor to the listing, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. Save as provided for under the underwriting agreements relating to the share offer, neither Lego nor any of its associates and none of the directors or employees of Lego who have been involved in providing advice to the Company as the sponsor, has or may, as a result of the share offer, have any interest in any securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities).

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

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

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 2018. 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 THIS FINAL 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 2018 as set out in the preliminary 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 the preliminary announcement.

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

Hong Kong, 27 August 2018

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

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