The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, received from the Company's reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong.

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24 March 2017

The Directors
BCI Group Holdings Limited
Lego Corporate Finance Limited

Dear Sirs,

We set out below our report on the financial information regarding BCI Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), including the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 May 2015 and 2016 and the four months ended 30 September 2016 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 May 2015 and 2016 and 30 September 2016 and the statement of financial position of the Company as at 31 May 2016 and 30 September 2016, together with the notes thereto (collectively the "Financial Information"), and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the four months ended 30 September 2015 (the "Comparative Financial Information"), prepared on the basis of presentation and preparation set forth in Notes 2 and 3 of Section II below, for inclusion in the prospectus of the Company dated 24 March 2017 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands on 19 May 2016 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands.

Pursuant to the group reorganisation as detailed in the subsection headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" of the Prospectus (the "Reorganisation"), the Company became the holding company of the subsidiaries now comprising the Group.

The Group is principally engaged in the operation of clubbing and catering business in Hong Kong. The Company and its subsidiaries have adopted 31 May as their financial year end date. Particulars of the subsidiaries now comprising the Group are set out in Note 1 of Section II below. The Company has not carried on any business since the date of its incorporations, saved for the transactions relating to the Reorganisation.

No audited financial statements have been prepared for the Company since its date of incorporation as it is newly incorporated and has not carried on any business, other than the Reorganisation as referred to above. The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their respective places of incorporation. The details of the statutory auditors of these companies are set out in Note 1 of Section II below.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with the basis of presentation and preparation set out in Notes 2 and 3 of Section II below and the accounting policies set out in Note 5 of Section II below which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the Directors based on the Underlying Financial Statements on the basis of presentation and preparation set out in Notes 2 and 3 of Section II below, with no adjustment made thereon.

Respective Responsibilities of Directors and Reporting Accountant in respect of the Financial Information

The Directors are responsible for the contents of the Prospectus including the preparation of the Financial Information that give a true and fair view in accordance with the basis of presentation and preparation set out in Notes 2 and 3 of Section II below and the accounting policies set out in Note 5 of Section II below, the applicable disclosure provisions of the GEM Listing Rules, and for such internal control as the Directors determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

For the purpose of the Financial Information, our responsibility is to form an independent opinion on the Financial Information based on our procedures performed on the Financial Information and to report our opinion to you.

For the purpose of the Comparative Financial Information, our responsibility is to form a review conclusion on the Comparative Financial Information based on our procedures performed on the Comparative Financial Information and to report our review conclusion to you.

Procedures Performed in respect of the Underlying Financial Statements and the Financial Information

For the purpose of this report, we have carried out audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standard on Auditing ("HKSAs") issued by the HKICPA and have examined the Financial Information of the Group and carried out appropriate procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Procedures Performed in respect of the Comparative Financial Information

For the purpose of this report, we have also performed a review of the Comparative Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

A review consists of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures to the Comparative Financial Information. A review is substantially less in scope than an audit conducted in accordance with HKSAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Comparative Financial Information.

Opinion in respect of the Financial Information

In our opinion, the Financial Information, for the purpose of this report, prepared on the basis of presentation and preparation set out in Notes 2 and 3 of Section II below and in accordance with the accounting policies set out in Note 5 of Section II below, gives a true and fair view of the financial position of the Company as at 31 May 2016 and 30 September 2016, and the consolidated financial position of the Group as at 31 May 2015 and 2016 and 30 September 2016 and of the consolidated financial performance and the consolidated cash flows of the Group for the Relevant Periods.

Review Conclusion in respect of the Comparative Financial Information

Based on the review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Comparative Financial Information is not prepared, in all material respect, in accordance the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 May		Four months ended 30 September	
		2015	2016	2015	2016
		HK$'000	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Revenue	8	67,387	88,870	23,519	30,613
Cost of inventories sold		(13,300)	(18,172)	(4,905)	(5,910)
Other income and gains	8	432	557	144	72
Property rentals and related expenses		(16,066)	(20,919)	(6,274)	(7,748)
Advertising and marketing expenses		(11,278)	(11,709)	(3,363)	(3,684)
Employee benefits expenses		(7,656)	(13,068)	(3,514)	(5,929)
Depreciation		(3,472)	(4,199)	(1,294)	(1,436)
Listing expenses		—	—	—	(8,191)
Other expenses		(7,478)	(10,953)	(3,389)	(4,201)
Profit/(loss) before income tax expense	9	8,569	10,407	924	(6,414)
Income tax expense	10	(1,470)	(2,023)	(293)	(361)
Profit/(loss) and total comprehensive income/ (expense) for the year/period		7,099	8,384	631	(6,775)
Profit/(loss) and total comprehensive income/ (expense) for the year/period attributable to:					
— Owners of the Company		7,099	8,384	631	(6,732)
— Non-controlling interests		—	—	—	(43)
		7,099	8,384	631	(6,775)

Consolidated Statements of Financial Position

	Notes	As at 31 May 2015	As at 31 May 2016	As at 30 September 2016
		HK$'000	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	14	10,919	10,151	9,232
Rental deposits	15	1,053	5,203	6,185
Deferred tax asset	16	639	1,440	1,477
Goodwill	17	—	2,209	2,209
		12,611	19,003	19,103
Current assets				
Inventories	18	195	354	507
Trade and other receivables	15	5,919	3,302	6,691
Amounts due from related companies	19	8,846	—	—
Cash and cash equivalents	20	2,443	17,021	8,804
		17,403	20,677	16,002
Current liabilities				
Trade and other payables	21	12,373	13,953	15,265
Amounts due to related parties	19	13,273	9,313	4,114
Current tax liabilities		147	2,253	2,651
		25,793	25,519	22,030
Net current liabilities		(8,390)	(4,842)	(6,028)
Total assets less current liabilities		4,221	14,161	13,075
Non-current liabilities				
Other payables	21	631	2,187	2,151
Net assets		3,590	11,974	10,924
EQUITY				
Share capital	23	—*	—*	—*
Reserves	24	3,590	11,974	11,087
Equity attributable to the owners of the Company		3,590	11,974	11,087
Non-controlling interests		—	—	(163)
Total equity		3,590	11,974	10,924

