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BAR PACIFIC GROUP HOLDINGS LIMITED

太平洋酒吧集團控股有限公司

(the “Company”)

(Incorporated in the Cayman Islands with limited liability)

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- (d) the Application Proof is not the final listing document and may be updated or revised by the Company from time to time in accordance with the GEM Listing Rules;
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- (g) neither the Company nor any of its affiliates, advisers or underwriters is offering, or is soliciting offers to buy, any securities in any jurisdiction through the publication of this Application Proof;
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No offer or invitation will be made to the public in Hong Kong until after a prospectus of the Company has been registered with the Registrar of Companies in Hong Kong in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decision solely based on the Company’s prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be distributed to the public during the offer period.

IMPORTANT

If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

BAR PACIFIC GROUP HOLDINGS LIMITED

太平洋酒吧集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Nominal value : HK\$0.01 per Share

[REDACTED] : [REDACTED]

Sponsor



LY CAPITAL LIMITED
絡繹資本有限公司

[REDACTED]

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[REDACTED]

CHARACTERISTICS OF GEM

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.

The principal means of information dissemination on GEM is by publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the Stock Exchange’s website at www.hkexnews.hk in order to obtain up-to-date information on companies listed on GEM.

EXPECTED TIMETABLE

[REDACTED]

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This document is issued by our Company solely in connection with the [REDACTED] and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the [REDACTED] by this document pursuant to the [REDACTED]. This document may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.

You should rely only on the information contained in this document to make your [REDACTED]. Our Company, the Sponsor, the [REDACTED], the [REDACTED], any of our/their respective directors, officers, employees, agents or representatives, or any other person or party involved in the [REDACTED] have not authorised anyone to provide you with information which is different from what is contained in this document. Any information or representation not contained or made in this document must not be relied on by you as having been authorised by our Company, the Sponsor, the [REDACTED], the [REDACTED], any of our/their respective directors, officers, employees, agents or representatives, or any other person or party involved in the [REDACTED].

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SUMMARY

This summary aims to give you an overview of the information contained in this document and therefore does not contain all the information which may be important to you. You should be read this document in its entirety before you decide to [REDACTED]. There are risks associated with any [REDACTED]. Some of the particular risks in [REDACTED] are set out in the section headed “Risk Factors” in this document. You should read that section carefully before you decide to [REDACTED]. Various expressions used in this section are defined in the section headed “Definitions” in this document.

OUR BUSINESS

We are a chained bar group offering beverages and light refreshments under the brand “Bar Pacific” in Hong Kong. We opened our first shop in Hunghom in 1999 and has gradually expanded over the years. As at the Latest Practicable Date, we operated 32 shops at street level throughout Hong Kong. For details of our network, please refer to the paragraph headed “Business — Our network” in this document. We strive to provide quality drinks and snacks at affordable prices under a pleasant, comfortable and tidy environment for our valuable customers. As such, all of our existing shops were strategically situated at locations with close proximity to the residential or industrial areas rather than at prime retail locations. Our Group is the largest chained bar group in Hong Kong in terms of number of outlets in Hong Kong in 2015, according to the Euromonitor Report. For further details, please refer to the section headed “Industry Overview” in this document.

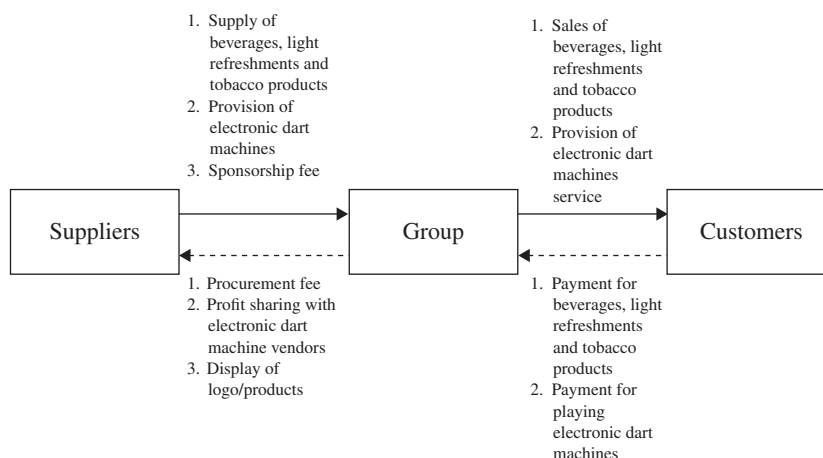
Our Group adopts centralised purchasing system for procurement of beverages and other supplies (except light refreshments). We have standardised menu with unified price for all items in all our shops. We will from time to time assess the reasonableness of our pricing based on cost plus basis taking into account the relative pricing of our competitors and the spending power of our target customers.

In order to provide a leisure and relaxing environment to our customers, all of our shops are equipped with one or more entertainment facilities. We may from time to time change the combination or add new facilities (such as beer pong and snooker) to adapt to the changing taste of our customers.

SUMMARY

OUR BUSINESS AND REVENUE MODEL

The following chart summarises the business and revenue model of our Group up to the Latest Practicable Date:



During the Track Record Period and up to the Latest Practicable Date, our Group mainly generated revenue from sales of beverages, light refreshments and other products or services. In addition, we charged our customer on playing electronic dart machines on a per game basis. Our costs are primarily attributable to purchase of beverages, light refreshments and tobacco, rental expenses, staff costs and profit sharing payments to electronic dart machine vendors on a certain agreed ratio.

We also generated sponsorship income from beverage suppliers in exchange for displaying their logos or products at our shops and during marketing events organised by us or co-organised with them.

The following table shows a breakdown of our revenue during the Track Record Period:

	Year ended 31 March			
	2015	% of	2016	% of
	Revenue	revenue	Revenue	revenue
	HK\$'000		HK\$'000	
Beverages				
• Beer ⁽¹⁾	67,317	59.9%	81,413	64.5%
• Other alcohol drinks ⁽²⁾	35,193	31.3%	34,522	27.4%
• Other beverages ⁽³⁾	250	0.3%	398	0.3%
Light refreshments	6,550	5.8%	6,562	5.2%
Others⁽⁴⁾	<u>3,063</u>	<u>2.7%</u>	<u>3,250</u>	<u>2.6%</u>
Total	<u>112,373</u>	<u>100.0%</u>	<u>126,145</u>	<u>100.0%</u>

Notes:

(1) Beer includes bottle beer and draught beer.

SUMMARY

- (2) Other alcoholic drinks include spirits, wine and cocktails.
- (3) Other beverages include non-alcoholic drinks such as mocktail, juice, tea and soft drinks.
- (4) Others include tobacco and electronic dart machines.

OUR CUSTOMERS

Our target customers are the neighborhood in different districts in Hong Kong looking for social connection and relaxation. As the majority of our customers are retail customers from the general public, our Directors consider that it is not practicable to identify the five largest customers of our Group for the Track Record Period and we did not rely on any single customer during the Track Record Period.

OUR SUPPLIERS

Our suppliers are mainly beverage suppliers. We have maintained good business relationships with our suppliers. As at the Latest Practicable Date, we have established business relationships with our top five suppliers which were mostly beverage suppliers for period ranging from around 1 to 17 years.

For the year ended 31 March 2015 and 2016, our purchases from our five largest suppliers in aggregate amounted to approximately HK\$25.4 million and HK\$23.2 million respectively, which in aggregate accounted for approximately 90.7% and 82.0% of our total purchases respectively. Our purchases from our largest supplier amounted to approximately HK\$9.8 million and HK\$10.3 million, respectively, which accounted for approximately 35.1% and 36.5% of our total purchases, respectively, for the years ended 31 March 2015 and 2016.

OUR COMPETITIVE STRENGTHS

Our Directors believe that we have the following competitive strengths:

- Established brand with proven track record to provide quality bar services at reasonable price;
- Standardised operation and economies of scale enabled by number of bars;
- Strategic locations with close proximity to the residential or industrial areas;
- Established relationship with suppliers; and
- Experienced management team.

Please refer to the section headed “Business — Competitive Strengths” in this document for further details.

OUR BUSINESS STRATEGIES

We intend to expand our market share in Hong Kong and enhance our brand recognition. To achieve these, we will implement the following business strategies:

- Expand our “Bar Pacific” brand to different locations;

SUMMARY

- Continue our promotion and marketing efforts;
- Continue to upgrade our shops’ facilities; and
- Diversified product mix offered.

Please refer to the section headed “Business — Business Strategies” in this document for further details.

SHAREHOLDING INFORMATION

Immediately following completion of the Capitalisation Issue and [REDACTED] (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), BVI Holdco will directly hold approximately [REDACTED] of the issued share capital of our Company. As at the Latest Practicable Date, none of our Controlling Shareholders or their respective close associates controlled any business which competes, or is likely to compete, either directly or indirectly, with our business. For further details, please refer to the section headed “Relationship with Controlling Shareholders” in this document.

Pursuant to a sale and purchase agreement dated 25 January, 2016 entered into between Harneys Trustees Limited and the [REDACTED] Investor, Harneys Trustees Limited transferred a total of 3,125 shares in Bar Pacific Group Limited to the [REDACTED] Investor at a consideration of HK\$2.4 million. After the Reorganisation but before the completion of the Capitalisation Issue and the [REDACTED], the [REDACTED] Investor holds 3,125 Shares, representing 6.25% of the then issued share capital of our Company.

The [REDACTED] Investor is owned as to 50% and 50% by Mr. Fung and Mr. Wong. For further details, please refer to the section headed “History, development and reorganisation — [REDACTED] Investment” in this document.

On 30 April 2016, one of our Controlling Shareholders, Ms. Tse, as tenant entered into a tenancy agreement with an Independent Third Party as landlord for the operation of shop XXII of our Group. As the landlord was only willing to enter into the tenancy agreement with an individual instead of a corporation as the tenant of the said premise, Ms. Tse entered into a licence agreement (as the licensor) with Bar Pacific XXII International Limited, one of the subsidiaries of our Company (as the licensee) on 23 September 2016 for a term commencing from 23 September 2016 to 31 July 2018 at a monthly licence fee of HK\$60,000, which is payable exclusive of other outgoings and in advance on the first day of each calendar month, so that Bar Pacific XXII International Limited can use the premises for operating the shop. For further details, please refer to the section headed “Connected Transactions — Licence agreement between Ms. Tse and Bar Pacific XXII International Limited”.

SUMMARY

SUMMARY OF FINANCIAL PERFORMANCE

The following table sets out a summary of the audited consolidated financial information of our Group for the year ended 31 March 2015 and 2016. Please refer to the Accountants’ Report set out in Appendix I in this document for further details.

Summary of combined statements of profit or loss

	Year ended 31 March	
	2015	2016
Revenue (<i>HK\$’000</i>)	112,373	126,145
Cost of inventories sold (<i>HK\$’000</i>)	27,761	28,427
Net profit (<i>HK\$’000</i>)	11,829	15,355
Profit for the year attributable to owners of our Company (<i>HK\$’000</i>)	7,273	9,450

Summary of combined statements of financial position

	As at 31 March	
	2015	2016
	<i>HK\$’000</i>	<i>HK\$’000</i>
Non-current assets	10,141	9,335
Current assets	18,398	21,378
Current liabilities	16,819	11,936
Net current assets	1,579	9,442
Net assets	11,430	18,341

Summary of combined statements of cash flows

	Year ended 31 March	
	2015	2016
	<i>HK\$’000</i>	<i>HK\$’000</i>
Operating cash flows before movements in working capital	20,832	22,125
Net cash from operating activities	18,176	20,387
Net cash used in investing activities	(2,035)	(5,165)
Net cash used in financing activities	(8,792)	(10,859)

SUMMARY

Key financial ratios

The following table sets out a summary of key financial ratios of our Group for the year ended 31 March 2015 and 2016. For more detailed information on the calculation basis of these key financial ratios, please refer to the section headed “Financial Information — Key Financial Ratios” in this document.

	As at/year ended 31 March	
	2015	2016
Gearing ratio	52.3%	20.3%
Net profit margin	10.5%	12.2%
Return on equity	103.5%	83.7%
Return on total assets	41.4%	50.0%
Current ratio	1.1	1.8
Quick ratio	1.0	1.7
Inventories turnover days	12.2	12.6
Trade receivables turnover days	0.9	1.1
Trade payables turnover days	50.2	40.6
Interest coverage ratio	635.8	1,063.0

HISTORICAL NON-COMPLIANCE INCIDENTS

During the Track Record Period, our Group failed to comply with certain legal requirements applicable to our Group in Hong Kong, namely (i) conduct of business without liquor licence and light refreshment restaurant licence; (ii) breach of conditions of liquor licences; (iii) failure to obtain water pollution control licences; (iv) contravention of prescribed use in the occupation permits of premises; and (v) operation of electronic darting machines without an Amusement Game Centre Licence. Please refer to the section headed “Business — Compliance matters” in this document for further details of such non-compliance incidents and the rectification measures taken.

[REDACTED] EXPENSES

The total expenses for the [REDACTED] (including the [REDACTED]) are estimated to be HK\$[REDACTED] million based on the [REDACTED] of HK\$[REDACTED] (being the mid-point of the indicated [REDACTED] range stated in this document), of which HK\$[REDACTED] million is directly attributable to [REDACTED] under the [REDACTED] and is expected to be accounted for as a deduction from equity. Of the remaining [REDACTED] expenses of HK\$[REDACTED], [REDACTED] and HK\$[REDACTED] were charged to the combined statement of comprehensive income of our Group for the years ended 31 March 2015 and 2016, and HK\$[REDACTED] will be charged to the combined statement of comprehensive income of our Group for the year ending 31 March 2017. The total estimated [REDACTED] expenses of HK\$[REDACTED] million is a current estimation for reference only and the final amount is subject to adjustments based on the actual amount incurred or to be incurred. Prospective [REDACTED] should note that the financial performance of our Group for the year ending 31 March 2017 would be materially and adversely affected by the [REDACTED] expenses mentioned above.

SUMMARY

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

According to our unaudited consolidated financial information for the three months ended 30 June 2016, our revenue and gross profit margin remained stable. After the Track Record Period and up to the Latest Practicable Date, no new shop was opened and none of our shops ceased business operation for the three months ended 30 June 2016.

Our Directors confirm that save for the above and the [REDACTED] expenses in connection with the [REDACTED], there has been no material adverse change in the market condition in the industry in which we operate or the financial or trading position or prospects of our Group.

REASON FOR THE [REDACTED] AND [REDACTED]

Our objective is to maintain our competitiveness in the bar industry in Hong Kong and strengthen our positions by capturing a larger market shares in Hong Kong. We believe that the [REDACTED] of HK\$[REDACTED] (after deducting the related [REDACTED] fees and expenses payable in relation to the [REDACTED]) will enable us to achieve this and implement business strategies and implementation plans as set out above.

Our Directors believe that apart from obtaining the necessary funding for expansion, the [REDACTED] will also enhance our corporate profile and brand awareness. Our Directors believe that having [REDACTED] will increase our credibility to all our stakeholders including:

- Our suppliers: both existing suppliers and potential suppliers will be more willing to establish a long term relationships with [REDACTED];
- Our customers: a [REDACTED] itself is a complementary advertising for our Group to our customers which will increase our brand awareness and reputation. This will in turn attract more customers to our existing and new shops;
- Our employees: it will be easier for us to retain existing and attract new employees as a [REDACTED];
- Our creditors: our Directors believe that it is difficult for a private company to borrow money as a bank is more willing to lend to a [REDACTED]; and
- Our shareholders: [REDACTED] will expand our shareholder base and a more liquid trading market for all shareholders. Also, as a [REDACTED], our Directors believe that our internal control and corporate governance would be further enhanced, which will be beneficial to all shareholders.

Our Directors believe that the [REDACTED] would enable us to have access to different fundraising platforms for future growth. Obtaining a [REDACTED] allow us to access to the capital market for raising funds not only at the time of [REDACTED] but also at later stage. A [REDACTED] will also allow us to access to the bond market as well. In addition, once we become a listed company, our Directors believe that it would be easier for us to obtain bank borrowing from bank. The ability to raise fund is important to our future business development.

SUMMARY

As such, our Directors believe that [REDACTED] is beneficial to our Group and our shareholders as a whole.

[REDACTED]

For further information, please refer to the section headed “Future plans and [REDACTED]” in this document.

DIVIDEND

During the Track Record Period, certain subsidiaries of our Group declared and paid dividends of HK\$0.1 million for the year ended 31 March 2015 and HK\$1.3 million for the year ended 31 March 2016 to their then non-controlling shareholders. During the year ended 31 March 2016, Bar Pacific Group Limited declared and paid an interim dividend of HK\$9.1 million to its then shareholder.

As at the Latest Practicable Date, we have not adopted any dividend policy. The declaration of dividends is subject to the absolute discretion of our Directors, and if necessary, the approval of our Shareholders. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and the Companies Law. Our past dividend payment history is not, and should not be taken as, an indication of our potential future practice on dividend payments. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

SUMMARY

RISK FACTORS

Our business faces risks including those set out in the section headed “Risk factors” in this document. Some of the principal risks that may materially and adversely affect to our business include:

- There is no guarantee that certain licences which are vital to operating our business could be acquired or renewed;
- Liquor licences are held by our employees and we may have to suspend or cease the sale of liquor in our shops if the relevant employees who hold the relevant liquor licences fail to transfer the licences in a timely manner;
- Our Group may not be able to find commercially favourable locations for our new business or renew property leases for our existing shops on terms that are agreeable to us;
- We depend on our major suppliers for the timely, stable and adequate supply of beverages;
- Increases in liquor and/or labour costs may adversely affect our operation and financial performances; and
- Our operations depend on key personnel and our business may suffer if we are unable to retain or replace them.

You should read the entire section headed “Risk Factors” in this document carefully before you decided to [REDACTED].

[REDACTED] STATISTICS

[REDACTED]

DEFINITIONS AND GLOSSARIES

In this document, unless the context otherwise requires, the following expressions shall have the following meanings.