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

Statement of Financial Position

	Notes	As at 31 May 2016	As at 30 September 2016
		HK$'000	*HK$'000*
Non-current assets			
Investment in a subsidiary		—	34
Current assets			
Prepayments		—	2,680
Amount due from a subsidiary	19	—*	617
		—*	3,297
Current liabilities			
Accruals		—	2,042
Amount due to a subsidiary	19	—*	4,350
		—*	6,392
Net current liabilities		—*	(3,095)
Net liabilities		—*	(3,061)
EQUITY			
Share capital	23	—*	—*
Reserves	24	—*	(3,061)
Total equity		—*	(3,061)

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

Consolidated Statements of Changes in Equity

	Attributable to owners of the Company					
	Share capital	**Share premium**	**(Accumulated losses)/retained earnings**	**Total**	**Non-controlling interests**	**Total**
	HK$'000 *(Note 23)*	*HK$'000* *(Note 23)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 June 2014 (unaudited)	—*	—	(3,509)	(3,509)	—	(3,509)
Profit and total comprehensive income for the year	—	—	7,099	7,099	—	7,099
At 31 May 2015 and 1 June 2015	—*	—	3,590	3,590	—	3,590
Profit and total comprehensive income for the year	—	—	8,384	8,384	—	8,384
At 31 May 2016 and 1 June 2016	—*	—	11,974	11,974	—	11,974
Issue of new shares	—*	5,100	—	5,100	—	5,100
Disposed of equity interest to a non-controlling interest	—	—	745	745	(120)	625
Loss and total comprehensive income for the period	—	—	(6,732)	(6,732)	(43)	(6,775)
At 30 September 2016	—*	5,100	5,987	11,087	(163)	10,924
At 31 May 2015 and 1 June 2015	—*	—	3,590	3,590	—	3,590
Profit and total comprehensive income for the period (unaudited)	—	—	631	631	—	631
At 30 September 2015 (unaudited)	—*	—	4,221	4,221	—	4,221

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

Consolidated Statements of Cash Flows

	For the year ended 31 May		For the four months ended 30 September	
	2015	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Cash flows from operating activities				
Profit/(loss) before income tax expense	8,569	10,407	924	(6,414)
Adjustments for:				
Depreciation of property, plant and equipment	3,472	4,199	1,294	1,436
Gain on disposal of property, plant and equipment	—	(125)	—	—
	12,041	14,481	2,218	(4,978)
Decrease/(increase) in inventories	3	(75)	(60)	(153)
Decrease/(increase) in trade receivables, deposits and other receivables	661	117	(77)	(4,371)
(Decrease)/increase in trade and other payables	(1,634)	675	(134)	1,901
Cash generated from operations	11,071	15,198	1,947	(7,601)
Income tax refund	66	—	—	—
Net cash generated from/(used in) operating activities	11,137	15,198	1,947	(7,601)
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired	—	(1,398)	—	—
(Advances to)/repayments from related parties	(6,678)	6,034	(2,548)	—
Purchases of property, plant and equipment	(1,621)	(2,823)	(1,802)	(517)
Proceeds from disposal of property, plant and equipment	—	125	—	—
Net cash (used in)/generated from investing activities	(8,299)	1,938	(4,350)	(517)
Cash flows from financing activities				
Issuance of new shares	—	—	—	5,100
Advances from/(repayments to) related parties	371	(2,558)	2,020	(5,199)
Repayments of other borrowing	(2,000)	—	—	—
Net cash (used in)/generated from financing activities	(1,629)	(2,558)	2,020	(99)
Net increase/(decrease) in cash and cash equivalents	1,209	14,578	(383)	(8,217)
Cash and cash equivalents at beginning of the year/period	1,234	2,443	2,443	17,021
Cash and cash equivalents at end of the year/period	2,443	17,021	2,060	8,804

II. NOTES TO FINANCIAL INFORMATION

1. Corporate information

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. The address of the Company's 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 Unit B, 24/F Wyndham Place, 44 Wyndham Street, Central, Hong Kong. The Group is principally engaged in the operation of clubbing and catering business in Hong Kong (the "Listing Business").

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies with limited liability, the particulars of which are set out as follows:

Name	Country and date of incorporation/ establishment and form of business structure	Issued and paid up share capital	Attributable equity interest		Principal activities and place of operations	Notes
			direct	indirect		
BCI Group Holdings (BVI) Limited (formerly known as Buzz Concepts International Holdings Limited)	British Virgin Islands, 6 February 2013, limited liability company	USD10	100%	—	Investment holding, Hong Kong	(1)
BCI Group Enterprises Limited (formerly known as Buzz Concepts International Limited)	Hong Kong, 28 November 2012, limited liability company	HK$1	—	100%	Investment holding, Hong Kong	(2)
Group Best Investment Holdings Limited	British Virgin Islands, 26 April 2013, limited liability company	USD10,000	—	100%	Investment holding, Hong Kong	(1)
Legend Vision Limited	Hong Kong, 8 April 2015, limited liability company	HK$1	—	100%	Investment holding, Hong Kong	(3)
Bannock Holdings Limited	British Virgin Islands, 4 February 2014, limited liability company	HK$1	—	100%	Investment holding, Hong Kong	(1)
Buzz Concepts Management (H.K.) Limited	Hong Kong, 17 February 2014, limited liability company	HK$1	—	100%	Provision of public relations services, Hong Kong	(2)
Lively World Limited ("Lively World")	British Virgin Islands, 2 January 2015, limited liability company	USD1	—	100%	Investment holding, Hong Kong	(1)
Group Best Investment Limited	Hong Kong, 9 July 2004, limited liability company	HK$100,000	—	100%	Operation of club, Hong Kong	(2)
Grand Diamond Limited	Hong Kong, 13 February 2008, limited liability company	HK$2,030,750	—	100%	Operation of club, Hong Kong	(2)

Name	Country and date of incorporation/ establishment and form of business structure	Issued and paid up share capital	Attributable equity interest		Principal activities and place of operations	Notes
			direct	indirect		
Litton Global Limited	British Virgin Islands, 4 February 2014, limited liability company	USD1	–	100%	Trademark holding, Hong Kong	(1)
Joint Ace Limited	Hong Kong, 18 March 2015, limited liability company	HK$1	–	100%	Operation of restaurant, Hong Kong	(3)
Crown Grand Limited	Hong Kong, 20 November 2014, limited liability company	HK$1	–	100%	Operation of restaurant, Hong Kong	(2)
City Silver Limited ("City Silver")	Hong Kong, 12 October 2013, limited liability company	HK$625,003	–	60%	Operation of restaurant, Hong Kong	(2), (4)
Ace Gain Limited ("Ace Gain")	Hong Kong, 5 May 2016, limited liability company	HK$1	–	100%	Not yet commenced business	(5)

Notes:

(1) No statutory financial statements have been prepared for these subsidiaries as there is no statutory requirement.

(2) The statutory financial statements for the years ended 31 May 2015 and 2016 were audited by Solarmark (HK) C.P.A. Co. Ltd., Certified Public Accountants.

(3) The statutory financial statements for the period from the date of incorporation to 31 May 2016 were audited by Solarmark (HK) C.P.A. Co. Ltd., Certified Public Accountants.

(4) On 30 August 2016 and 31 August 2016, City Silver allotted 2 shares to Lively World at HK$2 and 2 shares to Food Lab Concept Limited at HK$625,000, respectively. Prior to the shares allotments, City Silver was a wholly owned subsidiary of the Company.

(5) No statutory financial statements have been prepared as at 31 May 2016 for Ace Gain as it was incorporated shortly prior to 31 May 2016. Ace Gain did not commence business since its incorporation and was brought into the Group in September 2016.

2. Reorganisation and basis of presentation

Prior to the incorporation of the Company and the completion of the Reorganisation, the Listing Business was carried on by companies now comprising the Group (hereinafter collectively referred to as the "Operating Companies").

Pursuant to the Reorganisation as detailed in "History, Reorganisation and Corporate Structure" of the Prospectus, in preparation for the listing of shares of the Company on the GEM of the Stock Exchange (the "Listing") and for the purpose of rationalising the Group's structure, the Company became the holding company of the subsidiaries now comprising the Group on 19 July 2016 by way of transfer of equity interests in BCI Group Holdings (BVI) Limited to the Company in consideration of the Company's allotment and issue of shares to the Companies held by the then shareholders of BCI Group Holdings (BVI) Limited (the "Share Transfer").

Immediately prior to and after the Reorganisation, the Listing Business is held by the Operating Companies. Pursuant to the Reorganisation, the Operating Companies together with the Listing Business are transferred to and held by the Company. The Share Transfer has no substance and do not form a business combination, and accordingly, the Financial Information of the Company was consolidated with that of the Operating Companies using the predecessor carrying amounts. The Reorganisation is therefore merely a reorganisation of the Listing Business and does not constitute a business combination, as if the group structure under the Reorganisation had been in existence throughout the Relevant Periods or since the respective dates of incorporation of the entities now comprising the Group, whichever is the shorter period.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods have been prepared using the financial information of the entities now comprising the Group, as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation of the relevant entities now comprising the Group where this is a shorter period. The consolidated statements of financial position of the Group as at 31 May 2015 and 2016 have been prepared to present the assets and liabilities of the entities now comprising the Group which were in existence at those dates, as if the current group structure had been in existence as at the respective dates. The net assets and results of the Group were consolidated using the carrying value. All significant intra-group transactions and balances have been eliminated on combination.

The Financial Information are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousands, except when otherwise indicated.

3. Basis of Preparation

The Financial Information has been prepared in accordance with the basis of presentation set out in Note 2 of Section II and the accounting policies set out below, which conform to HKFRSs (which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA and applicable disclosure provisions of the GEM Listing Rules throughout the Relevant Periods. In preparing the Financial Information, the Group has adopted all new and revised HKFRSs, which were relevant to the Group and became effective during the Relevant Periods, consistently throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost basis.

As at 31 May 2015 and 2016 and 30 September 2016, the Group had net current liabilities of approximately HK$8,390,000, HK$4,842,000 and HK$6,028,000 respectively. In preparing the Financial Information, the Directors have carefully considered the future liquidity of the Group and concluded that the Group has sufficient working capital to meet in full its financial obligations as when they fall due in the foreseeable future, after taking into account the continuous operating cash inflows generated from the Group's business and the Group's capital expenditure plan for its future development. Accordingly, the Directors are satisfied that the adoption of the going concern basis in preparing the Financial Information is appropriate.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 6.