“Accountants’ Report”	the Accountants’ Report prepared by Deloitte Touch Tohmatsu, Certified Public Accountants, set forth in Appendix I to this document
“affiliate(s)”	any other person(s), directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Amusement Game Centre Licence” or “AGC Licence”	licence required under the Amusement Game Centres Ordinance (Cap 435 of the Laws of Hong Kong) to operate an amusement game centre
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company adopted on [●] 2016, as amended from time to time, a summary of which is set out in Appendix III to this document
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Bar Pacific BVI” or “Bar Pacific Group Limited”	Bar Pacific Group Limited, being a company incorporated in BVI on 24 February 2014. It is wholly owned by the Company
“Bar Pacific Trust”	a trust known as Bar Pacific Trust, which was established by Ms. Tse as settlor on 25 March 2014 for the benefit of herself and her daughter, namely Ms. Chan Tsz Kiu, Teresa, and the trustee of which is Harneys Trustees Limited, an Independent Third Party
“Bar Pacific Entertainment Limited”	Bar Pacific Entertainment Limited, being a company incorporated in Hong Kong on 4 March 2014. It is wholly owned by the Company
“Board”	the board of Directors
“BP Sharing”	BP Sharing Limited, being a company incorporated in BVI on 1 September 2015
“business day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“BVI Holdco”	Moment to Moment Company Limited, a company incorporated in BVI with limited liability on 22 September 2016, the entire issued share capital of which is owned by Harneys Trustees Limited, the trustee of the Bar Pacific Trust

DEFINITIONS AND GLOSSARIES

“CAGR”	compounded annual growth rate
“Capitalisation Issue”	the issue of [REDACTED] Shares to be made upon capitalisation of the amount of HK\$[6,449,500] standing to the credit of the share premium account of our Company as referred to in the paragraph headed “A. Further information about the Company — 3. Written shareholders’ resolutions of the Company passed on [●]” in Appendix IV to this document
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant(s)”	person(s) admitted to participate in CCASS as direct clearing participant(s) or general clearing participant(s)
“CCASS Custodian Participant(s)”	person(s) admitted to participate in CCASS as custodian participant(s)
“CCASS Investor Participant(s)”	person(s) admitted to participate in CCASS as investor participant(s) who may be individual(s) or joint individuals or corporation(s)
“CCASS Participant(s)”	CCASS Clearing Participant(s), CCASS Custodian Participant(s) or CCASS Investor Participant(s)
“CEO”	chief executive officer
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, “us” or “we”	Bar Pacific Group Holdings Limited (太平洋酒吧集團控股有限公司), an exempted company incorporated in the Cayman Islands under the Companies Law with limited liability on 2 June 2016
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules

DEFINITIONS AND GLOSSARIES

“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and, in the context of our Company, refers to BVI Holdco, Ms. Tse and Ms. Chan Ching, Mandy or, where the context so requires, any one of them.
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“DCO”	Dutiable Commodities Ordinance (Chapter 109 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“DCR”	Dutiable Commodities (Liquor) Regulations (Chapter 109B of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Deed of Indemnity”	the deed of indemnity dated [●] 2016 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) regarding certain indemnities as more particularly set out in the paragraph headed “E. Other information — 1. Tax and other indemnities” in Appendix IV to this document
“Deed of Non-competition”	the deed of non-competition dated [●] 2016 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time), regarding the non-competition undertakings as more particularly set out in the paragraph headed “Relationship with Controlling Shareholders — Deed of Non-competition” in this document
“Director(s)”	director(s) of our Company
“District Officer”	officer from District Office of Home Affairs Department
“EBITDA”	earnings before interest, taxes, depreciation and amortisation
“EPD”	Environmental Protection Department of the Government
“Euromonitor”	Euromonitor International Limited, an independent market research institution
“Euromonitor Report”	an independent market report commissioned by our Company on the bar/pub industry prepared by Euromonitor in September 2016
“FBR”	Food Business Regulation (Chapter 132X of the Laws of Hong Kong)
“FEHD”	Food and Environmental Hygiene Department of the Government
“GDP”	Gross Domestic Product

DEFINITIONS AND GLOSSARIES

“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“Government”	the government of Hong Kong
“Group”, “we”, “our” or “us” or “Bar Pacific Group”	our Company and our subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our existing subsidiaries, our existing subsidiaries
“Hacienda International Corporation Limited”	Hacienda International Corporation Limited, being a company incorporated in Hong Kong on 17 May 1999. It is wholly owned by the Company
“HK\$” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKASs”	Hong Kong Accounting Standards
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Legal Counsel”	Mr. Chan Chung, barrister-at-law of Hong Kong
“Hong Kong Police”	the Hong Kong police force
“Hong Kong Share Registrar”	[REDACTED]
“[REDACTED]”	[REDACTED]
“Independent Third Party(ies)”	individual(s) or company(ies) who is/are not connected person(s) of our Company
“Latest Practicable Date”	22 September 2016, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information in this document prior to its publication
“[REDACTED]”	[REDACTED]

DEFINITIONS AND GLOSSARIES

“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“LLB”	Liquor Licensing Board of the Government
“Memorandum”	the amended and restated memorandum of association of our Company adopted on [●] 2016, as amended from time to time, a summary of which is set out in Appendix III to this document
“Mr. Fung”	Mr. Fung Sik Lun, one of the shareholders of Fortune Worth Investment Holdings Limited, the [REDACTED] Investor
“Mr. Wong”	Mr. Wong Kin Chung, one of the shareholders of Fortune Worth Investment Holdings Limited, the [REDACTED] Investor
“Ms. Tse”	Ms. Tse Ying Sin Eva, an executive Director, Chairlady and CEO
“Occupation Permit”	an occupation permit is a statutory document issued by the Buildings Department certifying the satisfactory completion of a new building, part of a new building, or a temporary building
“Passport”	Passport is a global market research database owned by Euromonitor. It provides insight on industries, economies and consumers worldwide
“[REDACTED] Investor”	Fortune Worth Investment Holdings Limited, being a company incorporated in BVI on 18 September 2015 and is owned as to 50% and 50% by Mr. Fung and Mr. Wong, respectively
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]

DEFINITIONS AND GLOSSARIES

“POS”	point-of-sales
“PRC”	the People’s Republic of China which, for the purpose of this document and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“Reorganisation”	the corporate reorganisation of our Group in preparation for the [REDACTED], details of which are set out in the paragraph headed “History, Development and Reorganisation — Reorganisation” in this document
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on [●] 2016, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” in Appendix IV to this document
“Shareholder(s)”	holder(s) of the Share(s)
“Sponsor” or “LY Capital”	LY Capital Limited, a licensed corporation registered under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of regulated activities as defined in the SFO, being the sole sponsor to the [REDACTED]
“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS AND GLOSSARIES

“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and, in the context of our Company, refers to the entities disclosed in the section headed “Substantial Shareholders” in this document or, where the context so requires, any one of them
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Tank Success International Limited”	Tank Success International Limited, being a company incorporated in Hong Kong on 18 March 2003. It is wholly owned by the Company
“Track Record Period”	the two years ended 31 March 2016
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“%”	per cent
“US\$”	United States dollars, the lawful currency of the United States
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements which are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- (a) our business strategies and plans of operation;
- (b) our capital expenditure plans;
- (c) the amount and nature of, and potential for, future development of our business;
- (d) our operations and business prospects;
- (e) our dividend policy;
- (f) the regulatory environment of our industry in general;
- (g) future development in our industry; and
- (h) the domestic economy.

The words “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would” and similar expressions, as they relate to our Group, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this document. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove to be incorrect.

Subject to the requirements of the GEM Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

RISK FACTORS

[REDACTED] should consider carefully all the information set out in this document and, in particular, should consider and evaluate the following risks associated with [REDACTED] our Company before [REDACTED] in relation to our Company. Our business, financial condition and results of operations could be adversely affected by the materialisation of any of the following risks. [REDACTED] of the Shares could decline due to any of the following risks, and you may [REDACTED].

RISKS RELATING TO OUR BUSINESS

There is no guarantee that certain licences which are vital to operating our business could be acquired or renewed

The operation of our business relies fundamentally on the acquisition or renewal of three principal types of licences for each of our shops, namely, liquor licence (permitting the shop to sell liquor for consumption on the premises and required to be obtained before the commencement of such sales), light refreshment restaurant licence (permitting the shop to prepare and sell certain food items as listed by the Government for consumption on the premises and required to be obtained before the commencement of such sales) and water pollution control licence (permitting the discharge of any trade effluents into a communal sewer or drain in a water control zone and required to be obtained before any discharge of trade effluents into a communal sewer or communal drain in a water control zone commences subject to relevant regulations).

The grant of the abovementioned licences is subject to the approval of the relevant departments of the Government and the conditions for acquiring or renewal of these licences may be subject to changes of the relevant Hong Kong laws and regulations from time to time. Hence, there is no guarantee that the licences could be renewed upon their expiry or new licences could be obtained for our new shops. The liquor licence and light refreshment restaurant licence are typically granted for one year; whereas the water pollution control licence is typically granted for five years. Please refer to the section headed “Laws and Regulations of the Industry” in this document for further details. If our Group fails to acquire or renew all or some of the requisite licences subject to relevant regulations, our business and financial performance may be materially and adversely affected.

Even if we satisfy the conditions for renewal of such licences upon expiry, there is no assurance that we are able to renew them immediately. In the event that such licences cannot be renewed immediately due to delay by the relevant authorities, we may need to suspend or cease our operation for a certain period until the licence is renewed, which may adversely affect our business and profitability. Please refer to the section headed “Business — Compliance matters” in this document for further details. There is no assurance that such breaches will not adversely affect the renewal of our liquor licences.

RISK FACTORS

Liquor licences are held by our employees and we may have to suspend or cease the sale of liquor in our shops if the relevant employees who hold the relevant liquor licences fail to transfer the licences in a timely manner

Liquor licence is required to be held by an individual rather than a company according to the relevant laws and regulations in Hong Kong. As such, our employees hold all our liquor licences for our shops. Please refer to the section headed “Business — Licenses, Permits and Approvals” in this document for details of our liquor licences.

There is no guarantee that these licence holders will not resign from our Group or commit misconduct which may cause the licences to be revoked. In the event that these employees leave our Group, we will need to apply for our liquor licence to be transferred to another employee. In accordance with the DCR, any transfer of a liquor licence must be conducted in the form as determined by the Liquor Licensing Board, which as at the Latest Practicable Date, requires the current holder of the licence to consent to a transfer. If the relevant employee refuses to give such consent, the relevant shop may have to suspend or ceases its sale of liquor for a certain period, which may adversely affect the business and profitability of our Group.

If we are unable to acquire or renew our liquor licences in a timely manner, the loss of licences may cause material adverse impact on our business and financial performances.

Our Group may not be able to find commercially favourable locations for our new business or renew property leases for our existing shops on terms that are agreeable to us

Our Directors believe that having a commercially favourable location is one of the key factors to our success. As at the Latest Practicable Date, we had 32 shops, all of which are located on leased properties and on the street level. Save for Shop VII and Shop XVIII, all the leases of our shops will expire between 2016 and 2019. For further details of the leases of our shops, please refer to the section headed “Business — Properties” in this document. There is no assurance that our Group can secure commercially favourable locations with reasonable terms either for existing or new shops. If any lease is not renewed, we may not be able to have alternative premises with comparable terms on a timely manner. In case where we need to close down a shop upon expiry of a lease, the business of the shop will be disrupted and we may have to incur extra costs to relocate. In the event that our Group could not enter into any leases for suitable locations, our plan for relocation or expansion shall be held up, and our operational and financial conditions could be adversely affected.

It is also uncertain whether we can renew the leases on terms acceptable to us. Any significant increase in rental could have adverse impact on our operation and financial performances.

We depend on our major suppliers for timely, stable and adequate supply of beverages

Our Directors believe that one of the key factors to the success of our business is our ability to source stable and adequate supply of beverages at a competitive price. For the two years ended 31 March 2016, the purchases from our top five suppliers accounted for approximately 90.7% and 82.0% respectively, and in particular, that of our largest supplier accounted for approximately 35.1% and 36.5%, of our total purchases for the respective years. There is no guarantee that we will be able to maintain business relationships with our key suppliers.

RISK FACTORS

Various reasons may result in a reduction or even a disruption of beverage supplies to us, including, amongst others, adverse weather conditions, natural disasters, cessation of suppliers’ operation, etc which are out of our control. We may not be able to source beverages from alternative suppliers within a short period of time with acceptable terms, and may result in a shortage of certain beverages and other supplies in our shops. In such circumstances, our operation and financial performances may be materially and adversely affected.

Future growth relies on our ability to open new shops and our new shops may not operate as successfully as our Group has anticipated

The bar industry in Hong Kong is highly competitive. We plan to open a total of twelve shops in the four years ending 31 March 2020 after the [REDACTED]. Our Directors believe that our future growth relies on our ability to open and operate new shops. However, the success of the new shops depends on various factors including, among others, market condition, the location, renovation and timely obtaining relevant licences. There is no assurance that any new shops will be able to attract enough customers to breakeven. If we fail to operate our new shops profitably, our financial performances will be adversely affected.

Increases in liquor and/or labour costs may adversely affect our operation and financial performances

Our key income source comes from the sales of liquors. Costs of inventories sold accounted for approximately 24.7% and 22.5% of our revenue for each of the two years ended 31 March 2016 respectively. The increase in distribution costs or sales prices may cause our purchase cost to increase. Our agreements with most of the liquor suppliers for the supplies of liquors are for a term of up to one year. If we are unable to anticipate and react to the increase in purchase cost; or if we are unwilling to pass these cost increase to our customers, our operating margins may decrease and this will affect our business materially and adversely.

Our Group attracts, motivates and retain qualified employees by offering competitive wages and other benefits to them. As the labour costs in Hong Kong continue to increase in recent years, the salary level of employees in the bar industry has generally increased as well. The labour costs accounted for 25.7% and 28.8% of our Group’s revenue for each of the two years ended 31 March 2016, respectively. Our operation and financial performances may be adversely affected if there is any significant increase in labour costs.

Any damages or infringement to our brand may impact our operation

Our Directors believe our brand is one of the key factors to attract customers. Any incidents that damage our reputation, such as liability claims, litigations, customer complaints, illegal activities conducted by the customers in our shops or other adverse publicity relating to our shops; or any infringement by our competitors by illegally using our brand may have a negative impact on our brand.

Although we have strict guidelines and controls against any illegal activities or misconducts including, among others, theft, fraud, fights and drug abuse in our shops, we may not be able to detect, deter and prevent all these misconducts by our customer or even our staff. Also, any customers with

RISK FACTORS

excess alcohol may disturb other customers or conflict with our staff. Our Group is not legally liable for any illegal activities conducted by customers which are not permitted in our shops. Nevertheless, our reputation and operation may be adversely affected if such misconducts occur frequently in our shops.

During the Track Record Period and up to the Latest Practicable Date, we are not aware of any incidence of serious customer complaints or other claims that could have material adverse effect on our business and operational results. Also we are not aware of anyone illegally using our brand. However, we cannot assure you that we will not receive any serious customer complaints or anyone illegally uses our brand which may materially affect our operation in the future. Any damages or infringement to our reputation or brand may have adverse impact on our operation and financial performances.

Our operations depend on key personnel and our business may suffer if we are unable to retain or replace them

Our performance and implementation of our business plans and strategies depends significantly on the vision of our key personnel including our executive Directors and senior management. Please refer to the section headed “Directors, Senior Management and Employees” in this document for details of the responsibilities of our executive Directors and senior management. If these key personnel are unable or unwilling to continue their service, our Group may not be able to replace them with persons of equivalent expertise and experience within a reasonable period of time or at all.

Given that the competition to recruit key personnel is intense, we may not be able to attract or retain those key personnel. Should key personnel cease to be involved in our management in the future and we fail to find suitable replacements, our operation and profitability may be materially and adversely affected. Additionally, we may need to incur additional costs to recruit, train and retain key personnel.

We may not have adequate insurance coverage

Our Directors believe that we have obtained all relevant insurance policies that are adequate and customary for business of our size and type. Please refer to the section headed “Business — Insurance” for further details. However, there is no assurance that we have all insurance coverage and there may be some losses that cannot be insured against or we believe that those losses are not commercially reasonable to insure, such as loss of reputation. If we were held liable for any uninsured losses or amounts and claims for insured losses exceeding the limits of the insurance coverage, our operation and financial performances may be adversely affected.

POS system failures could interrupt our operations and adversely affect our business

Our Group relies on our POS system across our operations to monitor the daily operations of our shops and to collect accurate up-to-date financial and operating data for business analysis. However, we may experience interruptions in our POS system due to events beyond our control such as interruptions caused by computer viruses, hardware and software failure, power outages and other similar events in the future. Any interruption or failure to our POS system could have material adverse impact on our business and results of operations. During the Track Record Period and up to the Latest Practicable Date, we have not encountered any POS system failure that could have material adverse effect on our business and operational result.

RISK FACTORS

Our historical financial and operating results may not be indicative of future performance

Our historical results may not be indicative of our future performance. Our financial and operating results may not meet the expectations of public market analysts [REDACTED], which could cause the future price of our Shares to decline. Our revenues, expenses and operating results may vary from period to period in response to a variety of factors beyond our control, including general economic conditions, special events, regulations or actions pertaining to shops based in Hong Kong and our ability to control costs and operating expenses. Our historical results should not be relied to predict the future performance of our Shares.

We have records of certain non-compliance of Hong Kong regulatory requirements

Our company has on various occasions not fully complied with certain statutory requirements, including:

- Conduct of business without liquor licence and light refreshment restaurant licence
- Breach of conditions of liquor licences
- Failure to obtain water pollution control licences
- Contravention of prescribed use in the occupation permits
- Operation of electronic darting machines without an Amusement Game Centre Licence

For details, please refer to the section headed “Business — Compliance matters” in this document.

There is no assurance that the relevant authorities would not take any enforcement action against us and our Directors in relation to the non-compliance, including but not limited to imposing fines or other penalties. In the event that such enforcement action is taken, our reputation, cash flow and results of operations may be adversely affected.

Opening of new shops and closing of existing shops could result in fluctuations in our financial performance

Our operating results have been, and in the future may continue to be, significantly influenced by the timing of the opening of new shops, which is often affected by factors beyond our control, such as, initially lower sales and higher operating costs, as well as changes in our geographic distribution due to the opening of new shops and also closing of existing shops. New shops also incur expenses before opening such as rental expenses, renovation expenses and staff costs. Based on our past experience, the time required to open a shop from the time we take possession of the premise to the official opening of a shop is approximately six months. However, there have been delays in opening some of the shops during the Track Record Period due to unexpected longer period to obtain the requisite licences such as liquor licence, light refreshment restaurant licence and water pollution control licence. All of our current expansion plan for new shops are prepared based on the assumption that the shops could be opened within a six-month period. Any delay in opening new shops and/or closing of existing shops will affect the number of shops and the number of operation days we have in operation during the financial year, which will affect our results of operations. Accordingly, the number and timing of new shop openings

RISK FACTORS

has had, and may continue to have, a meaningful impact on our profitability. As a result, our results of operations may fluctuate significantly from period to period and comparison of different periods may not be meaningful.

RISKS RELATING TO OUR INDUSTRY

Bar industry is a competitive industry

There is a large number of bar outlets in Hong Kong which makes the bar industry highly competitive. According to the Euromonitor Report, as at 31 December 2015, there were 743 bars in Hong Kong. New entrants may enter into the industry so long as they obtain the requisite licences. We will have to compete against these new market entrants. There is no assurance that our Group will be able to maintain our competitive strengths by responding rapidly to the changing business environment. Any intensified competition may result in price reductions, which in turn, may erode our market share and have an adverse impact on our operating performance and financial results.

Apart from the new market entrants, we also face competition from the existing market competitors which may offer promotions such as special price to attract our customers. We may not be able to compete effectively and successfully with the competitors and the results of our operations may be adversely affected should such competition be intensified. If we are not able to retain our customers and also attract new customers, our operation and financial performances may be adversely affected.

General economic and market conditions in Hong Kong could materially and adversely affect our business

All our shops are located in Hong Kong and our Group had derived all our income in Hong Kong during the Track Record Period. Accordingly, our business, financial condition, results of operations and prospects are affected by economic conditions, as well as government policies, economic, social, political and legal developments in Hong Kong. In the event of any economic downturn, our customers may spend less in our shops or even come to our shops less often. If consumers' spending pattern changes in Hong Kong, we may not be able to divert our business to other geographic locations. In such cases, our operation and financial performances may be adversely affected.

Our operating results may fluctuate due to seasonal factor

Our results of operations may fluctuate significantly from time to time due to seasonal factor. Based on our Directors' experience, our Group generally experience high seasons in July, August and December which we believe is due to the summer holidays and Christmas respectively. As a result of the above factor, our results of operation may fluctuate significantly from time to time and comparison between different periods may not be meaningful. The results for a given period are not necessarily indicative of results to be expected for any other period.

RISK FACTORS

OTHER RELEVANT RISKS

[REDACTED]

[REDACTED] interest as Shareholders may be diluted if we raise funds by issuing more Shares

If we raise funds by issuing new Shares or equity-linked securities in the future in order to meet our fund needs, [REDACTED] percentage of ownership of our Company may decrease. Additionally, if the new equity that we issue confers preferential rights, such rights may take priority over those rights conferred by our Shares.

Issue of new Shares under the Share Option Scheme may decrease our Shareholders’ value [REDACTED]

We have conditionally adopted the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” in Appendix IV to this document. Following the grant of any option under the Share Option Scheme in the future and the issue of new Shares upon the exercise of any option which may be granted under the Share Option Scheme, there will be a dilution or reduction in shareholding of our then Shareholders and it may also result in a dilution or reduction in the earnings per Share or net asset value per Share.

Sales or perceived sales of substantial amounts of the Shares in the public market by our Controlling Shareholders after [REDACTED] could adversely affect the [REDACTED] of the Shares

Our Shares beneficially owned by our Controlling Shareholders are subject to certain lock-up periods under the GEM Listing Rules and [REDACTED], details of which are set out in the paragraphs headed “Underwriting — Restrictions and undertakings under the GEM Listing Rules” and “Underwriting — Undertakings under [REDACTED]” in this document. There is no assurance that our Controlling Shareholders, whose interests may be different from those of our other Shareholders, will not dispose of their Shares following the expiration of the lock-up periods. Sales of substantial amounts of the Shares [REDACTED], or the perception that such sales may occur, could adversely affect the [REDACTED] of the Shares.