4. Impact of issued but not yet effective HKFRSs

The Group has not early applied the following new and revised HKFRSs that have been issued, potentially relevant to the Group's operations, but are not yet effective, in the Financial Information.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15 "Revenue from Contracts with Customers"[2]
HKFRS 16	Leases[3]

1 *Effective for annual periods beginning on or after 1 January 2017*

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

3 *Effective for annual periods beginning on or after 1 January 2019*

None of the above new and revised HKFRSs is expected to have a significant effect on the Financial Information, except as set out below:

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1 : Identify the contract(s) with a customer
- Step 2 : Identify the performance obligations in the contract
- Step 3 : Determine the transaction price
- Step 4 : Allocate the transaction price to each performance obligation
- Step 5 : Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The directors anticipate that the application of HKFRS 15 in the future may have an impact on the financial statements that more disclosures relating to revenue are required by the new standard.

HKFRS 16 — Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of lease arrangement. Right-of-use asset includes the amount of initial measurement of lease liability, any lease payment made to the lessor at or before the lease commencement date, estimated cost to be incurred by the lessee for dismantling or removing the underlying assets from and restoring the site, as well as any other initial direct cost incurred by the lessee. Lease liability represents the present value of the lease payments. Subsequently, depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirement of HKAS 16 ''Property, Plant and Equipment'', while lease liability will be increased by the interest accrual, which will be charged to profit or loss, and deducted by lease payments.

Total operating lease commitments of the Group in respect of office premises, clubs and restaurants as at 30 September 2016 amounted to approximately HK$48,884,000. The directors anticipate the adoption of HKFRS 16 as compared with the current accounting policy may affect the Group's results. The directors anticipate a significant portion of the lease commitments in the above amount of HK$48,884,000 will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

5. Summary of significant accounting policies

5.1 Business combination

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

5.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (1) power over the investee; (2) exposure, or rights, to variable returns from the investee; and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

5.3 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree over the fair value of identifiable assets and liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 5.10), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

5.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

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 useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each of the Relevant Periods. The principal annual rates are as follows:

Leasehold improvements	20% and the lease term, whichever is the shorter
Furniture, fixtures and equipment	20%
Motor vehicles	20%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

5.5 Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Loan and receivables are initially recognised at fair value plus directly attributable transaction costs that are directly attributable to the acquisition of the financial asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each of the Relevant Periods, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor or the group of debtors;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; or
- it becoming probable that the debtor or the group of debtors will enter bankruptcy or other financial reorganisation.

For Loans and receivables

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost include trade payables, accruals and other payables and amounts due to related parties. They are recognised initially at their fair value, net of directly attributable transaction costs incurred and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(vii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

5.6 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

5.7 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

5.8 Leasing

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

5.9 Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

5.10 Impairment of assets (other than financial assets)

At the end of each of the Relevant Periods, the Group reviews the carrying amounts of assets (other than inventories and financial assets) to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit (see note 5.3), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

5.11 Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

5.12 Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

5.13 Income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the end of reporting period between the carrying amounts of assets and liabilities in the Financial Information and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary difference, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of each of the Relevant Periods.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

5.14 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(a) Sales of food and beverages

Revenue from sales of food and beverages is recognised at the point of sale to customers.

Prepayments from customers in respect of the membership schemes operated by the Group which are considered to be unearned at the reporting date are shown as receipts in advance in the consolidated statements of financial position. Revenue is recognised in the consolidated statements of comprehensive income based on effective selling price when relevant beverages are sold to customers.

(b) Revenue from services

Revenue from services (including tips, entrance fees, cloakroom fees, photobooth and event rental income) is recognised when the services have been provided to the customers.

(c) Sponsorship income

Sponsorship income is recognised when:

- the promotion events have been held; or
- the services have been rendered, and it is probable that the sponsorship income will be granted and the amount can be measured reliably.

(d) Management fee income

Management fee income is recognised when services are rendered.

(e) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

5.15 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5.16 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except interest income, unallocated finance costs, and unallocated corporate expenses, which are not directly attributable to the business activities of any operating segment, are not included in arriving at the operating results of the operating segment.

No asymmetrical allocations have been applied to reportable segments.

6. Critical accounting judgement and key sources of estimation uncertainty

The preparation of the Financial Information of the Group requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each of the Relevant Periods. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the Financial Information were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvement in production, or from a change in the market demand for the products or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in similar way. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment loss for trade and other receivables

The Group estimates impairment losses of trade and other receivables resulting from the inability of the customers and other debtors to make the required payments in accordance with accounting policy stated in Note 5.5(ii). The Group bases the estimates on the ageing of the receivable balances, debtors' creditworthiness and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

Impairment loss for non-financial assets

The Group assesses at the end of each of the Relevant Periods whether non-financial assets suffered any impairment in accordance with accounting policy stated in Note 5.10. The non-financial assets are reviewed for the impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The determination of recoverable amount requires an estimation of future cash flows and the selection of appropriate discount rates. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods, where applicable.

Impairment loss for goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

Provision for reinstatement costs

Provision for reinstatement costs is estimated at the inception of leasing property with reinstatement clause and reassessed at the end of each reporting periods with reference to the latest available quotation from independent contractors. Estimation based on current market information may vary over time and could differ from the actual reinstatement cost upon closures or relocation of existing premises occupied by the Group.

7. Segment information

The chief operating decision maker is identified as executive Directors. 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. For the Relevant Periods, the executive directors have considered the only operating segment of the Group is operation of clubbing and catering business.

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 Relevant Periods 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.