RISK FACTORS

Our dividend distribution after the [REDACTED] will be made at the discretion of our Directors

Following completion of the [REDACTED], our Shareholders will be entitled to receive dividends only when declared by our Board. The payment and the amount of any future dividend will be at the discretion of our Board and will depend on, among others, our earnings, financial condition, cash requirement and availability, and other factors as our Directors may deem relevant. As such factors and the payment of dividends are at the discretion of our Board which reserves the right to change its plan on the payment of dividends, there can be no assurance that any particular dividend amount, or any dividend at all, will be declared and paid in the future. We declared dividends of nil and HK\$9.1 million for the year ended 31 March 2015 and 2016 respectively. We cannot assure you that we will declare or pay dividends in the future, and [REDACTED] should be aware that the amount of dividends that were declared and paid in the past should not be used as a reference or basis upon which future dividends will be determined. However, the amount of dividends that our Company has declared and made in the past do not indicate the dividends that our Company may pay in the future.

[REDACTED] may face difficulties in protecting their interests under the Cayman Islands law

The rights of our Shareholders to take actions against our Directors and the rights of our minority Shareholders to take actions against us and the duties of our Directors towards us and our Shareholders are governed by the common law of the Cayman Islands and our Articles of Association. In general, our corporate affairs are governed by, amongst others, the laws of the Cayman Islands, our Articles of Association and the Companies Law. The laws of the Cayman Islands to the protection of the interests of minority shareholders may differ from the legal position for minority shareholders of companies incorporated in Hong Kong and other jurisdictions. For further details, please refer to the section headed “3. Cayman Islands Company Law” in Appendix III to this document.

[REDACTED] should read the entire document carefully, and are strongly cautioned not to place any reliance on information contained in the media or the press which are not consistent with the information in this document

There may have been press and media coverage regarding us and the [REDACTED] prior to the publication of this document. We may not have any control over the information that is released in press and media reports, and may not have authorised such reports. We therefore make no representation as to the accuracy, completeness or reliability of the information in any such press or media coverage. To the extent that the information in such press or media coverage conflicts with the information we have provided in this document, we disclaim such information. [REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS, SENIOR MANAGEMENT AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Residential address	Nationality
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Executive Directors

Ms. Tse Ying Sin, Eva (謝熒倩) (Chairlady and CEO)	Flat B, 5/F, Block 1 Balwin Court, 154–164 Argyle Street Kowloon City Kowloon Hong Kong	Chinese
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Mr. Chan Darren Chun-Yeung (陳振洋)	Flat 39A, Block 5 Dynasty Court, 23 Old Peak Road Mid-level Hong Kong	Chinese
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Independent non-executive Directors

Mr. Tang Wing Lam David (鄧榮林)	Flat G, 11th Floor, Block 2 Lido Garden, 41–63 Castle Peak Road Tsuen Wan, New Territories Hong Kong	Chinese
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Mr. Chin Chun Wing (錢雋永)	Flat B, 9/F, Block 8 Whampoa Garden, Site 9 Hung Hom, Kowloon Hong Kong	Chinese
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Mr. Yung Wai Kei (容偉基)	Flat D1, 3/F, Block D Paterson Building 37–47 Paterson Street Causeway Bay Hong Kong	Chinese
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DIRECTORS, SENIOR MANAGEMENT AND PARTIES INVOLVED IN THE [REDACTED]

SENIOR MANAGEMENT

Name	Position	Residential address
Ms. Pan Mui Lie (范美麗)	Chief operation manager	Flat A, 7/F Wang Fung Building 31 Chi Kiang Street To Kwa Wan, Kowloon Hong Kong
Mr. Au Siu Lun (區兆倫)	District manager	Flat 3206 Yiu Fung House Tin Yiu Estate, Tin Shui Wai New Territories Hong Kong
Ms. Chan Ting (陳婷)	District manager	Room A, 6/F, Court Regence 183 Pei Ho Street Shum Shui Po, Kowloon Hong Kong
Ms. Poon Suet Hung (潘雪紅)	District manager	Flat E, 9/F, Savoy Garden 13–15 Kong Pui Street, Shatin Park Shatin, New Territories Hong Kong
Ms. Leung Ching Ming (梁靜明)	Operation supervisor	Room A, 7/F 126 Ma Tau Wai Road To Kwa Wan, Kowloon Hong Kong

For further information on the backgrounds of our Directors and senior management personnel, please refer to the section headed “Directors, Senior Management and Employees” in this document.

DIRECTORS, SENIOR MANAGEMENT AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Sponsor	LY Capital Limited Rooms 1901–02 China Insurance Group Building 141 Des Voeux Road Central Hong Kong <i>(A corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO)</i>
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[REDACTED]	[REDACTED]
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[REDACTED]	[REDACTED]
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Legal advisers to our Company	<i>As to Hong Kong law</i> CFN Lawyers In association with Broad & Bright 27th Floor, Neich Tower 128 Gloucester Road Wan Chai, Hong Kong <i>(Solicitors of Hong Kong)</i> <i>As to Cayman Islands law</i> Conyers Dill & Pearman Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands <i>(Cayman Islands attorneys-at-law)</i>
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DIRECTORS, SENIOR MANAGEMENT AND PARTIES INVOLVED IN THE [REDACTED]
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Legal advisers to the Sponsor and the [REDACTED]

As to Hong Kong law

King & Wood Mallesons

13/F, Gloucester Tower
The Landmark
15 Queen’s Road Central
Hong Kong
(Solicitors of Hong Kong)

Reporting accountants

Deloitte Touche Tohmatsu

35/F One Pacific Place
88 Queensway
Hong Kong
(Certified Public Accountants)

Compliance advisers

LY Capital Limited

Rooms 1901–02
China Insurance Group Building
141 Des Voeux Road Central
Hong Kong
(A corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO)

Property Valuer

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

6/F Three Pacific Place
1 Queen’s Road East
Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY-1111 Cayman Islands
Headquarters in Hong Kong and principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Room D2, 11/F, Phase 2 Hang Fung Industrial Building 2G Hok Yuen Street Hunghom Kowloon Hong Kong
Company’s website	www.barpacific.com.hk <i>(Note: the information contained in this website does not form part of this document)</i>
Company secretary	Mr. Chan Darren Chun-Yeung <i>HKICPA</i>
Authorised representatives (for the purpose of the GEM Listing Rules)	Ms. Tse Ying Sin Eva Mr. Chan Darren Chun-Yeung
Compliance officer	Mr. Chan Darren Chun-Yeung
Audit committee	Mr. Yung Wai Kei <i>(Chairman)</i> Mr. Chin Chun Wing Mr. Tang Wing Lam David
Remuneration committee	Mr. Chin Chun Wing <i>(Chairman)</i> Ms. Tse Ying Sin Eva Mr. Yung Wai Kei
Nomination committee	Ms. Tse Ying Sin Eva <i>(Chairman)</i> Mr. Chin Chun Wing Mr. Yung Wai Kei
Principal share registrar	[●]
Hong Kong branch share registrar	[REDACTED]

CORPORATE INFORMATION

Principal bankers

The Hongkong and Shanghai Banking Corporation
Limited
1 Queen’s Road
Central
Hong Kong

Industrial and Commercial Bank of China Limited
Hong Kong Branch
33/F, ICBC Tower
3 Garden Road
Central
Hong Kong

Bank of China (Hong Kong) Limited
G/F Bank of China Tower
1 Garden Road
Central
Hong Kong

INDUSTRY OVERVIEW

The information that appears under this section has been prepared by Euromonitor and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Euromonitor should not be considered as the opinion of Euromonitor as to the value of any security or the advisability of [REDACTED] in our Company. Our Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted which would render such information false or misleading. The information prepared by Euromonitor and set out in this section has not been independently verified by our Company, the Sponsor, the [REDACTED], the [REDACTED], any of our/their respective directors, officers, employees, agents or representatives, or any other person or party involved in the [REDACTED] and neither they nor Euromonitor give any representations as to its accuracy and the information should not be relied upon [REDACTED].

SOURCE OF INFORMATION

Our Company has commissioned Euromonitor, an independent market research company, to conduct an analysis of, among others, the bar/pub industry in Hong Kong for the period from 2011 to 2020 and to prepare the Euromonitor Report. Euromonitor is a market research company with a focus on research on a wide range of consumer, industrial, service and business-to-business markets and remains independent and privately owned. Euromonitor has run more than 100 [REDACTED] studies and research has been sought and included in numerous [REDACTED] for companies [REDACTED]. We have agreed to pay a fee of US\$45,770 for the Euromonitor Report, which we believe that such fee is in line with market rate. Our Directors are of the view that the payment of the fee does not affect the fairness of the conclusion drawn in the Euromonitor Report. Euromonitor is an independent global research organisation with its headquarter based in London, England with over 40 years of industry experience, and has 12 offices worldwide.

The Euromonitor Report includes information on the macroeconomic environment in Hong Kong, Hong Kong’s alcoholic drink on-trade market, bar/pub industry in Hong Kong, Hong Kong’s competitive landscape on bar/pub industry and other economic data. Euromonitor undertook both primary and secondary independent research through various sources. Primary research involved independent trade-level interviews with local bar/pub operators, government agencies and all related trade association(s) and authorities involved in the bar/pub industry. Secondary research involved reviewing related industry operator annual reports, industry reports and Euromonitor’s syndicated Passport database. To ensure forecasting accuracy, Euromonitor adopted its standard practice of quantitative and qualitative analysis of the market size and growth trends, on the basis of a comprehensive and in-depth review of the market’s historical and predicted future performance. The data was cross-checked with established government figures, industry figures, trade interviews and statistical tools (e.g. regression analysis, time-series analysis and data modelling) where possible.

Analyses in the Euromonitor Report are based on the following assumptions:

- the Hong Kong economy is expected to maintain steady growth over the forecast period of 2016–2020;
- the Hong Kong social, economic and political environments are expected to remain stable in the forecast period of 2016–2020; and
- there will be no external shock, such as a financial crisis or raw materials shortage that affects the demand and supply of food products in Hong Kong during the forecast period of 2016–2020.

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MACROECONOMIC ENVIRONMENT

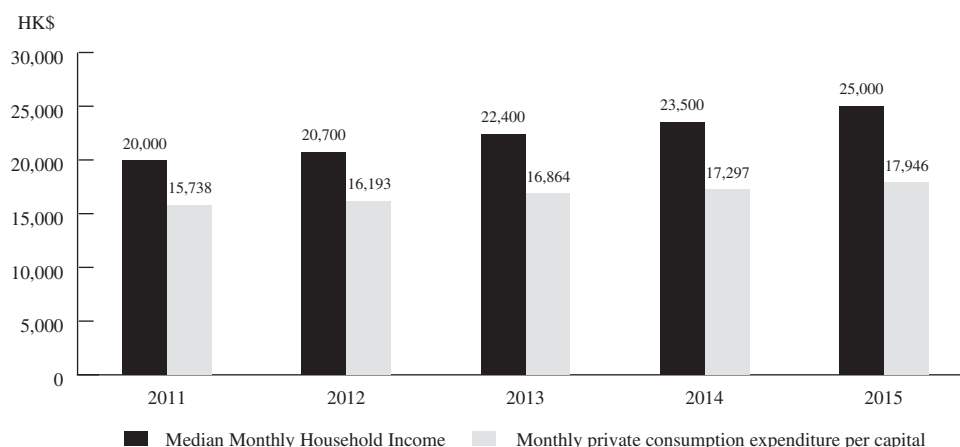
Hong Kong’s Economic Performance

Hong Kong’s economy has maintained a steady expansion of 5.6% CAGR during the period of 2011–2015. According to a report by the Census and Statistics Department of Hong Kong, nominal GDP in Hong Kong grew from approximately HK\$1,934 billion to HK\$2,403 billion between 2011 and 2015. This was due to a resilient domestic sector and Hong Kong’s ability to remain competitive in external trade amidst a challenging external environment.

Despite the global slowdown in export demand, Hong Kong continues to be ranked highly in the global benchmark indicators for economic competitiveness and investment inflows according to the 2016–17 Government budget report. The Hong Kong government is committed to expand Hong Kong’s competitiveness as well as exploring new growth areas in the domestic sector and in the region, in particular by deepening economic connections with China. China’s emphasis on its domestic consumption can be expected to offer new opportunities for Hong Kong in upcoming years.

The median monthly household income in Hong Kong increased from HK\$20,000 in 2011 to HK\$25,000 in 2015, representing a CAGR of 5.7% whilst the monthly private consumption expenditure per capita in Hong Kong increased from HK\$15,738 in 2011 to HK\$17,946 in 2015, representing a CAGR of 3.3%.

Median monthly household income and monthly private consumption expenditure per capita



Source: Hong Kong Census and Statistics Department, Euromonitor Report.

MARKET OVERVIEW

Overview of the customer expenditure on alcoholic drinks in Hong Kong

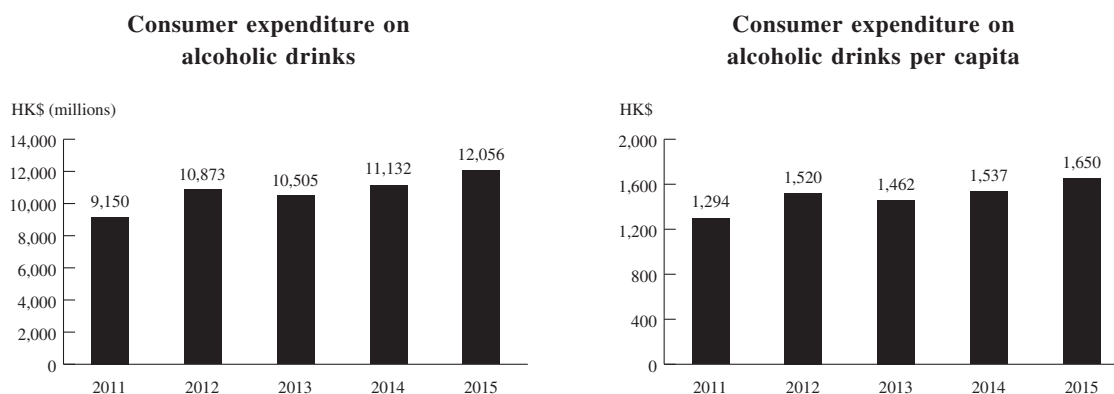
Consumer Expenditure on Alcoholic Drinks in Hong Kong

Hong Kong is characterised by vibrant eateries, bars/pubs and other social gathering venues. The culture of having casual drinks on Friday nights, networking events and social after-work drinks remains popular, thanks to the large western expatriate community in Hong Kong and the growing influence of local young adults. New concepts and innovative customer services appeal to local consumers, who continue to show interest in exploring new cafés, specialist coffee shops and bars. The rising number of singles amongst the local population is the largest driving factor in the modest growth in drinking spots.

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Lifestyle trends have supported growth in per capita spending on alcoholic drinks, which recorded 6.3% CAGR during the period of 2011–2015 to reach an average of HK\$1,650 in 2015. Consumption patterns for drinking venues look healthy, which will in turn spur a growing number of drinking venues to keep up with innovative developments in beverages.

Consumer expenditure on alcoholic drink and annual consumer expenditure on alcoholic drink per capita from 2011 to 2015



Source: Passport Data, Euromonitor Report.

Overview of the bar/pub industry in Hong Kong

Hong Kong already offers a myriad of foodservice choices and nightlife venues that are constantly innovating to adapt to changing consumer demands. While most of Hong Kong’s trendiest bars/pubs are located in central districts, a broad bar/pub market exists that encompasses different lifestyle and socialising needs. Many of the local bars/pubs that provide no-frills drinking venues operate within the residential districts cater to locals who look for assorted venues to relax and socialise, close to their neighbourhood. These local bars/pubs typically adopt a moderate rate of change as they target regular patrons to support their business. Although they may be less fancy in their services and variety of alcoholic drinks, they offer a lower price point to make up for customers’ demands.

Bar/pub operators adopt different pricing strategies to cater to different crowds in different areas to fill demand from a wide range of consumers. While some operators position their bars/pubs at a higher price range for their services and menus with the right atmosphere to boot, other operators fill the void in the lower segments of the market. Bars/pubs targeting the lower segments of the market typically provide no-frills drinking spots to service the community in local neighbourhoods.

Number of Bar/Pub outlets in Hong Kong

	2011	2012	2013	2014	2015	CAGR
Number of bar/pub outlet in Hong Kong	728	733	740	740	743	0.51%

Source: Passport Data, Euromonitor Report

Hong Kong has a well-established bar/pub industry that fulfils demands of its consumers. More innovations to the bars/pubs operations could be expected than the organic increase in outlets as growth in the bar/pub industry’s foodservice value is estimated at 0.6% CAGR over the forecast period of 2016–2020 compared to 0.3% CAGR for outlets number. This is further supported by an increasing per capita expenditure trend on alcoholic drinks consumption of 6.3% CAGR over the historic period of 2011 to

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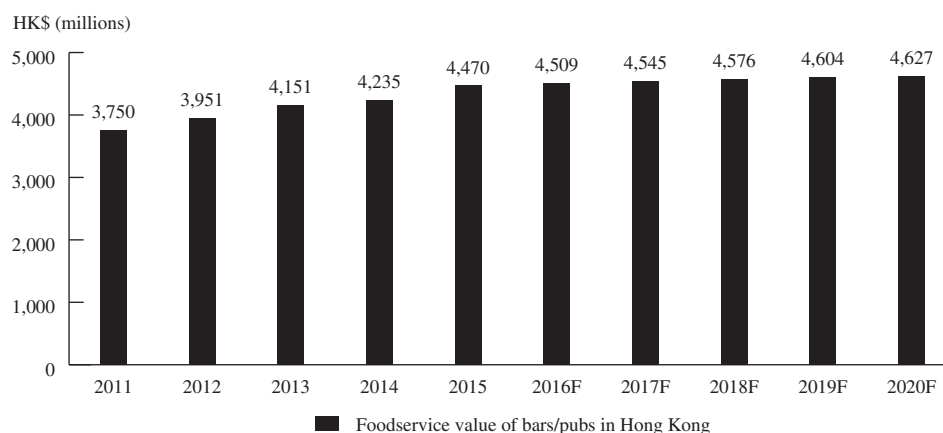
2015. In addition, according to trade sources, many bars/pubs have undertaken a growing trend towards transforming their outlets into more entertaining environments by staging events in their efforts to attract more customers.

Traditionally, bar/pub operators host events such as drinking competitions and game competitions at their outlets to drive sales. Bar/pub operators could co-organise drinking events with beverage suppliers who would promote their brands of alcoholic drinks during the events through sponsorship. Games that utilise available facilities in the bars/pubs such as darts or billiard competitions are common as well.

While there are plenty of bars/pubs in Hong Kong, trends tend to change over every 5 to 10 year cycles. According to trade sources, the bar industry had focused on strong spirits like Brandy, Cognac and Whisky as hard drinking was sought after by consumers in the 80s in Hong Kong. It was a period when customers sought hard drinking and favour volume over the quality of the alcoholic drinks. Subsequently, beer and cocktail were introduced to the drinking scene in the 90s in Hong Kong. During the 2000s, champagne and wine caught on in Hong Kong as bars that focused on hard drinking and ‘drink as much as you can’ concept faded away.

In the more recent years, bars/pubs that serve craft beers, wine and fine cocktails have been popular. Venues that offer games, big screen TV, live music and bar food are considered trendy among consumers in Hong Kong. According to trade sources, this concept will continue to dominate the market for the near future as bar operators innovate to create a fun and lively environment for its patrons. This trend is largely driven by consumers’ demand for quality alcoholic drinks and services as they are increasing appreciative of quality lifestyle and products.

Foodservice value (in retail selling price) of bars/pubs in Hong Kong from 2011 to 2015 and the forecast value from 2016 to 2020



Source: Passport Data, Euromonitor Report

Overview on costs components of bar/pub industry in Hong Kong

Beverage cost

The rising costs of alcoholic drinks added pressure to the operating costs of bars/pubs, which have in turn been passed on to consumers through higher menu prices. However, the competitive nature of the bar/pub industry means that there is a limitation for price increases for patrons. Hence, the increase in operational costs was mainly absorbed by bar/pub operators, depressing their profit margins.