8. Revenue and other income and gains

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

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

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

Revenue from the Group's principal activities during the Relevant Periods is as follows:

	Year ended 31 May		Four months ended 30 September	
	2015	2016	2015	2016
	HK$'000	*HK$'000*	*HK$'000 (Unaudited)*	*HK$'000*
Revenue from:				
Clubs operation				
Sales of beverage	65,341	78,188	20,645	26,031
Less: Sales discounts	(9,654)	(11,568)	(3,389)	(4,382)
	55,687	66,620	17,256	21,649
Entrance fee	4,503	3,220	649	1,124
Sponsorship income	896	1,652	502	1,069
Others	996	1,359	300	398
	62,082	72,851	18,707	24,240
Restaurants operation				
Sales of food and beverage	5,305	16,085	4,852	6,388
Less: Sales discounts	(9)	(81)	(45)	(20)
	5,296	16,004	4,807	6,368
Others	9	15	5	5
	5,305	16,019	4,812	6,373
Total revenue	67,387	88,870	23,519	30,613

	Year ended 31 May		Four months ended 30 September	
	2015	2016	2015	2016
	HK$'000	*HK$'000*	*HK$'000 (Unaudited)*	*HK$'000*
Other income and gains:				
Gain on disposal of property, plant and equipment	—	125	—	—
Management fee income	432	432	144	72
	432	557	144	72

9. Profit/(loss) before income tax expense

Profit/(loss) before income tax expense is arrived at after charging:

	Year ended 31 May		Four months ended 30 September	
	2015	2016	2015	2016
	HK$'000	*HK$'000*	*HK$'000 (Unaudited)*	*HK$'000*
Cost of inventories recognised as expense				
— Clubs operation	11,614	13,812	3,448	4,234
— Restaurants operation	1,686	4,360	1,457	1,676
	13,300	18,172	4,905	5,910
Auditor's remuneration	82	107	24	36
Depreciation of property, plant and equipment	3,472	4,199	1,294	1,436
Listing expenses	—	—	—	8,191
Staff costs (including directors' remuneration *(Note 11(a))*				
— Wages, salaries and other benefits	7,368	12,513	3,378	5,669
— Contribution to defined contribution pension plans	288	555	136	260
	7,656	13,068	3,514	5,929
Minimum lease payments under operating leases	15,429	19,482	5,855	7,067

10. 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 statements of comprehensive income during the Relevant Periods represents:

	Year ended 31 May		Four months ended 30 September	
	2015	2016	2015	2016
	HK$'000	*HK$'000*	*HK$'000 (Unaudited)*	*HK$'000*
Current income tax	147	2,106	362	398
Deferred tax *(Note 16)*	1,323	(83)	(69)	(37)
Income tax expense	1,470	2,023	293	361

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

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits during the Relevant Periods.

A reconciliation of the income tax expense applicable to profit before income tax expense at the statutory tax rate to the income tax expense at the effective tax rate for the Relevant Periods is as follows:

	Year ended 31 May		Four months ended 30 September	
	2015	2016	2015	2016
	HK$'000	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Profit/(loss) before income tax expense	8,569	10,407	924	(6,414)
Tax calculated at the statutory rate of 16.5%	1,414	1,717	153	(1,058)
Tax effect of non-deductible expenses	56	64	57	1,505
Tax effect of deductible temporary differences not recognised	—	208	80	(86)
Others	—	34	3	—
Income tax expense	1,470	2,023	293	361

11. Directors' remuneration and five highest paid individuals

(a) Directors' remuneration

The remuneration of the director for the Relevant Periods is set out below:

	Fees	Salaries and benefits	Contribution to defined contribution pension plans	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 May 2015				
Executive director				
Mr. Ng Shing Joe Kester ("Kester Ng")	240	—	—	240
Year ended 31 May 2016				
Executive director				
Mr. Kester Ng	240	—	—	240
Four months ended 30 September 2015 (unaudited)				
Executive director				
Mr. Kester Ng	80	—	—	80
Four months ended 30 September 2016				
Executive director				
Mr. Kester Ng	80	—	—	80
Ms. Lau Sze Yuen	—	113	6	119
	80	113	6	199

Mr. Kester Ng was appointed executive director of the Company upon incorporation. On 1 June 2016 and 22 August 2016, Ms. Lau Sze Yuen and Mr. Kan Sze Man were appointed executive and non-executive Directors respectively.

During the Relevant Periods, no remuneration was paid or payable to Ms. Lau Sze Yuen and Mr. Kan Sze Man.

On 14 March 2017, Mr. Wong Sui Chi, Mr. Li Lap Sun and Mr. Ng Kwok Kei Sammy were appointed as the independent non-executive directors. During the Relevant Periods, the independent non-executive directors did not receive any remuneration.

(b) Five highest-paid individuals

The five highest paid individuals of the Group during the Relevant Periods did not include any Director.

The emoluments paid to the remaining individuals during the Relevant Periods are set out below:

	Year ended 31 May		**Four months ended 30 September**	
	2015	**2016**	**2015**	**2016**
	HK\$'000	*HK\$'000*	*HK\$'000* *(Unaudited)*	*HK\$'000*
Salaries and allowances	2,090	2,299	654	920
Contribution to defined contribution pension plans	65	71	27	29
	2,155	2,370	681	949

Their remuneration fell within the following band:

	Year ended 31 May		**Four months ended 30 September**	
	2015	**2016**	**2015**	**2016**
			(Unaudited)	
Nil to HK\$1,000,000	5	5	5	5

During the Relevant Periods, no director or any of the highest-paid individuals waived or agreed to waive any emoluments. No emoluments were paid by the Group to the directors or any of the highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

(c) The emoluments paid or payable to members of senior management during the Relevant Periods were within the following band:

	Year ended 31 May		**Four months ended 30 September**	
	2015	**2016**	**2015**	**2016**
			(Unaudited)	
Nil to HK\$1,000,000	1	2	1	3

12. Dividend

No dividend has been paid or declared by the Company since the date of incorporation, or by any of the companies now comprising the Group during the Relevant Periods.

13. Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for the Relevant Periods as described in Note 2 above.

14. Property, plant and equipment

	Leasehold improvement	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost:				
At 1 June 2014	10,422	5,193	408	16,023
Additions	1,261	600	—	1,861
At 31 May 2015	11,683	5,793	408	17,884
Additions	1,581	1,242	—	2,823
Disposal	—	—	(408)	(408)
Acquired through business combination *(note 22)*	464	144	—	608
At 31 May 2016	13,728	7,179	—	20,907
Additions	176	341	—	517
At 30 September 2016	13,904	7,520	—	21,424
Accumulated depreciation:				
At 1 June 2014	1,891	1,276	326	3,493
Charge for the year	2,380	1,010	82	3,472
At 31 May 2015	4,271	2,286	408	6,965
Charge for the year	2,893	1,306	—	4,199
Disposal	—	—	(408)	(408)
At 31 May 2016	7,164	3,592	—	10,756
Charge for the period	974	462	—	1,436
At 30 September 2016	8,138	4,054	—	12,192
Carrying amount:				
At 31 May 2015	7,412	3,507	—	10,919
At 31 May 2016	6,564	3,587	—	10,151
At 30 September 2016	5,766	3,466	—	9,232

Leasehold improvement included reinstatement provision with carrying amount of HK$507,000, HK$382,000 and HK$313,000 respectively as at 31 May 2015 and 2016 and 30 September 2016.

15. Trade and other receivables

	As at 31 May		As at 30 September
	2015	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	1,417	957	1,480
Other receivables	22	375	745
Prepayments	603	1,055	4,015
Deposits	4,930	6,118	6,636
Total	6,972	8,505	12,876
Less: Current portion	(5,919)	(3,302)	(6,691)
Non-current portion	1,053	5,203	6,185

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.

As at 30 September 2016, prepayment of approximately HK$83,000 was included in the balances. Details of the amounts were set out in note 19(b).

An ageing analysis of the Group's trade receivables as at the end of each of the Relevant Periods, net of impairment and based on invoice date, is as follows:

	As at 31 May		As at 30 September
	2015	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
0-30 days	1,051	642	1,193
31-60 days	49	66	108
61-90 days	55	103	111
Over 90 days	262	146	68
	1,417	957	1,480

At the end of each of the Relevant Periods, 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 which are past due but not impaired is as follows:

	As at 31 May		As at 30 September
	2015	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired *(note (a))*	—	—	—
Past due but not impaired *(noted (b))*			
1-30 days past due	1,051	642	1,193
31-90 days past due	104	169	219
Over 90 days past due	262	146	68
	1,417	957	1,480

Notes:

(a) The balances that were neither past due nor impaired related to a wide range of customers with no recent history of default.

(b) 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 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.

16. Deferred tax assets

The details of the deferred tax assets recognised and movements during each of the Relevant Periods are as follows:

Deferred tax assets/(liabilities)

	(Accelerated)/ decelerated tax depreciation	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 June 2014	(25)	1,987	1,962
Credited/(charged) to profit or loss	315	(1,638)	(1,323)
At 31 May 2015 and at 1 June 2015	290	349	639
Credited to profit or loss	79	4	83
Acquisition of subsidiary *(note 22)*	–	718	718
At 31 May 2016 and at 1 June 2016	369	1,071	1,440
Credited/(charged) to profit or loss	141	(104)	37
At 30 September 2016	510	967	1,477

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to income tax levied by same taxation authority on the same taxable entity.

As at 31 May 2015 and 2016 and 30 September 2016, the Group has estimated tax losses arising in Hong Kong of HK$2,115,000, HK$6,160,000 and HK$5,864,000 respectively, subject to the agreement of Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

17. Goodwill

	HK$'000
At 31 May 2015 and 1 June 2015	—
Addition through business combination *(note 22)*	2,209
At 31 May 2016 and 30 September 2016	2,209

The goodwill was acquired through business combination during the year ended 31 May 2016 (note 22) and it is solely allocated to the cash generating unit ("CGU"), namely the Legend Vision Group (as defined in note 22).

The recoverable amount of the goodwill has been determined from value-in-use calculation based on cash flow projections from formally approved budgets covering a five-year period. Cash flow beyond the five-year period are extrapolated using an estimated weighted average growth rate of 0%.

	2016
Discount rate	16.0%
Operating margin*	16.5–16.6%
Growth rate within the five-year period	0.0–5.0%

* defined as profit before income tax expense divided by revenue

The discount rate used is pre-tax and reflect specific risks relating to the relevant CGU. The operating margin and growth rate within the five-year period have been based on management expectation and the result of the market research and prediction.

The Directors have considered the impact of the possible changes in the key assumptions (discount rate, operating margin and growth rate) used, and conducted sensitivity analysis on the CGU's carrying value for impairment testing during the Relevant Periods. In the opinion of the Directors, any reasonably possible changes in the key assumptions on which the recoverable amount is based would not cause the CGU's carrying amount to exceed its recoverable amount.

18. Inventories

	As at 31 May		As at 30 September
	2015	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Beverage	195	354	507

19. Balances with related parties

The Group

(a) Amounts due from related companies

		Maximum outstanding balance					
				30 September	As at 31 May		As at 30 September
	Notes	**2015**	**2016**	**2016**	**2015**	**2016**	**2016**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Buzz Concepts Group Limited	(i) & (iii)	6,609	6,609	—	6,609	—	—
Buzz Concepts Management Limited	(i) & (iii)	402	132	—	132	—	—
Grand Diamond Limited	(i) & (iii)	945	654	—	654	—	—
Lucky Trend International Limited	(i) & (iii)	315	487	—	315	—	—
Billion Best Investment Limited	(i) & (iii)	1,267	976	—	967	—	—
Model Genesis International Management Limited ("Model Genesis")	(ii), (iii) & (iv)	176	163	—	22	—	—
Hero Icon Limited	(i), (iii) & (iv)	7	7	—	7	—	—
Digital Option Limited and High Supreme Limited	(i) & (iv)	140	140	—	140	—	—
				—	8,846	—	—

Notes:

(i) The amount due was non-trade in nature, unsecured, interest-free and has no fixed terms of repayment.