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In light of the moderate rising cost of beer compared with other alcoholic drinks, local bar/pub operators, which have a focus in the sale of beers in this segment of the industry are thus subject to less operational pressure. Coupled with a stable demand for casual drinking venues in suburban regions throughout Hong Kong, local bar/pub operators therefore operate in a more favourable segment of the market compared to the high-end bars/pubs which tend to focus on products within the wine category.

The cost price of beer is generally expected to remain stable in the near future with no expectation for price shock in sight.

Alcoholic drink (Manufacturer’s Selling Price per litre in HK\$) from 2011 to 2015

	2011	2012	2013	2014	2015	CAGR
Beer						
Imported Premium Lager	26.12	26.55	27.00	27.53	28.17	1.9%
Domestic Mid-Priced Lager	16.63	17.08	17.73	17.96	18.18	2.3%
Imported Mid-Priced Lager	20.35	20.55	21.16	21.37	21.89	1.8%
Spirits						
Canadian Whisky	195.31	197.20	202.06	205.43	209.68	1.8%
Irish Whiskey	184.29	186.65	190.46	193.64	197.26	1.7%
Other Blended Scotch Whisky	232.67	237.06	246.09	254.14	261.30	2.9%
Single Malt Scotch Whisky	387.98	394.57	406.47	417.98	428.64	2.5%
English Gin	115.15	117.96	122.07	124.44	126.50	2.4%
Vodka	149.05	151.92	156.16	159.91	163.30	2.3%
Wine						
Still Red Wine	121.44	128.32	136.77	139.99	143.44	4.2%
Still White Wine	115.58	121.64	128.70	132.95	136.97	4.3%

Source: Passport Data, Euromonitor Report.

Rental price

Over the period of 2011–2015 and in tandem with the heated property market, retail rental prices experienced consistent year-on-year increases, peaking in 2012 when the rise in average per square metre rental rates rose at a double-digit pace. With rental rates being a core component of operational costs for bars/pubs, this significantly and systematically impacted operators’ margins. According to trade sources, some independent bars/pubs have either relocated or new bar/pub establishments have sprung up in less conventional locations. Some of such locations include residential heartlands in the New Territories such as Shatin and Tsuen Wan to avoid high rentals in tourist hotspots such as Central, Causeway Bay, Tsim Sha Tsui and Mong Kok. In 2015, given the general economic slowdown, bar/pub operators gained some respite with rental rates falling for the first time throughout the period of 2011–2015 within the Hong Kong Island and Kowloon regions by -0.8% and -1.0%, respectively.

Private retail average rent from 2011 to 2015

	Hong Kong Island		Kowloon		New Territories	
	HK\$		HK\$		HK\$	
	per sq.m.	% Change	per sq.m.	% Change	per sq.m.	% Change
2011	1,296	4.6%	1,243	6.1%	1,038	10.2%
2012	1,465	13.0%	1,443	16.1%	1,161	11.8%
2013	1,549	5.7%	1,482	2.7%	1,176	1.3%
2014	1,628	5.1%	1,534	3.5%	1,250	6.3%
2015	1,615	-0.8%	1,519	-1.0%	1,284	2.7%

Source: Rating and Valuation Department of Hong Kong, Euromonitor Report.

INDUSTRY OVERVIEW

Key market drivers of bar/pub market in Hong Kong

According to Euromonitor Report, the following are key market drivers of the bar/pub industry in Hong Kong:

Concept or theme bars/pubs drive revenue receipts

Of the various types of drinking establishments, a large number of independent bars/pubs differentiate their outlets through innovative services or drink menus. In addition, there are also chained operators that manage multiple outlets each under a different brand name for a specific concept or theme. Ultimately, beyond the usual happy hour promotions or live band performances, bars/pubs are striving to create a warm and fun experience for customers in their establishments as consumers are becoming more appreciative of quality lifestyle.

In the recent years, a wave of chic bars/pubs that brought in darts and other interactive entertainments such as karaoke for their patrons established a successful model for fun bar/pub concepts to Hong Kong. This has been a refreshing idea for socialising and entertainment and can be expected to do so for the foreseeable future driving more spending.

Demand for casual drinking and dining continues

As Hong Kong people go about their lifestyle hanging out and socialising, local bars/pubs adapt to the needs of their patrons to serve them better. Besides serving alcoholic drinks at competitive pricing, many bars/pubs are increasingly also offering light bar food to cater to a wider crowd and to keep them longer in their establishments. The move drives more spending at bars/pubs by drawing in patrons who seek to socialise over some snacks and alcoholic drinks.

Local bars/pubs set up establishments near residential districts

Local bars/pubs cater well to their target patrons by locating in the neighbourhoods nearer to the residences. The top five bar/pub operators have a fairly large number of bar/pub outlets in districts in the New Territories region. While most of the sophisticated bars/pubs are located in the core central districts, local bars/pubs keep up by providing an amicable drinking atmosphere. Larger chained operators would also collaborate with beverage suppliers to run promotional events at their outlets to create entertainment value to the patrons.

Key market constraints of bar/pub industry in Hong Kong

According to Euromonitor Report, the following are key market constraints of the bar/pub industry in Hong Kong:

Industry growth inhibited by weak growth in inbound tourism

In 2015, the number of inbound tourists declined as mainland Chinese, who accounted for 77% of total inbound tourists, opted for other travel destinations. According to the Tourism Board of Hong Kong, total visitor arrivals declined by 2.5% from 2014 to 2015. In addition, inbound tourism expenditures declined by 7.5% over the same period.

While the bars/pubs industry continues to observe moderate growth in 2015, the protracted slowdown in visitor arrivals is expected to inhibit the growth of the overall industry. This would affect in particular, the more popular nightlife hotspots frequented by tourists located in the Central, Causeway Bay, Tsim Sha Tsui and Mong Kok districts. Nevertheless, the slowdown in tourism would have a lesser effect on local neighborhood bars/pubs as these establishments tend to target regular local clientele.

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Rising labour costs continue to squeeze operator profits

In 2015, the Hong Kong government revised the minimum wage upwards from HK\$30.0 per hour to HK\$32.5 per hour after adjusting from HK\$28.0 to HK\$30.0 in 2013. The adjustment had an immediate impact on the foodservice industry. With this regulatory revision, foodservice operators had to absorb the wage hike, which added to their operating costs. Based on the wages of the relevant occupations, as reported by the Census and Statistics Department of Hong Kong, bars/pubs are compelled to squeeze margins even as labour cost continues to climb. Average wage for waiter/waitress and dishwasher has all grown significantly, of which wages of dish washers grown the most at a CAGR of 10.0% over the period from 2011–2015.

Economic conditions may dampen overall consumer spending

The Hong Kong economy slowed down in the latter half of 2015 and beginning of 2016, in line with subdued global growth and sharp revisions in global financial and monetary conditions, which led to a deeper setback in trade for both goods and services. While total imports declined by -4.1%, domestic exports declined even more sharply at -15.2% in 2015. Unfavourable economic conditions will definitely impact on discretionary spending among Hong Kong consumers. While high-end entertainment venues and night spots could see lower revenue receipts, local bars/pubs might be less affected as they tend to be insulated by their lower operational costs, coupled by their more competitive pricing. This is especially so for local bars/pubs which tend to target the casual drinking crowd who may also be their regular patrons.

Key market entry barriers

According to Euromonitor Report, the following are key market barriers of the bar/pub market in Hong Kong:

Barriers to entry are low but so is the survival rate

There remain few barriers to entry for new bar/pub operators due to the business-friendly environment in Hong Kong. New business owners face minimal bureaucracy when applying for operating licences as well as obtaining capital investment for their respective ventures. However, the survival rate for new bars/pubs is low as many inexperienced operators grapple with intense competition from existing heavyweights if they are unable to quickly carve out a niche offering and/or have sufficient patrons to break even in the first few years.

New players crowded out by large operators

Larger bar/pub groups in Hong Kong have the management expertise, financial capability and negotiating power to manage operational costs and challenges. By operating and generating revenue through multiple chained outlets whilst keeping their procurement process centralised, this allows chained operators to lower the overhead per outlet compared to independent bar/pub operators which do not gain from cost economies of scale. On the other hand, smaller chains and independent groups that continue to thrive typically have strong relationships with their landlords and have built up a sturdy reputation within the bar/pub landscape which provides them with the leverage to reduce the incidence of being wrestled out by larger competitors.

INDUSTRY OVERVIEW

Future Outlook

According to Euromonitor Report, the future outlook of the bar/pub industry in Hong Kong is as follows:

Rising consumer sophistication for novel drinking venues drives innovation

As Hong Kong consumers become more sophisticated in their dining preferences, many are expected to demand value-for-money casual drinking propositions ranging from novel socialising experiences to premium alcoholic drinks. Bars/pubs will be compelled to innovate to meet the growing demands of their clientele or risk losing them to competitors who are able to provide the desired experience.

Labour shortage continues to hinder staffing operations of bars/pubs

A shortage of quality customer service staff is expected to continue to challenge bar/pub operators in Hong Kong. Customer service within the foodservice industry is perceived to be a less than desirable occupation by the local populace, forcing bar/pub operators to rely on external hires from mainland China, which makes them vulnerable to tightening cross-border labour restrictions while balancing high staff turnover rates due to competitive recruitment by other players.

Although staff replacement rates remain a key challenge to foodservice operators, bar/pub operators have the breathing space to hire part-time service staff due to their night-time operating hours.

Casual drinking by local consumers sustains demand in Hong Kong

As local consumers go about their lifestyle hanging out and socialising, many bars/pubs will see sustained patron visits. This is especially true for local bars/pubs as they cater well to their target patrons by locating in the neighbourhoods nearer to the residences. These bars/pubs offer a friendly drinking atmosphere and competitive pricing on top of being conveniently located to keep their customers visiting regularly.

In contrast, the upmarket and chic bars/pubs are usually located in the core central districts as they seek to take advantage of Hong Kong’s beautiful cityscape. Due to their higher pricing, these bars/pubs also offer a lot more in terms of entertainment value and events, as they strive to create a fun experience for their customers. However, these bars/pubs would be more exposed to fluctuation in discretionary spending from both local consumers and tourists. As a result, the general economic performance, both domestic and global, can influence their revenue performance more, as compared to the local bars/pubs.

COMPETITIVE LANDSCAPE

Competitive and fragmented industry

According to Euromonitor Report, the bar/pub industry landscape in Hong Kong is highly competitive and fragmented with approximately 743 bar/pub outlets in the market in 2015. In terms of number of outlets in Hong Kong in 2015, the top five leading operators in the bar/pub industry operate in mass to the mid-priced market segment targeting local consumers and offering a casual drinking atmosphere. Our Group was the top bar/pub operator with 32 branches in 2015.

The key advantages of market leaders in the bar/pub industry in Hong Kong are economies of scale, better cost controls and professional know-how. With economies of scale in their operations, leading bar/pub operators have substantial bargaining power over suppliers when procuring alcoholic drinks. Their management teams have strong industry experience and an understanding of the regulatory operating environment.

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Top five bar/pub operators in Hong Kong (in terms of number of outlets), 2015

Rank	Leading operators (by number of outlets)	Number of outlets in Hong Kong	Market Share (in terms of revenue)
1	Bar Pacific Group Holdings Limited	32	2.8%
2	Operator 2	9	0.9%
3	Operator 3	8	0.8%
4	Operator 4	7	1.2%
5	Operator 5	7	1.0%
	Others	680	93.3%
	Top Five	63	6.7%
	Total	743	100%

Sources: Desk Research, Euromonitor Report.

Staying ahead of competitions through partnerships

Chained bar/pub operators partner with alcoholic drink suppliers to organise beer promotions and other events. According to trade sources, these are the most common promotional activities that are effective at attracting more customers and therefore increase revenue.

Chained operators have this advantage when it comes to partnerships due to their higher bargaining power with suppliers. In some cases, the bar/pub operators also earn promotional income from their suppliers for pushing certain brands. Alcoholic drink suppliers in return can reach out to a larger target market through these chained operators who have city-wide operations.

Chained bar/pub operators generally have stronger financial abilities

Chained bar/pub operators generally have sufficient capital to set up and run a new outlet until it breaks even on the initial costs. They are supported by the other profitable outlets that provide them with a steady stream of revenue income to take up investment opportunity as it occurs without dipping into their treasuries. While their absolute cost of operations may be higher, chained bar/pub operators generally have lower overhead per outlet through the economies of scale in management and procurement.

DIRECTORS' CONFIRMATION

Our Directors have confirmed that after taking reasonable care, there is no adverse change in the market information since the date of the report of Euromonitor which may qualify, contradict or have an impact on the information in this section.

LAWS AND REGULATIONS OF THE INDUSTRY

HONG KONG REGULATORY OVERVIEW

This section sets forth a summary of the major laws and regulations applicable to our business in Hong Kong.

(A) Licences Necessary For Business Operation

Liquor licence

In Hong Kong, a person must obtain a liquor licence from the LLB under the DCR before the commencement of sale of liquor for consumption on the premises. It is provided under Section 17(3B) of the DCO that, where regulations prohibit the sale or supply of any liquor except with a liquor licence, no person shall sell, or advertise or expose for sale, or supply, or possess for sale of supply, liquor except with a liquor licence. Regulation 25A of the DCR prohibits the sale of liquor at any premises for consumption on those premises or at a place of public entertainment or a public occasion for consumption at the place or occasion except with a liquor licence. A liquor licence will only be valid if the relevant premises remain licensed as a restaurant.

The application for endorsement on licences such as bar business and dancing in the premises should be submitted to and granted by the LLB before the commencement of such activities.

All applications for liquor licence are referred to the Commissioner of Police and the District Officer concerned for comments. It is provided under Regulation 20(3) of the DCR that a liquor licence shall be valid for a period of two years or such lesser period as the LLB shall determine.

Selling liquor without a licence constitutes an offence punishable by a fine of HK\$1,000,000 and imprisonment of up to 2 years. Regulation 28 of the DCR prohibits the sale of liquor to any person under the age of 18 years. Pursuant to Regulation 30 of the DCR, the holder of the liquor licence commits an offence if he or she permits any person under the age of 18 to drink any intoxicating liquor on the licensed premises and will be liable on conviction to a maximum fine of HK\$50,000 and to imprisonment for 6 months. As at the Latest Practicable Date, the Group has obtained valid liquor licences for the Group’s bars where liquor is sold for consumption.

A liquor licence is required to ensure that all liquor regulations and licensing conditions are strictly and fully complied with in the licensed premises. Some of the major licensing conditions imposed by the LLB are set out below:

- The licensee shall personally supervise the premises.
- The licensee shall display a warning notice at a conspicuous place inside the premises containing the words “NO LIQUOR FOR PERSON UNDER THE AGE OF 18”. In the said notice, the size of each Chinese character shall not be less than 3 centimetre (height) x 3 centimetre (width) and the size of each English letter shall not be less than 2 centimetre (height) x 2 centimetre (width).
- The licensee shall exhibit and keep exhibited a notice denoted its licensed status provided by the LLB at the main entrance of the premises.

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- No bar business shall be operated on the premises, except with the permission of the LLB endorsed therein.
- No dancing shall be permitted on the premises, except with the permission of the LLB endorsed therein.

Additional licensing conditions may also be imposed by the LLB depending on the circumstance of each application. Such additional licensing conditions may include restriction on smoking of cigarettes and cigars, restriction on entry of persons under age of 18, the specific period of time during which the doors and windows of the premises shall be kept closed or no music, karaoke facility or amplification device shall be played on the premises, installation of video surveillance system with recording function, specific liquor selling and consumption hours, endorsement on the licence, and the hours of the duty of the licence holder. Hong Kong Police may conduct random inspections on venues with liquor licences such as bars from time to time.

Section 46(1) of the DCO provides that a person who contravenes a condition, restriction, requirement or direction lawfully imposed, made or given under the DCO commits an offence and is liable on conviction to a maximum fine of HK\$100,000 and to imprisonment of 1 year.

All applications, renewals, transfers and amendments of liquor licences shall be made in writing to the LLB in specified forms. A liquor licence is granted to a natural person (not a company) and no licensee can hold more than one liquor licence. The LLB may grant a liquor licence with or without conditions as it thinks fit. Once conditions are imposed, all liquor licence and all licensees are subject to these conditions.

A liquor licence is transferrable by submitting the specified form FEHB106 to the LLB. In order to make the transfer, the licensee needs to advertise in any local newspaper for one day, in both Chinese and English, and submit the original copy of the full page, containing the advertisement, to the licensing office. Until the application for transfer is allowed and a new liquor licence is granted by the LLB, the original licensee shall still shoulder all legal duties and liabilities under the DCO and the DCR.

For all applications, renewals or transfers of liquor licences, the LLB shall consider the following matters as provided under Regulation 17(2) of the DCR:

- (1) Whether the applicant is a fit and proper person to hold the licence.
- (2) Whether the premises are suitable for selling or supplying liquors having regard to (i) the location and structure of the premises and (ii) the fire safety and hygienic conditions in the premises.
- (3) Whether the grant of licence is not contrary to public interest.

For any application for new grants, renewals or transfers of liquor licence, the LLB may grant the application with or without meeting open to public. Normally, if the application is opposed, for example by the Hong Kong Police or other public members, a public meeting will be

LAWS AND REGULATIONS OF THE INDUSTRY

held. During the meeting, the applicant’s and opponents’ representations will be heard and considered by the LLB. The decision of the LLB will normally be made on the same day but after the meeting is closed.

In order to enhance transparency as well as to help the public better understand the factors that are taken into account by the LLB when assessing liquor licence applications, the LLB has prepared a set of guidelines that capture the criteria used in vetting liquor licence applications (the “**Guidelines**”). The factors set out in the Guidelines have been developed from the above three criteria stipulated under Regulation 17(2) of the DCR.

For the impact on the Group, please refer to the sections headed “Business — Licences, Permits and Approvals”, “Risk Factors — Any regulatory change may affect the Group’s business and results of operations” and “Risk Factors — Risk Factors relating to our Business — There is no guarantee that certain licences which are vital to operating our Group’s business, could be acquired or renewed”.

Light Refreshment Restaurant Licence

There are two types of restaurant licences, the general restaurant licence and the light refreshment restaurant licence. The light refreshment restaurant licence, which restricts the licensee to prepare and sell for consumption on the premises certain kinds of food items, has to be obtained from the FEHD under the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) and the FBR before commencing the restaurant business. It is provided under Regulation 31(1) of the FBR that no person shall carry on or cause, permit or suffer to be carried on any restaurant business except with a restaurant licence. FEHD will consider whether certain requirements in respect of health, hygiene, ventilation, gas safety, building structure and means of escape are met before issuing a restaurant licence.

The FEHD will also consult the Buildings Department, the Fire Services Department and the Planning Department in assessing the suitability of premises for use as a restaurant, for the purpose of which the fulfilment of the Buildings Department’s structural standard and the Fire Services Department’s fire safety requirement are considered. The FEHD may grant provisional restaurant licences to new applicants who have fulfilled the basic requirements in accordance with the FBR pending fulfilment of all outstanding requirements for the issue of a full restaurant licence. The FEHD will normally continue to process an application only when the premises are deemed to be safe and suitable for restaurant use by the FEHD, Building Department, Fire Services Department, Planning Department and other departments concerned (for instance, the Lands Department). A provisional restaurant licence is valid for a period of six months or a lesser period and a full restaurant licence is generally valid for a period of one year, both subject to payment of the prescribed licence fees and continuous compliance with the requirements under the relevant legislation and regulations. A provisional restaurant licence is renewable on one occasion and a full restaurant licence is renewable annually.

Under Regulation 35 of the FBR, any person who is guilty of an offence carries on restaurant business without a valid licence shall be liable on summary conviction to a maximum fine of HK\$50,000 and imprisonment for 6 months and, where the offence is a continuing offence, to an additional fine of HK\$900 for each day during which it is proved to the satisfaction of the court that the offence has continued.