(ii) The amount due was trade in nature, unsecured, interest-free and has no fixed terms of repayment.

(iii) Mr. Kester Ng, an executive director of the Company, held beneficial interests in the related company.

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

(b) Prepayments to a related company

As at 30 September 2016, balance of approximately HK$83,000 was prepaid to Model Genesis in relation to marketing and promotion services.

(c) Amounts due to related parties

		As at 31 May		As at 30 September
	Notes	**2015**	**2016**	**2016**
		HK$'000	*HK$'000*	*HK$'000*
Phoenix Year Limited	(i) & (ii)	3,025	2,778	2,778
Model Genesis	(iii)	—	52	—
Mr. Kester Ng	(i)	10,248	6,483	1,336
		13,273	9,313	4,114

Notes:

(i) The amount due was non-trade in nature, unsecured, interest-free and has no fixed terms of repayment.

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

(iii) The amount due was trade in nature, unsecured, interest-free and has no fixed terms of repayment. Mr. Kester Ng, being an executive director of the Company, held beneficial interests in the related company.

The Company

Amounts due from/(to) subsidiaries

The amounts due were non-trade in nature, unsecured, interest-free and have no fixed terms of repayment.

20. Cash and cash equivalents

Cash and cash equivalents represent cash at banks and in hand. Cash at banks earns interest at floating rates based on daily bank deposit rates.

21. Trade and other payables

	As at 31 May		As at 30 September
	2015	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	2,141	2,969	3,862
Accruals and other payables	7,009	9,318	9,521
Receipts in advance	3,854	3,853	4,033
Total	13,004	16,140	17,416
Less: Current portion	(12,373)	(13,953)	(15,265)
Non-current portion	631	2,187	2,151

An ageing analysis of the Group's trade payables as at the end of each of the Relevant Periods based on invoice date, is as follow:

	As at 31 May		As at 30 September
	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*
0-30 days	2,043	2,834	3,538
31-60 days	98	127	301
Over 60 days	—	8	23
	2,141	2,969	3,862

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

22. Acquisition of a subsidiary

On 1 November 2015, the Group acquired 100% of the equity interests of Legend Vision Limited and its subsidiary (hereinafter collectively referred as "Legend Vision Group"). The principal activity of Legend Vision Group is the operation of clubbing business in Hong Kong. The acquisition was made with the objective to achieve economies of scale and strategically expand the clubbing business of the Group.

The fair value of identifiable assets and liabilities of the acquiree as at the date of acquisition were:

	HK$'000	*HK$'000*
Property, plant and equipment	608	
Inventories	84	
Deferred tax assets	718	
Trade receivables, deposits and other receivables	1,650	
Amounts due from related parties	320	
Trade and other payables	(2,461)	
Amounts due to related parties	(1,730)	
		(811)
Net cash outflow arising from acquisition:		
Cash and cash equivalents acquired	402	
Consideration paid	(1,800)	
		(1,398)
Goodwill *(note 17)*		(2,209)

The fair value and gross amount of trade and other receivables amounted to HK$1,650,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill of HK$2,209,000, which is not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group.

Since the acquisition date, Legend Vision Group has contributed HK$10,103,000 and HK$1,163,000 to Group's revenue and profit for the year ended 31 May 2016, respectively. If the acquisition had occurred on 1 June 2015, Group's revenue and profit for the year ended 31 May 2016 would have been HK$95,614,000 and HK$8,472,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 June 2015, nor is it intended to be a projection of future performance.

23. Share capital

The Company was incorporated in the Cayman Islands on 19 May 2016 with an authorised share capital of HK$100,000,000 divided into 10,000,000,000 ordinary shares of HK$0.01 each. On the same date, one ordinary share of HK$0.01 was issued to Mr. Kester Ng at par value.

On 19 July 2016 and 20 July 2016, 8,844 and 305 new shares were issued pursuant to the group reorganisation respectively.

On 22 July 2016, 850 new shares were issued at HK$6,000.00 per share.

For the purpose of this report, the share capital of the Group as at 31 May 2015 and 2016 represented the combined share capital of the entities now comprising the Group at the end of each of the Relevant Periods.

24. Reserves

a) The Group

Details of the movements of the Group's reserves are as set out in the consolidated statements of changes in equity in Section I.

b) The Company

	Share premium	Capital reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Issue of a share at the date of incorporation	—	—	—	—
Loss and total comprehensive income for the period	—	—	—*	—*
At 31 May 2016 and 1 June 2016	—	—	—*	—*
Loss and total comprehensive income for the period	—	—	(8,195)	(8,195)
Issue of new shares	5,100	—	—	5,100
Arising on reorganisation	—	34	—	34
At 30 September 2016	5,100	34	(8,195)	(3,061)

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

25. Non-controlling interests

On 31 August 2016, 2 shares, representing 40% of City Silver's equity interest, were issued to an independent third party at a consideration of HK$625,000, which was settled by offsetting the same amount due to the independent third party. The non-controlling interests of City Silver are considered to be immaterial.

26. Commitments

Operating lease commitments — Group as lessee

The Group leased its office premise, clubs and restaurants under operating lease arrangements with third party landlords and related parties. Leases for these properties are negotiated for terms ranging from one to three years.