LAWS AND REGULATIONS OF THE INDUSTRY

The demerit points system is a penalty system operated by the FEHD to sanction food businesses for repeated violations of relevant hygiene and food safety legislation. Under the system:

- (a) if within a period of 12 months, a total of 15 demerit points or more have been registered against a licensee in respect of any licensed premises, the licence in respect of such licensed premises will be subject to suspension for seven days ("**First Suspension**");
- (b) if, within a period of 12 months from the date of the last offence leading to the First Suspension, a total of 15 demerit points or more have been registered against the licensee in respect of the same licensed premises, the licence will be subject to suspension for 14 days ("**Second Suspension**");
- (c) thereafter, if within a period of 12 months from the date of the last offence leading to the Second Suspension, a total of 15 demerit points or more have been registered against the licensee in respect of the same licensed premises, the licence will be subject to cancellation;
- (d) for multiple offences found during any single inspection, the total number of demerit points registered against the licensee will be the sum of the demerit points for each of the offences;
- (e) the prescribed demerit points for a particular offence will be doubled and trebled if the same offence is committed for the second and the third time within a period of 12 months; and
- (f) any alleged offence pending, that is the subject of a hearing and not yet taken into account when a licence is suspended, will be carried over for consideration of a subsequent suspension if the licensee is subsequently found to have violated the relevant hygiene and food safety legislation upon the conclusion of the hearing at a later date.

The Company confirms that during the Track Record Period and up to the Latest Practicable Date, no demerit point was registered against our shops.

(B) Environmental Protection

Water Pollution Control

The Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) (the "**WPCO**") controls the effluent discharged from all types of industrial, commercial, institutional and construction activities into public sewers, rainwater drains, river courses or water bodies. For any industry/trade generating wastewater discharge (except domestic sewage that is discharged into communal foul sewers or unpolluted water to storm drains), they are subject to licensing control by the Director of Environmental Protection.

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All discharges, other than domestic sewage to communal foul sewers or unpolluted water to storm drains, must be covered by an effluent discharge licence. The licence specifies the permitted physical, chemical and microbial quality of the effluent and the general principle is that the effluent does not damage sewers or pollute inland or inshore marine water.

According to section 11 of the WPCO, unless having obtained a licence granted thereunder, a person who discharges any waste or polluting matter into the water or discharges any matter into a communal sewer or communal drain in a water control zone commits an offence and is liable to imprisonment for 6 months and (a) for first offence, a fine of HK\$200,000; (b) for each of the subsequent offences, a fine of HK\$400,000, and in addition, if the offence is a continuing offence, to a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

Noise control

The Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong) (the “NCO”) controls, among others, the noise from construction, industrial and commercial activities. Control of noise emanating from places such as industrial, commercial, trade or business premises is subject to noise abatement notices which may be served on owners or occupiers of premises if the noise emitted does not comply with the acceptable noise levels or other criteria as stated by the Environmental Protection Department.

Section 13 of the NCO provides that the noise abatement notice may require the owner or occupier to bring his noise emissions into a state of compliance by a certain date and non-compliance with such a notice will be an offence. The Director of Environmental Protection may serve a noise abatement notice in the prescribed form on any or all of the following- (i) the person making the noise or causing or permitting the noise to be made; or (ii) the owner, tenant, occupier or person in charge of the place from which the noise emanates. There is no immediate requirement for industry in general to achieve the acceptable noise levels. The Director of Environmental Protection will, in practice, respond to complaints lodged by members of the public and compliance with the acceptable noise levels will be required only after a noise abatement notice has been served.

Any person on whom a noise abatement notice has been served fails to comply with any requirement therein commits an offence and will be liable to a fine of HK\$100,000 on first conviction, to a fine of HK\$200,000 on second or each of the subsequent convictions, and in any case to a fine of HK\$20,000 for each day during which the offence continues.

(C) Intellectual Property

Copyright Ordinance

Civil liability

Under the Copyright Ordinance (Chapter 528 of the Laws of Hong Kong), a person would incur civil liability under Section 27 by infringing the exclusive right of the owner of a musical work when playing the work in public without the licence of the copyright owner. It is a “secondary infringement” under Section 31 of the Copyright Ordinance if that person exhibits in

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public, without the licence of the copyright owner, a copy of a work, which he knows or has reason to believe to be, an infringing copy of the work for the purposes of or in the course of any trade or business. However, the person will only be liable if he, at the time of committing the act, knew or had reason to believe that he was dealing with infringing copies.

It is also a “secondary infringement” which incurs civil liability under Section 33 of the Copyright Ordinance where the copyright in a work is infringed by a performance at a place of public entertainment, any person who gave permission for that place to be used for the performance is also liable for the infringement unless when he gave permission he believed on reasonable grounds that the performance would not infringe copyright. Places of public entertainment include premises which are occupied mainly for other purposes but are from time to time made available for hire for the purposes of public entertainment.

Section 34 of the Copyright Ordinance provides that where copyright in a work is infringed by a public performance of the work, or by the playing or showing of the work in public, by means of apparatus for playing sound recordings, the occupier of premises who gave permission for the apparatus to be brought onto the premises is liable for the infringement if when he gave permission he knew or had reason to believe that the apparatus was likely to be used for copyright infringement.

Under Section 168 of the Copyright Ordinance, where the licensing scheme does not specify the works to which it applies with such particularity as to enable licensees to determine whether a work falls within the scheme by inspection of the licence and the work, there is implied in every scheme to which this section applies (i.e. the scheme operated by the three licensing bodies) an undertaking by the licensing body to indemnify the licensee, against any liability incurred by the Group by reason of its having infringed copyright by making or authorising an act restricted by the copyright in a work in circumstances within the apparent scope of his licence. The circumstances of a case are within the apparent scope of a licence if it is not apparent from inspection of the licence and the work that it does not fall within the description of works to which the licence applies; and the licence does not expressly provide that it does not extend to copyright to the description infringed.

Criminal liability

The Copyright Ordinance also imposes criminal liability under Section 118 which provides that a person commits an offence if he, without the consent of the copyright owner of a copyright work, exhibits in public an infringing copy of the work for the purpose of or in the course of any trade or business which consists of dealing in infringing copies of copyright works.

Section 118(3) of the Copyright Ordinance provides, among other defences, that it is a defence for the person charged to prove that he did not know and had no reason to believe that the copy of a copyright work in question was an infringing copy of the copyright work. The Copyright Ordinance provides any person who contravenes Section 118 of the Copyright Ordinance shall be guilty of an offence and shall be liable to a fine of HK\$50,000 and to imprisonment for 4 years.

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(D) Others

Amusement Game Centres Ordinance (“AGCO”) (Cap 435 of Laws of Hong Kong)

Under the AGCO, licences are issued by the public officer appointed by the officer of the Office of the Licensing Authority (“OLA”) of the Home Affairs Department (“HAD”). The AGCO has regulated primarily the conventional amusement game centres (“AGCs”), commonly known as “electronic game centres”.

Under section 2 of the AGCO, “amusement game centre” means any place in which there is installed or placed for use or operation for the purpose, in whole or in part, of amusement, recreation or entertainment on payment directly or indirectly of any consideration in money or money’s worth, any machine or device which, among other things:

- (a) enables or is capable of enabling any person by any means whatever to release, set in motion, manipulate, control or direct the movement of any ball, projectile, or other object, and registers any score or combination in any manner whatever; or
- (b) enables or is capable of enabling any person by any means whatever to release, set in motion, manipulate, control or direct the movement of any image, signal or electrical impulse; or
- (c) upon the insertion therein by any person of any coin, token, disc, card or object, produces or is capable of producing to him any prize, coin, token or disc or any other object or article whatever.

Places of entertainment including premises installed with electronic darting machines are “amusement game centres” and theoretically should be subject to regulation under the AGCO.

Any person who on any occasion (a) operates, keeps, manages or otherwise has control of, an amusement game centre in regard to the operation of which a licence is not in force; or (b) in any capacity assists, either directly or indirectly, in the operation, keeping, management or other control of an amusement game centre in regard to the operation of which a licence is not in force, commits an offence and shall be liable on first conviction, to a fine of HK\$100,000 and to imprisonment for 6 months.

(E) Compliance with applicable laws and regulations

Save as disclosed in the section headed “Business — Compliance matters” in this document, our Directors confirmed that our Group had obtained all relevant licences, certificates and permits and had complied with the applicable laws and regulations in all material aspects in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

HISTORY, DEVELOPMENT AND REORGANISATION

ESTABLISHMENT OF OUR GROUP

In 1999, Hacienda International Corporation Limited, the first member of our Group, opened the first “Bar Pacific” branded bar in Hunghom. At that time, Hacienda International Corporation Limited was owned by Ms. Tse and Mr. Chan Chai Sat in equal shares. This first bar, which has a floor area of approximately 67 sq. m. and is located at the street level, has been open for business since then. After a few years, in 2002, we opened the second and third “Bar Pacific” branded bars in Hunghom and Tokwawan, respectively.

Our Group has accumulated experience and knowledge on the market of bar business in Hong Kong since 1999 and opened new bars in different districts in Hong Kong gradually. From 2002 to 2008, we opened one to four new bars every year. By the end of 2008, we operated 17 “Bar Pacific” branded bars in Hong Kong.

After the first ten years of our operation, we continued to increase the number of our bars. As at the Latest Practicable Date, we are operating 32 “Bar Pacific” branded bars in different districts in Hong Kong.

MILESTONES

Set out below are the major milestones of our Group’s business since our establishment:

Year	Event
1999	Opened the first shop in Hunghom
2002	Opened two new shops in Hunghom and Tokwawan, respectively
2003	Operating six shops
2008	Operating 17 shops
2012	● obtained Gold Award of the Consumer’s Most Favourable Hong Kong Brands from China Enterprise Reputation & Credibility Association (Overseas) Limited from 2012 to 2014 ● obtained Caring Company Awards from Hong Kong Council of Social Service from 2012 to 2015 ● obtained Quality Bar Label from Hong Kong Bar and Club Association from 2012 to 2016
2013	Operating 29 shops
2016	● operating 32 shops ● obtained Best SME Award from Hong Kong General Chamber of Small and Medium Business

CORPORATE DEVELOPMENT

The following describes the corporate history of the Company and its subsidiaries. Please also refer to the paragraph headed “Reorganisation” in this section below for details of certain issues and transfers of shares in the share capital of the Company and its subsidiaries which took place pursuant to the Reorganisation.

HISTORY, DEVELOPMENT AND REORGANISATION

(1) The Company

The Company was incorporated in the Cayman Islands on 2 June 2016 and is the holding company of its subsidiaries.

As a result of the Reorganisation, the Company indirectly holds the interests in its subsidiaries which are principally engaged in operating bar business. Please refer to the paragraph “Reorganisation” below in this section for further details about the Reorganisation.

(2) Bar Pacific Group Limited

Bar Pacific Group Limited was incorporated in the BVI on 24 February 2014 as a limited liability company and is authorised to issue a maximum of 50,000 no par value shares of a single class. Upon incorporation, 1 share of Bar Pacific Group Limited was issued to Ms. Tse at US\$1. On 25 March 2014, the sole issued share of Bar Pacific Group Limited was transferred from Ms. Tse to Harneys Trustees Limited. Please also refer to the sub-paragraph headed “Reorganisation — 6. Establishment of the Bar Pacific Trust”.

As part of the Reorganisation, on 11 December 2015, 36,577 shares were allotted to Harneys Trustees Limited at US\$1 and 13,422 shares were issued to BP Sharing at US\$1. Please also refer to the sub-paragraph headed “Reorganisation — 9. Acquisition of minority interests in the operating subsidiaries by Bar Pacific Group Limited by way of share swap”.

On 29 January 2016, 3,125 shares were transferred from Harneys Trustees Limited to the [REDACTED] Investor for a total consideration of HK\$2.4 million. Details of the [REDACTED] Investor and the acquisition of its interest in our Group are set out in the paragraph headed “[REDACTED] Investment” below in this section.

On [●], a total of 50,000 share of Bar Pacific Group Limited were transferred by the then shareholders to the Company for consideration of the issue and allotment of 50,000 Shares to them. Since [●], Bar Pacific Group Limited has been wholly and directly owned by the Company.

Bar Pacific Group Limited serves as an investment holding company.

(3) Hacienda International Corporation Limited (“Hacienda”)

Hacienda was incorporated in Hong Kong on 17 May 1999 as a limited liability company with an authorised share capital of HK\$1,000 divided into 1,000 shares of HK\$1.0 each. Upon incorporation, Hacienda was owned by Taden Holdings S.A. and Verdal Management Inc., each holding one share in Hacienda. On 22 September 1999, Taden Holdings S.A. sold its 1 share to Ms. Tse and Verdal Management Inc. sold its 1 share to Chan Chai Sat, the father of Chan Wai, both at HK\$1.0 each. Chan Wai was the husband of Ms. Tse and they divorced in September 2014. On 28 August 2001, a further of 998 new shares were allotted to Chan Wai at HK\$998. On 15 April 2011, Chan Chai Sat sold his 1 share at HK\$1.0 each to Chan Wai. Since then, Hacienda was owned by Chan Wai as to 99.9% and Ms. Tse as to 0.1%, respectively.

HISTORY, DEVELOPMENT AND REORGANISATION

Pursuant to the Reorganisation, Hacienda became a wholly owned subsidiary of Bar Pacific Group Limited on 18 March 2014. Please also refer to the sub-paragraph headed “Reorganisation — 3. Acquisition of Hacienda International Corporation Limited and Tank Success International Limited by Bar Pacific Group Limited” (“**Step 3 of the Reorganisation**”).

From 1999 to 2005, Hacienda operated our bars with the initial funding provided by Chan Wai. Hacienda currently provides administrative and business support services to the bars such as purchasing inventories.

(4) Tank Success International Limited (“Tank Success”)

Tank Success was incorporated in Hong Kong on 18 March 2003 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Tank Success was owned by Company Kit Registrations Limited and Company Kit Secretarial Services Limited, each holding 1 share in Tank Success. On 4 April 2003, Company Kit Registrations Limited and Company Kit Secretarial Services Limited transferred their 1 share to Chan Wai and Ms. Tse at HK\$1.0 each respectively.

Pursuant to the Reorganisation, Tank Success became a wholly owned subsidiary of Bar Pacific Group Limited on 18 March 2014. Please also refer to Step 3 of the Reorganisation below.

From 2003 to 2005, Tank Success operated our bars. Tank Success currently provides human resources services to the bars.

(5) Bar Pacific Entertainment Limited (“Bar Pacific Entertainment”)

Bar Pacific Entertainment was incorporated in Hong Kong on 4 March 2014 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific Entertainment was owned by HK Incorporation Limited, holding 1 share in Bar Pacific Entertainment. On 6 March 2014, HK Incorporation Limited transferred its 1 share to Bar Pacific Group Limited at HK\$1.

Bar Pacific Entertainment holds the trademark of our Group.

(6) Bar Pacific I International Limited (“Bar Pacific I”)

Bar Pacific I was incorporated in Hong Kong on 17 September 2005 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific I was owned by Chan Wai, holding 1 share. On 23 February 2006, 649 new shares were further allotted to Chan Wai, 125 new shares were allotted to Ko Hang Wa, 125 new shares were allotted to Leung Kwok Ho, and 100 new shares were allotted to Chan Chai Sat, all at HK\$1.0 each.

Before Step 5 of the Reorganisation (as defined below), Bar Pacific I was owned by Chan Wai as to 75% and by two minority shareholders as to 25%, respectively. Pursuant to the Reorganisation, Bar Pacific I became a wholly owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to the sub-paragraphs headed “Reorganisation — 5. Transfer of interests in operating subsidiaries from Chan Wai to Bar Pacific Group Limited and Ms. Tse” (“**Step 5 of the**”).

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Reorganisation”), “Reorganisation — 9. Acquisition of minority interests in the operating subsidiaries by Bar Pacific Group Limited by way of share swap” (“**Step 9 of the Reorganisation**”), and “Reorganisation — 13. Acquisition of interest in the operating subsidiaries by Bar Pacific Group Limited from Ms. Tse” (“**Step 13 of the Reorganisation**”).

Bar Pacific I operates one of our bars in Hunghom.

(7) Bar Pacific II International Limited (“Bar Pacific II”)

Bar Pacific II was incorporated in Hong Kong on 17 September 2005 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific II was owned by Chan Wai, holding 1 share. On 23 February 2006, 649 new shares were further allotted to Chan Wai, 150 new shares were allotted to Chan Chai Sat, 100 new shares were allotted to Ms. Tse and 100 new shares were allotted to Ko Hang Wa, all at HK\$1.0 each.

Before Step 5 of the Reorganisation below, Bar Pacific II was owned by Chan Wai as to 80%, Ms. Tse as to 10% and one minority shareholder by 10%. Pursuant to the Reorganisation, Bar Pacific II became a wholly owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to the sub-paragraph headed “Reorganisation — 4. Transfer of interests in operating subsidiaries from Ms. Tse to Bar Pacific Group Limited” (“**Step 4 of the Reorganisation**”), as well as Steps 5, 9 and 13 of the Reorganisation below.

Bar Pacific II operates one of our bars in Hunghom.

(8) Bar Pacific III International Limited (“Bar Pacific III”)

Bar Pacific III was incorporated in Hong Kong on 17 September 2005 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific III was owned by Chan Wai, holding 1 share. On 23 February 2006, 599 new shares were further allotted to Chan Wai, 100 new shares were allotted to each of Chan Chai Sat and Ko Hang Wa, 50 new shares were allotted to each of Lam Man Ching, Ip Man Lung, Kim, Wong Tip Fung and Lau Po Lee, all at HK\$1.0 each.

Before Step 5 of the Reorganisation below, Bar Pacific III was owned by Chan Wai as to 75% and five minority shareholders by 25%. Pursuant to the Reorganisation, Bar Pacific III became a 92.5% owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to the sub-paragraph headed “Reorganisation — 7. Acquisition of minority interests in the operating subsidiaries by Bar Pacific Group Limited by way of cash” (“**Step 7 of the Reorganisation**”), as well as Steps 5, 9 and 13 of the Reorganisation below.

Bar Pacific III operates one of our bars (Shop III) in Tokwawan.

(9) Bar Pacific VI International Limited (“Bar Pacific VI”)

Bar Pacific VI was incorporated in Hong Kong on 17 September 2005 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific VI was owned by Chan Wai, holding 1 share. On 23 February 2006,

HISTORY, DEVELOPMENT AND REORGANISATION

649 new shares were further allotted to Chan Wai, 100 new shares were allotted to each of Chan Chai Sat, Chan Ip Weng and Apex Beauty Products Limited and 50 new shares were allotted to Ms. Tse, all at HK\$1.0 each.

Before Step 4 of the Reorganisation below, Bar Pacific VI was owned by Chan Wai as to 70%, Ms. Tse as to 5% and three minority shareholders as to 25%. Pursuant to the Reorganisation, Bar Pacific VI became a 90% owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to Steps 4, 5, 9 and 13 of the Reorganisation below.

Bar Pacific VI operates one of our bars in Sham Shui Po.

(10) Bar Pacific VII International Limited (“Bar Pacific VII”)

Bar Pacific VII was incorporated in Hong Kong on 17 September 2005 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific VII was owned by Chan Wai, holding 1 share. On 23 February 2006, 599 new shares were further allotted to Chan Wai, 100 new shares were allotted to each of Ko Hang Wa, Chan Ip Weng and Kam Yiu Wan, 50 new shares were allotted to Chan Chai Sat, all at HK\$1.0 each, and 50 new shares were allotted to Wong Tip Fung at HK\$2.0 each.

Before Step 5 of the Reorganisation below, Bar Pacific VII was owned by Chan Wai as to 60% and six minority shareholders as to 40%. Pursuant to the Reorganisation, Bar Pacific VII became a wholly owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to Steps 5, 7, 9 and 13 of the Reorganisation below.

Bar Pacific VII operates one of our bars in Sham Shui Po.

(11) Bar Pacific VIII International Limited (“Bar Pacific VIII”)

Bar Pacific VIII was incorporated in Hong Kong on 17 September 2005 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific VIII was owned by Chan Wai, holding 1 share. On 23 February 2006, 599 new shares were further allotted to Chan Wai, 100 new shares were allotted to Chan Ip Weng, 50 new shares were allotted to each of Leung Kwok Ho, Chan Chai Sat, Kam Yiu Wan, Ng Chui Kuen, and Tsang Hing Chung, all at HK\$1.0 each.

Before Step 5 of the Reorganisation below, Bar Pacific VIII was owned by Chan Wai as to 65% and six minority shareholders as to 35%. Pursuant to the Reorganisation, Bar Pacific VIII became a wholly owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to Steps 5, 7, 9 and 13 of the Reorganisation below.

Bar Pacific VIII operates one of our bars in Kwun Tong.

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(12) Bar Pacific IX International Limited (“Bar Pacific IX”)

Bar Pacific IX was incorporated in Hong Kong on 17 September 2005 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific IX was owned by Chan Wai, holding 1 share. On 23 February 2006, 639 new shares were further allotted to Chan Wai, 150 new shares were allotted to Ng Chui Kuen, 100 new shares were allotted to Chan Ip Weng, 50 new shares were allotted to each of Yiu Shiela and Tsang Hing Chung and 10 new shares were allotted to Ms. Tse, all at HK\$1.0 each.

Before Step 4 of the Reorganisation below, Bar Pacific IX was owned by Chan Wai as to 64%, Ms. Tse as to 1% and 4 minority shareholders as to 35%. Pursuant to the Reorganisation, Bar Pacific IX became a 95% owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to Steps 4, 5, 9 and 13 of the Reorganisation below.

Bar Pacific IX operates one of our bars in Wong Tai Sin.

(13) Bar Pacific XII International Limited (“Bar Pacific XII”)

Bar Pacific XII was incorporated in Hong Kong on 17 September 2005 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific XII was owned by Chan Wai, holding 1 share. On 23 February 2006, 589 new shares were further allotted to Chan Wai, 100 new shares were allotted to each of Chan Ip Weng and Kam Yiu Wan, 50 new shares were allotted to each of Leung Kwok Ho, Ng Chui Kuen, Tsang Hing Chung and Tong Nga Ling and 10 new shares were allotted to Ms. Tse, all at HK\$1.0 each.

Before Step 4 of the Reorganisation below, Bar Pacific XII was owned by Chan Wai as to 59%, Ms. Tse as to 1% and six minority shareholders as to 40%. Pursuant to the Reorganisation, Bar Pacific XII became a wholly owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to Steps 4, 5, 9 and 13 of the Reorganisation below.

Bar Pacific XII operates one of our bars in Tsuen Wan.

(14) Bar Pacific XVI International Limited (“Bar Pacific XVI”)

Bar Pacific XVI was incorporated in Hong Kong on 17 September 2005 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific XVI was owned by Chan Wai, holding 1 share. On 23 February 2006, 539 new shares were further allotted to Chan Wai, 100 new shares were allotted to Chan Ip Weng and Cheng Wai Ping, 50 new shares were allotted to each of Ko Hang Wa, Leung Kwok Ho, Ng Chui Kuen, Tsang Hing Chung and Tong Nga Ling and 10 new shares were allotted to Ms. Tse, all at HK\$1.0 each.

Before Step 4 of the Reorganisation below, Bar Pacific XVI was owned by Chan Wai by 51%, Ms. Tse as to 1% and 8 minority shareholders as to 48%. Pursuant to the Reorganisation, Bar Pacific XVI became a 95% owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to Steps 4, 5, 7, 9 and 13 of the Reorganisation below.

Bar Pacific XVI operates one of our bars in Kwun Tong.

HISTORY, DEVELOPMENT AND REORGANISATION

(15) Bar Pacific XVII International Limited (“Bar Pacific XVII”)

Bar Pacific XVII was incorporated in Hong Kong on 17 September 2005 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific XVII was owned by Chan Wai, holding 1 share. On 1 August 2007, 549 new shares were further allotted to Chan Wai, 100 new shares were allotted to each of Chan Ip Weng and Lau Po Lee, 50 new shares were allotted to each of Leung Kwok Ho, Lai Sau Fan, Admiral Enterprises Limited, Ng Chui Kuen and Chan Chai Sat, all at HK\$1.0 each.

Before Step 5 of the Reorganisation below, Bar Pacific XVII was owned by Chan Wai as to 60% and 7 minority shareholders as to 40%. Pursuant to the Reorganisation, Bar Pacific XVII became an 85% owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to Steps 5, 9 and 13 of the Reorganisation below.

Bar Pacific XVII operates one of our bars in San Po Kong.

(16) Bar Pacific XVIII International Limited (“Bar Pacific XVIII”)

Bar Pacific XVIII was incorporated in Hong Kong on 13 October 2005 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific XVIII was owned by Chan Wai, holding 1 share. On 1 August 2007, 549 new shares were further allotted to Chan Wai, 100 new shares were allotted to Chan Ip Weng, 50 new shares were allotted to each of Ko Hang Wa, Kam Yiu Wan, Ng Chui Kuen, Admiral Enterprises Limited, Tong Nga Ling, Cheng Wai Ping and Hsieh Feng Chun, Andy, all at HK\$1.0 each.

Before Step 5 of the Reorganisation below, Bar Pacific XVIII was owned by Chan Wai as to 60% and 7 minority shareholders as to 40%. Pursuant to the Reorganisation, Bar Pacific XVIII became a wholly owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to Steps 5, 9 and 13 of the Reorganisation below.

Bar Pacific XVIII operates one of our bars in Kwai Chung.

(17) Bar Pacific XIX International Limited (“Bar Pacific XIX”)

Bar Pacific XIX was incorporated in Hong Kong on 29 March 2006 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific XIX was owned by Chan Wai, holding 1 share. On 1 August 2007, 599 new shares were further allotted to Chan Wai, 100 new shares were allotted to Chan Ip Weng, 50 new shares were allotted to each of Ng Chi Wah, Ng Chui Kuen, Lai Sau Fan, Cheng Wai Ping and Chung Kin Shing, 25 new shares were allotted to each of Lai Fung Chi, Joan and Kwan Yuen Yi, all at HK\$1.0 each.

Before Step 5 of the Reorganisation below, Bar Pacific XIX was owned by Chan Wai as to 60% and 8 minority shareholders as to 40%. Pursuant to the Reorganisation, Bar Pacific XIX became an 87.5% owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to Steps 5, 7, 9 and 13 of the Reorganisation below.

Bar Pacific XIX operates one of our bars in Tsuen Wan.

HISTORY, DEVELOPMENT AND REORGANISATION

(18) Bar Pacific XX International Limited (“Bar Pacific XX”)

Bar Pacific XX was incorporated in Hong Kong on 29 March 2006 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific XX was owned by Chan Wai, holding 1 share. On 1 August 2007, 524 new shares were further allotted to Chan Wai, 100 new shares were allotted to Chan Ip Weng, 50 new shares were allotted to each of Ng Chi Wah, Kam Yiu Wan, Chung Kin Shing, Lai Sau Fan, Ip Chi Man and Pan Mui Lie, 25 new shares were allotted to each of Ko Hang Wa, Ng Chui Kuen and Ms. Tse, all at HK\$1.0 each.

Before Step 4 of the Reorganisation below, Bar Pacific XX was owned by Chan Wai as to 50.5%, Ms. Tse as to 2.5% and 10 minority shareholders as to 47%. Pursuant to the Reorganisation, Bar Pacific XX became a 90% owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to Steps 4, 5, 9 and 13 of the Reorganisation below.

Bar Pacific XX operates one of our bars in Shatin.

(19) Bar Pacific XXI International Limited (“Bar Pacific XXI”)

Bar Pacific XXI was incorporated in Hong Kong on 26 July 2006 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific XXI was owned by Chan Wai, holding 1 share. On 1 May 2008, 549 new shares were further allotted to Chan Wai, 50 new shares were allotted to each of Chan Ip Weng, Kam Yiu Wan and Admiral Enterprise Limited, 25 new shares were allotted to each of Ko Hang Wa, Leung Kwok Ho, Ng Chui Kuen, Cheng Wai Ping, Tong Nga Ling, Lai Sau Fan, Ng Chi Wah, Chung Kin Shing, Yu Wai Tak, Chan Yiu Chung, Hsieh Feng Chun, Andy and Wong Tip Fung, all at HK\$1.0 each.

Before Step 5 of the Reorganisation below, Bar Pacific XXI was owned by Chan Wai as to 57.5% and 14 minority shareholders as to 42.5%. Pursuant to the Reorganisation, Bar Pacific XXI became a 95% owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to Steps 5, 7, 9 and 13 of the Reorganisation below.

Bar Pacific XXI operates one of our bars in Tseung Kwan O.

(20) Bar Pacific XXII International Limited (“Bar Pacific XXII”)

Bar Pacific XXII was incorporated in Hong Kong on 18 May 2007 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific XXII was owned by Chan Wai, holding 1 share. On 1 May 2008, 599 new shares were further allotted to Chan Wai, 50 new shares were allotted to each of Leung Kwok Ho, Chan Ip Weng and Kam Yiu Wan, 75 new shares were allotted to Ng Chui Kuen, 25 new shares were allotted to each of Ko Hang Wa, Tong Nga Ling, Lau Yee Wah, Veronica, Chan Yiu Chung, Yu Wai Tak, Ng Pui Sum and Leung Chun Man, all at HK\$1.0 each.

Before Step 5 of the Reorganisation below, Bar Pacific XXII was owned by Chan Wai as to 60% and 11 minority shareholders as to 40%. Pursuant to the Reorganisation, Bar Pacific XXII became a 95% owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to Steps 5, 7, 9 and 13 of the Reorganisation below.

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Bar Pacific XXII operates one of our bars in Kwai Fong.

(21) Bar Pacific XXIII International Limited (“Bar Pacific XXIII”)

Bar Pacific XXIII was incorporated in Hong Kong on 16 November 2007 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific XXIII was owned by Chan Wai, holding 1 share. On 1 November 2008, 599 new shares were further allotted to Chan Wai, 40 new shares were allotted to each of Kam Yiu Wan, Ng Chi Wah, Lau Yee Wah, Veronica and Ko Hang Wa, 20 new shares were allotted to each of Wong Chi Kong, So Siu Ching, Chan Suk Ching, Ko Kwok Wai, Yeung Ying Chi, Leung Kwok Ho, Chan Ip Weng, Ng Chui Kuen, Lai Sau Fan, Chan Yiu Chung, Lai Fung Chi, Joan and Ms. Tse, all at HK\$1.0 each.

Before Step 4 of the Reorganisation below, Bar Pacific XXIII was owned by Chan Wai as to 66%, Ms. Tse as to 2% and 12 minority shareholders as to 32%. Pursuant to the Reorganisation, Bar Pacific XXIII became an 84% owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to Steps 4, 5, 9 and 13 of the Reorganisation below.

Bar Pacific XXIII operates one of our bars in Kowloon City.

(22) Bar Pacific XXVII International Limited (“Bar Pacific XXVII”)

Bar Pacific XXVII was incorporated in Hong Kong on 4 July 2008 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific XXVII was owned by Chan Wai, holding 1 share. On 28 June 2011, 609 new shares were further allotted to Chan Wai, 50 new shares were allotted to each of Ng Chi Wah, Kam Yiu Wan, Ng Chui Kuen and Chung Kwok Wai, Clement, 25 new shares were allotted to each of Admiral Enterprise Limited, Ko Hang Wa, Chung Kin Shing, Ip Chi Man, Yu Wai Tak, Chan Yiu Chung and Lau Yee Wah, Veronica and 15 new shares were allotted to Ko Kwok Wai, all at HK\$1.0 each.

Before Step 5 of the Reorganisation below, Bar Pacific XXVII was owned by Chan Wai as to 62.5% and 11 minority shareholders as to 37.5%. Pursuant to the Reorganisation, Bar Pacific XXVII became a 92.5% owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to Steps 5, 9 and 13 of the Reorganisation below.

Bar Pacific XXVII operates one of our bars in Tai Kok Tsui.

(23) Bar Pacific XXVIII International Limited (“Bar Pacific XXVIII”)

Bar Pacific XXVIII was incorporated in Hong Kong on 2 March 2009 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific XXVIII was owned by Chan Wai, holding 1 share. On 1 October 2011, 584 new shares were further allotted to Chan Wai, 50 new shares were allotted to each of Chung Kwok Wai, Clement, Ng Chi Wah, Kam Yiu Wan and Wong Kai Mung, 25 new shares were allotted to each of Ng Chui Kuen, Lai Man Wai, Szeto Lawrence, Ho Keng Wai, Chung Kin Shing, Ip Chi Man, Chan Yiu Chung and Chan Suk Ching and 15 new shares were allotted to Ko Kwok Wai, all at HK\$1.0 each.

HISTORY, DEVELOPMENT AND REORGANISATION

Before Step 5 of the Reorganisation below, Bar Pacific XXVIII was owned by Chan Wai as to 58% and 14 minority shareholders as to 42%. Pursuant to the Reorganisation, Bar Pacific XXVIII became an 86.5% owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to Steps 5, 7, 9 and 13 of the Reorganisation below.

Bar Pacific XXVIII operates one of our bars in Kowloon City.

(24) Bar Pacific XXIX International Limited (“Bar Pacific XXIX”)

Bar Pacific XXIX was incorporated in Hong Kong on 16 December 2009 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific XXIX was owned by Chan Wai, holding 1 share. On 15 March 2014, 99 new shares were further allotted to Chan Wai, 10 new shares were allotted to each of Ng Chi Wah, Leung Chi Fai, Ringo and Kam Yiu Wan, 5 new shares were allotted to each of Chung Kin Shing, Ip Chi Man, Chan Yiu Chung, Chan Ting, Pan Bun Lang and Yu Wai Tak, 4 new shares were allotted to Pan Mui Lie, 3 new shares were allotted to each of Ng Chui Kuen, Poon Suet Hung, Ho Keng Wai, Poon Wing Fung and Lai Man Wai, 2 new shares were allotted to each of Szeto Lawrence, Cheung Ho Ming, Ho Kwai Fong and Wong Yu and 1 new share was allotted to Yee Man Wai, all at HK\$1.0 each.

Before Step 5 of the Reorganisation below, Bar Pacific XXIX was owned by Chan Wai as to 53.19% and 20 minority shareholders as to 46.81%. Pursuant to the Reorganisation, Bar Pacific XXIX became an approximately 86.17% owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to Steps 5, 7, 9 and 13 of the Reorganisation below.

Bar Pacific XXIX operates one of our bars in Shatin.

(25) Bar Pacific XXX International Limited (“Bar Pacific XXX”)

Bar Pacific XXX was incorporated in Hong Kong on 30 December 2009 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific XXX was owned by Chan Wai, holding 1 share. On 3 March 2014, 79 new shares were further allotted to Chan Wai, 10 new shares were allotted to each of Ng Chi Wah, Kam Yiu Wan and Chung Kin Shing, 5 new shares were allotted to each of Ip Chi Man, Yu Wai Tak, Pan Mui Lie, So Chiu Ming and Leung Tze Yin, 3 new shares were allotted to Chan Suk Ching, 2 new shares were allotted to each of Lai Fung Chi, Joan, Kwan Yuen Yi, Ho Pak Chuen and Chan Chi Kwong, 1 new share was allotted to each of Yuen Siu Chuen, Lau Wai Sum, Leung Wai Chiu Simon and Chan Wing Hing, all at HK\$1.0 each.

Before Step 5 of the Reorganisation below, Bar Pacific XXX was owned by Chan Wai as to 53.33% and 17 minority shareholders as to 46.67%. Pursuant to the Reorganisation, Bar Pacific XXX became an approximately 79.35% owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to the sub-paragraph headed “Reorganisation — 10. Allotment of shares to Bar Pacific Group Limited and the remaining minority shareholders of the operating subsidiaries” (“**Step 10 of the Reorganisation**”), as well as Steps 5, 7, 9 and 13 of the Reorganisation below.

Bar Pacific XXX operates one of our bars in Tuen Mun.

HISTORY, DEVELOPMENT AND REORGANISATION

(26) Bar Pacific XXXI International Limited (“Bar Pacific XXXI”)

Bar Pacific XXXI was incorporated in Hong Kong on 9 April 2010 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific XXXI was owned by Chan Wai, holding 1 share. On 15 March 2014, 106 new shares were further allotted to Chan Wai, 10 new shares were allotted to each of Ng Chi Wah and Kam Yiu Wan, 5 new shares were allotted to each of Chung Kin Shing, Ip Chi Man, Chan Yiu Chung, Ng Chui Kuen, Poon Suet Hung, Ho Keng Wai, Lai Man Wai and Cheung Ho Ming, 3 new shares were allotted to each of Chow Wing Hang, Eric, Tam Tat Ming, Chan Wing Wong, Yiu Chun Wing and Kwok Hang Shing, 2 new shares were allotted to each of Wong Tak Cheung, Harry, Cheng Wai Yan, Phoebe, Yee Man Wai, Lam Ching Leung and Chan Chi Kwong, 1 new share was allotted to each of Ho Ka Wai, Chan Chun Pong, Lau Wai Sum, Leung Wai Chiu Simon, Ng Kam Yuen and Chan Wing Hing, all at HK\$1.0 each.

Before Step 5 of the Reorganisation below, Bar Pacific XXXI was owned by Chan Wai as to 54.04% and 26 minority shareholders as to 45.96%. Pursuant to the Reorganisation, Bar Pacific XXXI became an approximately 82.83% owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to Steps 5, 7, 9, 10 and 13 of the Reorganisation below.

Bar Pacific XXXI operates one of our bars in Aberdeen.

(27) Bar Pacific XXXII International Limited (“Bar Pacific XXXII”)

Bar Pacific XXXII was incorporated in Hong Kong on 30 June 2010 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific XXXII was owned by Chan Wai, holding 1 share. On 15 March 2014, 115 new shares were further allotted to Chan Wai, 10 new shares were allotted to each of Ng Chi Wah, Yu Wai Tak, Chung Kin Shing, Leung Tze Yin, Kam Yiu Wan and Chiu Wai Mo, 8 new shares were allotted to Ip Chi Man, 5 new shares were allotted to each of Tong Nga Ling, Wong Tip Fung, Li Man Kit, So Chiu Ming and Pan Mui Lie, 3 new shares were allotted to each of Chan Yiu Chung, Chan Suk Ching and Chow Wing Hang, Eric, 2 new shares were allotted to Ng Kam Yuen, 4 new shares were allotted to Lee Mei Yuk, 2 new shares were allotted to Hoang Minh Thu and 2 new shares were allotted to Lau Mang Chi, Angela, all at HK\$1.0 each.

Before Step 5 of the Reorganisation below, Bar Pacific XXXII was owned by Chan Wai as to 50.88% and 19 minority shareholders as to 49.12%. Pursuant to the Reorganisation, Bar Pacific XXXII became an approximately 85.09% owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to Steps 5, 7, 9 and 13 of the Reorganisation below.

Bar Pacific XXXII operates one of our bars in Tuen Mun.

(28) Bar Pacific XXXIII International Limited (“Bar Pacific XXXIII”)

Bar Pacific XXXIII was incorporated in Hong Kong on 10 November 2011 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific XXXIII was owned by Chan Wai, holding 1 share. On 15 March 2014, 110 new shares were further allotted to Chan Wai, 5 new shares were allotted to each of Ng Chi Wah, Kam Yiu Wan, Ng Chui Kuen, Li Qi Cun and Ng Sui Keung, 3 new shares were allotted to each of

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Chan Yiu Chung, Poon Suet Hung, Chung Kin Shing, Pan Mui Lie and Chan Ting, 2 new shares were allotted to each of Ng Kam Yuen, Chan Chi Kwong, Tong Nga Ling, Lau Wai Sum, Chiu Sin Tung, Cheung Ho Ming, Cheng Wai Ping, Lai Man Wai, Szeto Lawrence, Tam Tat Ming, Ho Keng Wai, Chow Wing Hang, Eric, Yu Wai Tak, Siu Ho Kwan, Wong Yu, Li Man Kit, Wong Tip Fung and Lam Fong Yee, Sabrina, 1 new share was allotted to each of Mo Kuok Chong, Ting Shiou Shin, Chan Wing Wong, Ho Kwai Fong, Ma Hon Ping, Ko Hang Wa, Yuen Man Kit and Yiu Shiela and 5 new shares were allotted to Ms. Tse, all at HK\$1.0 each.