The total future minimum lease payments under non-cancellable operating leases are due as follows:

	As at 31 May		As at 30 September
	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*
Not later than one year	15,783	20,993	21,204
Later than one year and not later than five years	4,927	29,896	27,680
	20,710	50,889	48,884

In addition, the operating leases for two restaurants of the Group are based on the restaurants' respective revenue pursuant to the terms and conditions as set out in the respective agreements. As the future revenue of restaurants could not be reliably determined, the relevant contingent payments have not been included in above table and only the minimum lease commitments have been included.

27. 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 Relevant Periods:

Related party identity	Type of transactions	*Notes*	For the year ended 31 May		For the four months ended 30 September	
			2015	2016	2015	2016
			HK$'000	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Digital Option Limited and High Supreme Limited	Rental expenses	(i), (ii)	1,455	1,472	482	488
Capital Delight Limited	Rental expenses	(i), (ii) & (iii)	106	110	33	19
Model Genesis International Limited	Marketing and promotion fee	(i), (ii)	2,158	3,403	744	1,005
Model Genesis International Limited	Management income	(i)	432	432	144	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) The Directors have confirmed that these transactions will continue in the future after the listing of the Company's shares on the GEM of the Stock Exchange.

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

(b) Compensation of key management personnel

Remuneration for key management personnel of the Group, excluding amounts paid to the Directors as disclosed in Note 11(a), is as follows:

	Year ended 31 May		Four months ended 30 September	
	2015	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Salaries, allowances and benefits in kind	624	797	196	435

28. Summary of financial assets and financial liabilities by category

The carrying amounts presented in the consolidated statements of financial position relate to the following categories of financial assets and financial liabilities.

	As at 31 May		As at 30 September
	2015	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables:			
Trade receivables, deposits and other receivables	6,369	7,450	8,861
Amounts due from related companies	8,846	–	–
Cash and cash equivalents	2,443	17,021	8,804
	17,658	24,471	17,665
Financial liabilities			
Measured at amortised cost:			
Trade and other payables	9,150	12,287	13,383
Amounts due to related parties	13,273	9,313	4,114
	22,423	21,600	17,497

29. Financial risk management

The Group's financial assets that derive directly from its operations are trade receivables, deposits and other receivables, amounts due from related companies and cash and cash equivalents. Principal financial liabilities of the Group include trade and other payables, and amounts due to related parties. The main purpose of these financial liabilities is to finance the Group's operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. The Group does not enter into or trade financial instruments for speculative purposes.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders.

(a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group is exposed to concentration of credit risk in respect of certain amounts due from related companies as disclosed in Note 19 to the financial statements. The Group's concentration of credit risk by geographical location is in Hong Kong. To monitor the credit risk exposure, the directors of the Group have reviewed the recoverability of these balances periodically and opined there was no significant credit risk.

Cash and bank balances are deposits in banks with sound credit ratings. Given their high credit ratings, the Group does not expect to have high credit risk in this aspect.

In general, there is no requirement for collateral by the Group.

(b) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade payables, accruals and other payables, and amounts due to related parties, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets to meet its liquidity requirements in the short and longer term.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major banks and financial institutions to meet its liquidity requirements in the short and longer terms.

The liquidity policies have been followed by the Group during the Relevant Periods and are considered to have been effective in managing liquidity risks.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates at the end of the Relevant Periods.

	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand	More than one year but less than two years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 May 2015				
Trade and other payables	9,150	9,150	8,519	631
Amounts due to related parties	13,273	13,273	13,273	–
	22,423	22,423	21,792	631
At 31 May 2016				
Trade and other payables	12,287	12,287	10,100	2,187
Amounts due to related parties	9,313	9,313	9,313	–
	21,600	21,600	19,413	2,187
At 30 September 2016				
Trade and other payables	13,383	13,383	11,232	2,151
Amounts due to related parties	4,114	4,114	4,114	–
	17,497	17,497	15,346	2,151

(c) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's bank deposits bear floating interest rates. The Group has no cash flow or fair value interest rate risk as there are no borrowings which bear fixed or floating interest rates.

30. Capital management

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern and maximising the return to stakeholders. The Group's capital structure is regularly reviewed and managed by the Directors. The Group is not subject to externally imposed capital requirements. To maintain or adjust capital structure, the Group may adjust dividend payment to shareholders or issue new shares. Adjustments will be made to the capital structure in light of changes in economic conditions affecting the Company or its subsidiaries, and the risk characteristics of the Group's underlying assets. During the Relevant Periods, the Group defines "Capital" as including all components of equity.

31. Major non-cash transactions

(a) During the years ended 31 May 2015 and 2016 and the four months ended 30 September 2016, the Group recognised additional provision of reinstatement to the clubs and restaurants of HK$240,000, nil and nil respectively.

(b) On 31 May 2016, the Group entered into agreements with Mr. Kester Ng and Phoenix Year Limited that amounts due to them of HK$2,992,000 and HK$140,000, respectively were settled through transfer of amounts due from certain related companies with an aggregate balance of HK$3,132,000.

32. Events after the reporting period

On 14 March 2017, written resolutions of the shareholders of the Company were passed to approve the matters set out in the subsection headed "3. Resolutions in writing of the Shareholders passed on 14 March 2017" in the section headed "Statutory and General Information" in Appendix IV to the Prospectus.

Save as disclosed above, there are no other significant events which have taken place subsequent to 30 September 2016.

33. Subsequent financial statements

No audited financial statements have been prepared by the Company or its subsidiaries in respect of any period subsequent to 30 September 2016.

Yours faithfully,
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