Before Step 5 of the Reorganisation below, Bar Pacific XXXIII was owned by Chan Wai as to 55.50% and by 37 minority shareholders as to 44.50%, respectively. Pursuant to the Reorganisation, Bar Pacific XXXIII became an approximately 85% owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to Steps 5, 7, 9, 10 and 13 of the Reorganisation below.

Bar Pacific XXXIII operates one of our bars in Shau Kei Wan.

(29) Bar Pacific XXXVII International Limited ("Bar Pacific XXXVII")

Bar Pacific XXXVII was incorporated in Hong Kong on 6 May 2011 as a limited liability company with an authorised share capital of HK\$10,000 divided into \$10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific XXXVII was owned by Chan Wai, holding 1 share. On 15 March 2014, 110 new shares were further allotted to Chan Wai, 5 new shares were allotted to each of Ng Chi Wah, Kam Yiu Wan, Ng Chui Kuen, Chung Kin Shing, Ip Chi Man, Chung Kwok Wai, Clement, Cheng Wai Ping, Lai Man Wai, Ho Keng Wai, Chan Yiu Chung, Yu Wai Tak and Chiu Wai Mo, 3 new shares were allotted to each of Chan Wing Wong, Szeto Lawrence, Ma Hon Ping and Ko Hang Wa, 2 new shares were allotted to each of Tam Tat Ming, Cheung Ho Ming, Au Sze Nam, Simon, Tong Nga Ling, Ng Kam Yuen, Li Man Kit, Chiu Fai, Yee Man Wai and Lau Ka Ho, 1 new share was allotted to each of Ho Kwai Fong, Lam Siu Ming, Chan Chun Pong and Wu Xiaohong and 5 new shares were allotted to Ms. Tse, all at HK\$1.0 each.

Before Step 5 of the Reorganisation below, Bar Pacific XXXVII was owned by Chan Wai as to 52.86% and by 30 minority shareholders as to 47.14%, respectively. Pursuant to the Reorganisation, Bar Pacific XXXVII became an approximately 90% owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to Steps 5, 7, 9, 10 and 13 of the Reorganisation below.

Bar Pacific XXXVII operates one of our bars in North Point.

(30) Bar Pacific XXXVIII International Limited ("Bar Pacific XXXVIII")

Bar Pacific XXXVIII was incorporated in Hong Kong on 28 July 2011 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific XXXVIII was owned by Chan Wai, holding 1 share. On 15 March 2014, 84 new shares were further allotted to Chan Wai, 5 new shares were allotted to each of Ng Chi Wah, Kam Yiu Wan, Ip Chi Man, Chung Kin Shing and Yu Wai Tak, 4 new shares were allotted to each of Ho Keng Wai and Lai Man Wai, 3 new shares were allotted to each of Ng Chui Kuen, Ma Hon Ping, Cheung Ho Ming, Ko Hang Wa, Chan Wing Wong, Chow Wing Hang, Eric, Tsang Chi Keung and Chan Yiu Chung, 2 new shares were allotted to each of Au Sze Nam, Simon, Tam Tat Ming, Szeto Lawrence, Lam Ching Leung, Lau Mang Chi, Angela, Chan Chun Kit and Ng Kam Yuen, 1 new share was allotted to each of Ko Chi Fai, Chiu Fai, Lok Sze Man and Ma Hon Chung, all at HK\$1.0 each.

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Before Step 5 of the Reorganisation below, Bar Pacific XXXVIII was owned by Chan Wai as to 53.13% and by 26 minority shareholders as to 46.87%, respectively. Pursuant to the Reorganisation, Bar Pacific XXXVIII became an approximately 85% owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to Steps 5, 7, 9, 10 and 13 of the Reorganisation below.

Bar Pacific XXXVIII operates one of our bars in Fanling.

(31) Bar Pacific XXXIX International Limited ("Bar Pacific XXXIX")

Bar Pacific XXXIX was incorporated in Hong Kong on 28 July 2011 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific XXXIX was owned by Chan Wai, holding 1 share. On 15 March 2014, 100 new shares were further allotted to Chan Wai, 5 new shares were allotted to each of Ng Chi Wah, Kam Yiu Wan, Ip Chi Man, Chung Kin Shing and Yue Pak Kee, David, 4 new shares were allotted to Lam Ching Leung, 3 new shares were allotted to each of Tsang Chi Keung, Lam Siu Ming and Chan Suk Ching, 2 new shares were allotted to each of Ho Pak Leung, Ankie, Sang Yee Pan, Rondy, Chiu Fai, Huang Lishi, Ho Keng Wai, Lai Man Wai, Tam Tat Ming, Au Sze Nam, Simon, Ng Kam Yuen, Cheung Ho Ming, Szeto Lawrence, Lee Kwok Piu, Ricky and Chan Wing Wong, 1 new share was allotted to each of Ma Hon Ping, Lok Sze Man and Liu Yuk Ming, all at HK\$1.0 each.

Before Step 5 of the Reorganisation below, Bar Pacific XXXIX was owned by Chan Wai as to 60.12% and by 25 minority shareholders as to 39.88%, respectively. Pursuant to the Reorganisation, Bar Pacific XXXIX became an approximately 81.55% owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to Steps 5, 7, 9, 10 and 13 of the Reorganisation below.

Bar Pacific XXXIX operates one of our bars in Sai Ying Pun.

(32) Bar Pacific LX International Limited ("Bar Pacific LX")

Bar Pacific LX was incorporated in Hong Kong on 28 July 2011 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific LX was owned by HK Incorporation Limited, holding 1 share. On 11 August 2011, HK Incorporation Limited sold the 1 share to Chan Wai at HK\$1.0. On 15 March 2014, 116 new shares were further allotted to Chan Wai, 5 new shares were allotted to each of Ng Chi Wah, Kam Yiu Wan, Ip Chi Man, Chung Kin Shing, Yue Pak Kee, David, Ng Sui Keung, Tsang Chi Keung and Poon Suet Hung, 4 new shares were allotted to Lam Ching Leung, 3 new shares were allotted to each of Chan Wing Wong, Ho Keng Wai, Lai Man Wai, Ho Pak Leung, Ankie, Chan Ting, Wong Ching Chi, Ng Chui Kuen, Cheung Ho Ming and Lok Sze Man, 2 new shares were allotted to each of Ma Hon Chung, Liu Yuk Ming, Lee Kwok Piu, Ricky, Szeto Lawrence, Tam Tat Ming, Lam Siu Ming, Huang Lishi, Chan Chun Pong, Ng Kam Yuen and Yiu Shiela, 1 new share was allotted to each of Mak Shu Wai and Ma Hon Ping, all at HK\$1.0 each.

Before Step 5 of the Reorganisation below, Bar Pacific LX was owned by Chan Wai as to 55.71% and by 30 minority shareholders as to the 44.29%, respectively. Pursuant to the Reorganisation, Bar Pacific LX became an approximately 80% owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to Steps 5, 7, 9, 10 and 13 of the Reorganisation below.

Bar Pacific LX operates one of our bars in Tin Wan.

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(33) Bar Pacific LXI International Limited (“Bar Pacific LXI”)

Bar Pacific LXI was incorporated in Hong Kong on 28 July 2011 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific LXI was owned by HK Incorporation Limited, holding 1 share. On 11 August 2011, HK Incorporation Limited sold the 1 share to Chan Wai at HK\$1.0. On 15 March 2014, 127 new shares were further allotted to Chan Wai, 5 new shares were allotted to each of Ng Chi Wah, Kam Yiu Wan, Ip Chi Man, Chung Kin Shing, Tong Nga Ling, Ng Sui Keung, Ng Chui Kuen, Kung Wing Yan, Leung Kit Shan, Yue Pak Kee, David and Tse Tek Wing, Raman, 4 new shares were allotted to each of Ho Keng Wai and Lai Man Wai, 3 new shares were allotted to each of Cheung Ho Ming, Ma Hon Chung and Chan Yiu Chung, 2 new shares were allotted to each of Lam Ching Leung, Tam Tat Ming, Szeto Lawrence, Ma Hon Ping, Liu Yuk Ming, Chiu Fai, Ho Kwai Fong, Luk Kam Wah and Fung Sing Yi, 1 new share was allotted to each of Lok Sze Man and Lee Kwok Piu, Ricky, all at HK\$1.0 each.

Before Step 5 of the Reorganisation below, Bar Pacific LXI was owned by Chan Wai as to 58.18% and by 27 minority shareholders as to the 41.82%, respectively. Pursuant to the Reorganisation, Bar Pacific LXI became an approximately 83.18% owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to Steps 5, 7, 9, 10 and 13 of the Reorganisation below.

Bar Pacific LXI operates one of our bars in Kwun Tong.

(34) Bar Pacific LXII International Limited (“Bar Pacific LXII”)

Bar Pacific LXII was incorporated in Hong Kong on 9 July 2012 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific LXII was owned by Chan Wai, holding 1 share. On 15 March 2014, 123 new shares were further allotted to Chan Wai, 5 new shares were allotted to each of Ng Chi Wah, Cheng Wai Ping, Ng Chui Kuen, Tse Tek Wing, Raman, Lo Wun Choi, Sunny Up Corporation Limited, Chung Kin Shing, Poon Suet Hung and Wong Tze Yeung, 3 new shares were allotted to each of Chan Wing Wong, Chan Yiu Chung, Fung Sing Yi, Ho Keng Wai, Lai Man Wai, Chan Wing Cho, Wu Pak Hong and Tong Nga Ling, 2 new shares were allotted to each of Cheung Ho Ming, Au Sze Nam, Simon, Wong Ching Chi, Szeto Lawrence, Ma Hon Chung, Lam Ching Leung, Ho Kwai Fong, Ma Hon Ping, Tin Yu Yan, Ng Kam Yuen and Lok Sze Man, 1 new share was allotted to each of Chan Chun Pong, Tse Shui Wa, Leung Ho Yin, Wong Chung Him and Chan Wai Man, all at HK\$1.0 each.

Before Step 5 of the Reorganisation below, Bar Pacific LXII was owned by Chan Wai as to 56.36% and by 33 minority shareholders as to the 43.64%, respectively. Pursuant to the Reorganisation, Bar Pacific LXII became an approximately 82.27% owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to Steps 5, 7, 9, 10 and 13 of the Reorganisation below.

Bar Pacific LXII operates one of our bars in Tai Po.

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(35) Bar Pacific LXIII International Limited (“Bar Pacific LXIII”)

Bar Pacific LXIII was incorporated in Hong Kong on 9 July 2012 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific LXIII was owned by Chan Wai, holding 1 share. On 15 March 2014, 102 new shares were further allotted to Chan Wai, 6 new shares were allotted to each of Ng Kwok Fung and Chan Ka Fai, Andy, 5 new shares were allotted to each of Sunny Up Corporation Limited, Chung Kin Shing, Ng Chi Wah, Ha Ming Yan, Sally, Ha Ying Yu, Li Shasha, Tsang King Sum, Raymond and Wong Tip Fung, 3 new shares were allotted to each of Chan Wing Cho, Chan Yiu Chung, Wu Pak Hong, Wong Wing Lun, Benny and Fung Sing Yi, 2 new shares were allotted to each of Fung Sing Yin, Ng Kam Yuen, Ng Chui Kuen, Ma Hon Ping, Ma Hon Chung, Chan Chi Kwong, Tong Po Ki, May, Wong Fai, Lam Ching Leung and Li Man Kit, all at HK\$1.0 each.

Before Step 5 of the Reorganisation below, Bar Pacific LXIII was owned by Chan Wai as to 54.21% and by 25 minority shareholders as to the 45.79%, respectively. Pursuant to the Reorganisation, Bar Pacific LXIII became an approximately 71.05% owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to Steps 5, 7, 9, 10 and 13 of the Reorganisation below.

Bar Pacific LXIII operates one of our bars (Shop LXIII) in Fanling.

(36) Bar Pacific LXVIII International Limited (“Bar Pacific LXVIII”)

Bar Pacific LXVIII was incorporated in Hong Kong on 28 August 2013 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific LXVIII was owned by Chan Wai, holding 1 share.

On 18 March 2014, Chan Wai sold 1 share at HK\$1.0 to Ms. Tse.

On 23 March 2016, 1,319,999 shares were allotted to Bar Pacific Group Limited, 100,000 shares were allotted to Poon Suet Hung, 80,000 shares were allotted to Ng Kwok Fung, 70,000 shares were allotted to Chan Ka Fai, Andy, 50,000 shares were allotted to each of Fung Yuk Ying Angel, Fong Lap Chi, Chan Wai Hin, Shum Fung Yee, Cheung Yin Fei, Ng Kwun Fa, Lee Wai Yeung, Chan Wing Kit, Yue Pak Kee, David and Lin Yung Yung, 30,000 shares were allotted to each of Au Yuen Man, Fung Yat Ling, Ivy, Leung Shuk Yee, Kwok Cheung Kei and Ng Pui Sum, 20,000 shares were allotted to each of Lam Fong Yee, Sabina, Kung Wing Yan and Tin Yu Yan, all at HK\$1.0 each.

Pursuant to the Reorganisation, Bar Pacific LXVIII became an approximately 57.9% owned subsidiary of Bar Pacific Group Limited on 1 September 2016. Please also refer to Step 13 of the Reorganisation below.

Bar Pacific LXVIII operates one of our bars in North Point.

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(37) Bar Pacific LXIX International Limited (“Bar Pacific LXIX”)

Bar Pacific LXIX was incorporated in Hong Kong on 28 August 2013 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, Bar Pacific LXIX was owned by Chan Wai, holding 1 share.

On 18 March 2014, Chan Wai transferred 1 share at HK\$1.0 to Ms. Tse.

On 30 March 2016, Ms. Tse transferred 1 share at HK\$1.0 to Bar Pacific Group Limited.

Bar Pacific LXIX operates one of our bars in Kwai Chung.

(38) Bar Pacific LXX International Limited (“Bar Pacific LXX”)

Bar Pacific LXX was incorporated in Hong Kong on 14 April 2015 as a limited liability company with an authorised share capital of HK\$1 divided into 1 shares of HK\$1.0 each. Upon incorporation, Bar Pacific LXX was owned by Ms. Tse, holding 1 share.

On 30 March 2016, Ms. Tse transferred 1 share at HK\$1.0 to Bar Pacific Group Limited.

As at the Latest Practicable Date, Bar Pacific LXX has not operated any bar and will operate one of our bars in Chai Wan, which is expected to commence business in the fourth quarter of 2016.

(39) Bar Pacific LXXI International Limited (“Bar Pacific LXXI”)

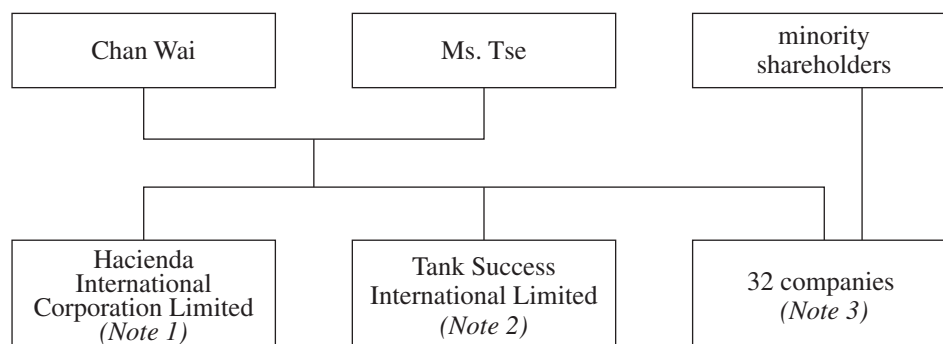
Bar Pacific LXXI was incorporated in Hong Kong on 10 June 2016 as a limited liability company with an authorised share capital of HK\$1 divided into 1 share of HK\$1.0. Upon incorporation, Bar Pacific LXXI is owned by Bar Pacific Group Limited, holding 1 share.

As at the Latest Practicable Date, Bar Pacific LXXI has no business operation yet.

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REORGANISATION

Set out below is the shareholding and corporate structure of the Group on 24 February 2014 immediately prior to the implementation of the Reorganisation:



Notes:

1. Hacienda International Corporation Limited was owned by Chan Wai as to 99.9% and Ms. Tse as to 0.01%.
2. Tank Success International Limited was owned by Chan Wai and Ms. Tse in equal shares.
3. Among these 32 companies from Bar Pacific I to Bar Pacific LXIX mentioned above, two companies, namely Bar Pacific LXVIII and Bar Pacific LXIX, had not commenced business operations, and each of the remaining 30 companies was operating a bar. Please also refer to the paragraph headed “Corporate Development” above in this section for the shareholdings of Chan Wai, Ms. Tse and the minority shareholders in these companies.

In order to prepare for [REDACTED], the Company underwent the Reorganisation which involved the following steps:

1. Incorporation of Bar Pacific Group Limited

Bar Pacific Group Limited was incorporated in the BVI on 24 February 2014 as a company limited by shares and is authorised to issue a maximum of 50,000 no par value shares of a single class.

Upon incorporation, 1 share of Bar Pacific Group Limited was issued to Ms. Tse at US\$1.

2. Establishment of Bar Pacific Entertainment Limited

Bar Pacific Entertainment Limited was incorporated in Hong Kong on 4 March 2014 as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Upon incorporation, 1 share of Bar Pacific Entertainment Limited was issued to HK Incorporation Limited.

On 6 March 2014, HK Incorporation Limited transferred its one share in Bar Pacific Entertainment Limited to Bar Pacific Group Limited at HK\$1.0.

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3. Acquisition of Hacienda International Corporation Limited and Tank Success International Limited by Bar Pacific Group Limited

On 17 and 18 March 2014, Chan Wai and Ms. Tse transferred 999 shares and 1 share in Hacienda International Corporation Limited at HK\$1 respectively to Bar Pacific Group Limited.

On 17 and 18 March 2014, each of Chan Wai and Ms. Tse transferred his/her one share in Tank Success International Limited at HK\$1 to Bar Pacific Group Limited.

4. Transfer of interests in certain operating subsidiaries from Ms. Tse to Bar Pacific Group Limited

On 18 and 20 March 2014, Ms. Tse transferred her interests in each of the following operating subsidiaries of the Group to Bar Pacific Group Limited at nominal consideration of HK\$1:

The operating subsidiaries	Number of transferred shares in the relevant operating subsidiaries
Bar Pacific II	99
Bar Pacific VI	49
Bar Pacific IX	9
Bar Pacific XII	9
Bar Pacific XVI	9
Bar Pacific XX	24
Bar Pacific XXIII	19

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5. Transfer of interests in operating subsidiaries from Chan Wai to Bar Pacific Group Limited and Ms. Tse

On 18 and 20 March 2014, Chan Wai transferred his interests in each of the following operating subsidiaries of the Group to Bar Pacific Group Limited and Ms. Tse at nominal consideration of HK\$1:

The relevant operating subsidiaries	Number of shares transferred to Bar Pacific Group Limited	Number of shares transferred to Ms. Tse
Bar Pacific I	749	1
Bar Pacific II	800	—
Bar Pacific III	749	1
Bar Pacific VI	700	—
Bar Pacific VII	599	1
Bar Pacific VIII	649	1
Bar Pacific IX	640	—
Bar Pacific XII	590	—
Bar Pacific XVI	510	—
Bar Pacific XVII	599	1
Bar Pacific XVIII	599	1
Bar Pacific XIX	599	1
Bar Pacific XX	505	—
Bar Pacific XXI	574	1
Bar Pacific XXII	599	1
Bar Pacific XXIII	660	—
Bar Pacific XXVII	624	1
Bar Pacific XXVIII	579	1
Bar Pacific XXIX	99	1
Bar Pacific XXX	79	1
Bar Pacific XXXI	106	1
Bar Pacific XXXII	115	1
Bar Pacific XXXIII	110	1
Bar Pacific XXXVII	110	1
Bar Pacific XXXVIII	84	1
Bar Pacific XXXIX	100	1
Bar Pacific LX	116	1
Bar Pacific LXI	127	1
Bar Pacific LXII	123	1
Bar Pacific LXIII	102	1
Bar Pacific LXVIII	—	1
Bar Pacific LXIX	—	1

HISTORY, DEVELOPMENT AND REORGANISATION

The above transfers of shares in Hacienda International Corporation Limited, Tank Success International Limited and the operating subsidiaries of the Group from Chan Wai to Bar Pacific Group Limited and/or Ms. Tse at nominal consideration were made pursuant to the agreement of Ms. Tse and Chan Wai to settle the distribution of their personal assets and properties in connection with their divorce.

6. Establishment of the Bar Pacific Trust

On 25 March 2014, Ms. Tse as settlor and Harneys Trustees Limited executed a deed of settlement pursuant to which Ms. Tse as settlor established the Bar Pacific Trust. Harneys Trustees Limited is the trustee and Ms. Tse and her daughter, namely Chan Tsz Kiu Teresa, are the beneficiaries of the Bar Pacific Trust. Ms. Chan Ching, Mandy, who is the sister of Chan Wai, is the protector of the Bar Pacific Trust.

On 25 March 2014, Ms. Tse transferred the sole issued share of Bar Pacific Group Limited to Harneys Trustees Limited as trust property.

HISTORY, DEVELOPMENT AND REORGANISATION

7. Acquisition of certain minority interests in the operating subsidiaries by Bar Pacific Group Limited by way of cash

In order to consolidate the shareholdings in the operating subsidiaries, Bar Pacific Group Limited approached the minority shareholders of the operating subsidiaries to acquire their interests. Some of such minority shareholders agreed to sell their interests to Bar Pacific Group Limited. On various dates in 2015 and 2016, Bar Pacific Group Limited acquired certain interests in certain operating subsidiaries of the Group by cash at a consideration arrived at after arm’s length negotiation as follows:

Transferor	Number of transferred shares in the relevant operating subsidiaries	The relevant operating subsidiaries	Consideration paid	Basis of determination of the consideration	Date of transfer
Wong Tip Fung	50	Bar Pacific III	HK\$45,000	(b)	14 September 2015
Wong Tip Fung	50	Bar Pacific VII	HK\$50,000	(b)	14 September 2015
Wu Xiaohong	25	Bar Pacific VII	HK\$37,110	(a)	30 December 2015
Wong Tip Fung	50	Bar Pacific VIII	HK\$62,500	(b)	14 September 2015
Kung Wing Yan	30	Bar Pacific XVI	HK\$30,379	(a)	30 December 2015
Kwan Yuen Yi	25	Bar Pacific XIX	HK\$20,475	(a)	30 December 2015
Wong Tip Fung	25	Bar Pacific XXI	HK\$48,000	(b)	14 September 2015
Ng Pui Sum	25	Bar Pacific XXII	HK\$718	(a)	30 December 2015
Au Siu Lun	10	Bar Pacific XXXVIII	HK\$14,553	(a)	30 December 2015
Chan Ting	5	Bar Pacific XXIX	HK\$74,994	(a)	30 December 2015
Pan Bun Lang	5	Bar Pacific XXIX	HK\$50,000	(b)	30 December 2015
Wong Yu	2	Bar Pacific XXIX	HK\$24,000	(b)	24 June 2016
Kwan Yuen Yi	2	Bar Pacific XXX	HK\$16,300	(a)	30 December 2015
Chan Chi Kwong	2	Bar Pacific XXX	HK\$16,300	(a)	30 December 2015
Chan Chi Kwong	2	Bar Pacific XXXI	HK\$11,177	(a)	30 December 2015
Chan Chun Pong	1	Bar Pacific XXXI	HK\$5,588	(a)	30 December 2015
Ng Kam Yuen	1	Bar Pacific XXXI	HK\$5,588	(a)	30 December 2015
Chiu Wai Mo	10	Bar Pacific XXXII	HK\$100,000	(b)	19 May 2015
Li Man Kit	5	Bar Pacific XXXII	HK\$50,000	(b)	14 September 2015
Wong Tip Fung	5	Bar Pacific XXXII	HK\$50,000	(b)	14 September 2015
Hoang Minh Thu	2	Bar Pacific XXXII	HK\$45,161	(a)	5 November 2015
Ng Kam Yuen	2	Bar Pacific XXXII	HK\$45,161	(a)	30 December 2015
Wang Aili	5	Bar Pacific XXXIII	HK\$50,000	(b)	19 May 2015
Li Man Kit	2	Bar Pacific XXXIII	HK\$20,000	(b)	14 September 2015
Wong Tip Fung	2	Bar Pacific XXXIII	HK\$20,000	(b)	14 September 2015
Chan Ting	3	Bar Pacific XXXIII	HK\$36,343	(a)	30 December 2015
Ng Kam Yuen	2	Bar Pacific XXXIII	HK\$24,229	(a)	30 December 2015
Chan Chi Kwong	2	Bar Pacific XXXIII	HK\$24,229	(a)	30 December 2015
Lam Fong Yee Sabina	2	Bar Pacific XXXIII	HK\$24,229	(a)	30 December 2015
Wong Yu	5,796	Bar Pacific XXXIII	HK\$16,000	(b)	24 June 2016
Chiu Wai Mo	5	Bar Pacific XXXVII	HK\$50,000	(b)	19 May 2015
Tong Shuk Yee Eillie	5	Bar Pacific XXXVII	HK\$50,000	(b)	19 May 2015
Li Man Kit	2	Bar Pacific XXXVII	HK\$20,000	(b)	14 September 2015
Ng Kam Yuen	2	Bar Pacific XXXVII	HK\$24,523	(a)	30 December 2015
Chan Chun Pong	1	Bar Pacific XXXVII	HK\$12,261	(a)	30 December 2015
Wu Xiaohong	1	Bar Pacific XXXVII	HK\$12,261	(a)	30 December 2015
Chiu Fai	9,188	Bar Pacific XXXVII	HK\$20,000	(b)	20 July 2016
Tsang Chi Keung	3	Bar Pacific XXXVIII	HK\$40,000	(b)	9 January 2015
Ng Kam Yuen	2	Bar Pacific XXXVIII	HK\$9,966	(a)	30 December 2015
Chiu Fai	5,165	Bar Pacific XXXVIII	HK\$10,000	(b)	20 July 2016

HISTORY, DEVELOPMENT AND REORGANISATION

Transferor	Number of transferred shares in the relevant operating subsidiaries	The relevant operating subsidiaries	Consideration paid	Basis of determination of the consideration	Date of transfer
Tsang Chi Keung	3	Bar Pacific XXXIX	HK\$21,000	(b)	9 January 2015
Huang Lishi	2	Bar Pacific XXXIX	HK\$17,977	(b)	19 May 2015
Ho Pak Leung Ankie	2	Bar Pacific XXXIX	HK\$8,000	(b)	19 May 2015
Sang Yee Pan Rondy	2	Bar Pacific XXXIX	HK\$4,666	(a)	30 December 2015
Ng Kam Yuen	2	Bar Pacific XXXIX	HK\$4,666	(a)	30 December 2015
Chiu Fai	18,840	Bar Pacific XXXIX	HK\$20,000	(b)	20 July 2016
Tsang Chi Keung	5	Bar Pacific LX	HK\$20,000	(b)	9 January 2015
Huang Lishi	2	Bar Pacific LX	HK\$18,232	(b)	19 May 2015
Ho Pak Leung Ankie	3	Bar Pacific LX	HK\$12,000	(b)	19 May 2015
Chan Ting	3	Bar Pacific LX	HK\$807	(a)	30 December 2015
Chan Chun Pong	2	Bar Pacific LX	HK\$538	(a)	30 December 2015
Ng Kam Yuen	2	Bar Pacific LX	HK\$538	(a)	30 December 2015
Kung Wing Yan	5	Bar Pacific LXI	HK\$23,212	(a)	30 December 2015
Tse Tek Wing Raman	5	Bar Pacific LXI	HK\$23,212	(a)	30 December 2015
Luk Kam Wah	2	Bar Pacific LXI	HK\$9,285	(a)	30 December 2015
Chiu Fai	16,164	Bar Pacific LXI	HK\$20,000	(b)	20 July 2016
Sunny Up Corporation Limited	5	Bar Pacific LXII	HK\$50,000	(b)	19 May 2015
Tse Tek Wing Raman	5	Bar Pacific LXII	HK\$19,615	(a)	30 December 2015
Chan Wing Cho	3	Bar Pacific LXII	HK\$11,769	(a)	30 December 2015
Wu Pak Hong	3	Bar Pacific LXII	HK\$11,769	(a)	30 December 2015
Ng Kam Yuen	2	Bar Pacific LXII	HK\$7,846	(a)	30 December 2015
Chan Chun Pong	1	Bar Pacific LXII	HK\$3,923	(a)	30 December 2015
Wong Chung Him	1	Bar Pacific LXII	HK\$10,000	(b)	30 December 2015
Chan Wai Man	1	Bar Pacific LXII	HK\$3,923	(a)	30 December 2015
Sunny Up Corporation Limited	5	Bar Pacific LXIII	HK\$50,000	(b)	19 May 2015
Li Man Kit	2	Bar Pacific LXIII	HK\$20,000	(b)	14 September 2015
Wong Tip Fung	5	Bar Pacific LXIII	HK\$50,000	(b)	14 September 2015
Chan Wing Cho	3	Bar Pacific LXIII	HK\$20,880	(a)	30 December 2015
Wu Pak Hong	3	Bar Pacific LXIII	HK\$20,880	(a)	30 December 2015
Ng Kam Yuen	2	Bar Pacific LXIII	HK\$13,920	(a)	30 December 2015
Chan Chi Kwong	2	Bar Pacific LXIII	HK\$13,920	(a)	30 December 2015

Notes:

- (a) Based on two times EBITDA of the relevant subsidiary for the year ended 31 March 2015 pursuant to its management accounts.
- (b) With reference to the investment contributed by the transferor.

HISTORY, DEVELOPMENT AND REORGANISATION

8. Incorporation of BP Sharing Limited

BP Sharing Limited was incorporated in the BVI on 1 September 2015 as a company limited by shares and is authorised to issue a maximum of 50,000 no par value shares of a single class.

Upon incorporation, one share was issued to Ms. Tse at HK\$1 and on 11 December 2015, an aggregate of 13,422 shares were issued and allotted at HK\$1 each to the following 19 persons, among which, 17 persons were the then shareholders of the operating subsidiaries of the Group and 2 were the nominees of two shareholders of the operating subsidiaries of the Group, as these 19 shareholders of the operating subsidiaries of the Group would transfer their interests in such subsidiaries to Bar Pacific Group Limited as described in Step 9 of the Reorganisation below:

Allottees	Number of shares allotted
Chung Kwok Wai, Clement	2,595
Kam Yiu Wan	1,715
Ng Chui Kuen	1,185
Chung Kin Shing	1,069
Ko Hang Wa	1,026
Ip Chi Man	956
Pan Mui Lie (<i>chief operation manager of our Group</i>)	775
Tsui Chung (nominated by Admiral Enterprise Limited)	743
Yu Wai Tak	659
Tong Nga Ling	600
Lo Wun Choi (nominated by her spouse, namely Cheng Wai Ping)	543
Chan Yiu Chung	458
Leung Kwok Ho	363
Poon Suet Hung (<i>district manager of our Group</i>)	185
Ho Keng Wai	141
Lai Man Wai	141
Chow Wing Hang, Eric	119
Szeto Lawrence	105
Cheung Ho Ming	44

The numbers of shares in BP Sharing Limited issued and allotted to the above 19 persons were based on the number of shares in the operating subsidiaries of the Group transferred to Bar Pacific Group Limited and the net profit of such subsidiaries.

Save as disclosed above, the shareholders of BP Sharing Limited are Independent Third Parties.

HISTORY, DEVELOPMENT AND REORGANISATION

9. Acquisition of minority interests in the operating subsidiaries by Bar Pacific Group Limited by way of share swap

On 11 December 2015, certain shareholders of the operating subsidiaries, who or whose nominees are the shareholders of BP Sharing Limited, executed bought and sold notes and instruments of transfer to transfer their interests in the operating subsidiaries to Bar Pacific Group Limited, and 13,422 shares in Bar Pacific Group Limited were allotted and issued to BP Sharing Limited on 11 December 2015.

Details of the above transfers are as follows:

Transferor	Number of shares transferred to Bar Pacific Group Limited	Operating subsidiary/subsidiaries
Admiral Enterprise Limited	50	each of Bar Pacific VIII, Bar Pacific IX, Bar Pacific XII, Bar Pacific XVI, Bar Pacific XVII, Bar Pacific XVIII and Bar Pacific XXI
Admiral Enterprise Limited	25	Bar Pacific XXVII
Chan Yiu Chung	25	each of Bar Pacific XXI, Bar Pacific XXII, Bar Pacific XXVII and Bar Pacific XXVIII
Chan Yiu Chung	20	Bar Pacific XXIII
Chan Yiu Chung	5	each of Bar Pacific XXIX, Bar Pacific XXXI and Bar Pacific XXXVII
Chan Yiu Chung	3	each of Bar Pacific XXXII, Bar Pacific XXXIII, Bar Pacific XXXVIII, Bar Pacific LXI, Bar Pacific LXII and Bar Pacific LXIII
Cheng Wai Ping	100	Bar Pacific XVI
Cheng Wai Ping	50	each of Bar Pacific XVIII and Bar Pacific XIX
Cheng Wai Ping	25	Bar Pacific XXI
Cheng Wai Ping	5	each of Bar Pacific XXXVII and Bar Pacific LXII
Cheng Wai Ping	2	Bar Pacific XXXIII
Cheung Ho Ming	5	Bar Pacific XXXI
Cheung Ho Ming	3	each of Bar Pacific XXXVIII, Bar Pacific LX and Bar Pacific LXI
Cheung Ho Ming	2	each of Bar Pacific XXIX, Bar Pacific XXXIII, Bar Pacific XXXVII, Bar Pacific XXXIX and Bar Pacific LXII
Chow Wing Hang Eric	3	each of Bar Pacific XXXI, Bar Pacific XXXII and Bar Pacific XXXVIII
Chow Wing Hang Eric	2	Bar Pacific XXXIII
Chung Kin Shing	50	each of Bar Pacific XIX and Bar Pacific XX
Chung Kin Shing	25	each of Bar Pacific XXI, Bar Pacific XXVII and Bar Pacific XXVIII
Chung Kin Shing	10	each of Bar Pacific XXX and Bar Pacific XXXII
Chung Kin Shing	5	each of Bar Pacific XXIX, Bar Pacific XXXI, Bar Pacific XXXVII, Bar Pacific XXXVIII, Bar Pacific XXXIX, Bar Pacific LX, Bar Pacific LXI, Bar Pacific LXII and Bar Pacific LXIII
Chung Kin Shing	3	Bar Pacific XXXIII

HISTORY, DEVELOPMENT AND REORGANISATION

Transferor	Number of shares transferred to Bar Pacific Group Limited	Operating subsidiary/subsidiaries
Chung Kwok Wai Clement	100	each of Bar Pacific VI, Bar Pacific VII, Bar Pacific VIII, Bar Pacific IX, Bar Pacific XII, Bar Pacific XVI, Bar Pacific XVII, Bar Pacific XVIII, Bar Pacific XIX and Bar Pacific XX
Chung Kwok Wai Clement	50	each of Bar Pacific XXI, Bar Pacific XXII, Bar Pacific XXVII and Bar Pacific XXVIII
Chung Kwok Wai Clement	20	Bar Pacific XXIII
Chung Kwok Wai Clement	5	Bar Pacific XXXVII
Ho Keng Wai	25	Bar Pacific XXVIII
Ho Keng Wai	5	each of Bar Pacific XXXI and Bar Pacific XXXVII
Ho Keng Wai	4	each of Bar Pacific XXXVIII and Bar Pacific LXI
Ho Keng Wai	3	each of Bar Pacific XXIX, Bar Pacific LX and Bar Pacific LXII
Ho Keng Wai	2	each of Bar Pacific XXXIII and Bar Pacific XXXIX
Ip Chi Man	50	Bar Pacific XX
Ip Chi Man	25	each of Bar Pacific XXVII and Bar Pacific XXVIII
Ip Chi Man	8	Bar Pacific XXXII
Ip Chi Man	5	each of Bar Pacific XXIX, Bar Pacific XXX, Bar Pacific XXXI, Bar Pacific XXXVII, Bar Pacific XXXVIII, Bar Pacific XXXIX, Bar Pacific LX and Bar Pacific LXI
Kam Yiu Wan	100	each of Bar Pacific VII and Bar Pacific XII
Kam Yiu Wan	50	each of Bar Pacific VIII, Bar Pacific XVIII, Bar Pacific XX, Bar Pacific XXI, Bar Pacific XXII, Bar Pacific XXVII and Bar Pacific XXVIII
Kam Yiu Wan	40	Bar Pacific XXIII
Kam Yiu Wan	10	each of Bar Pacific XXIX, Bar Pacific XXX, Bar Pacific XXXI and Bar Pacific XXXII
Kam Yiu Wan	5	each of Bar Pacific XXXIII, Bar Pacific XXXVII, Bar Pacific XXXVIII, Bar Pacific XXXIX, Bar Pacific LX and Bar Pacific LXI
Ko Hang Wa	125	Bar Pacific I
Ko Hang Wa	100	each of Bar Pacific II, Bar Pacific III and Bar Pacific VII
Ko Hang Wa	50	each of Bar Pacific XVI and Bar Pacific XVIII
Ko Hang Wa	40	Bar Pacific XXIII
Ko Hang Wa	25	each of Bar Pacific XX, Bar Pacific XXI, Bar Pacific XXII and Bar Pacific XXVII
Ko Hang Wa	3	each of Bar Pacific XXXVII and Bar Pacific XXXVIII
Ko Hang Wa	1	Bar Pacific XXXIII
Lai Man Wai	25	Bar Pacific XXVIII
Lai Man Wai	5	each of Bar Pacific XXXI, Bar Pacific XXXVII
Lai Man Wai	4	each of Bar Pacific XXXVIII and Bar Pacific LXI
Lai Man Wai	3	each of Bar Pacific XXIX, Bar Pacific LX and Bar Pacific LXII
Lai Man Wai	2	each of Bar Pacific XXXIII and Bar Pacific XXXIX
Leung Kwok Ho	125	Bar Pacific I

HISTORY, DEVELOPMENT AND REORGANISATION

Transferor	Number of shares transferred to Bar Pacific Group Limited	Operating subsidiary/subsidiaries
Leung Kwok Ho	50	each of Bar Pacific VIII, Bar Pacific XII, Bar Pacific XVII and Bar Pacific XXII
Leung Kwok Ho	25	Bar Pacific XXI
Leung Kwok Ho	20	Bar Pacific XXIII
Ng Chui Kuen	150	Bar Pacific IX
Ng Chui Kuen	75	Bar Pacific XXII
Ng Chui Kuen	50	each of Bar Pacific VIII, Bar Pacific XII, Bar Pacific XVI, Bar Pacific XVII, Bar Pacific XVIII, Bar Pacific XIX and Bar Pacific XXVII
Ng Chui Kuen	25	each of Bar Pacific XX, Bar Pacific XXI and Bar Pacific XXVIII
Ng Chui Kuen	20	each of Bar Pacific XXIII
Ng Chui Kuen	5	each of Bar Pacific XXXI, Bar Pacific XXXIII, Bar Pacific XXXVII, Bar Pacific LXI and Bar Pacific LXII
Ng Chui Kuen	3	each of Bar Pacific XXIX, Bar Pacific XXXVIII and Bar Pacific LX
Ng Chui Kuen	2	Bar Pacific LXIII
Pan Mui Lie	50	each of Bar Pacific VI and Bar Pacific XX
Pan Mui Lie	25	Bar Pacific VII
Pan Mui Lie	5	each of Bar Pacific XXX and Bar Pacific XXXII
Pan Mui Lie	4	Bar Pacific XXIX
Pan Mui Lie	3	Bar Pacific XXXIII
Szeto Lawrence	25	Bar Pacific XXVIII
Szeto Lawrence	3	Bar Pacific XXXVII
Szeto Lawrence	2	each of Bar Pacific XXIX, Bar Pacific XXXIII, Bar Pacific XXXVIII, Bar Pacific XXXIX, Bar Pacific LX, Bar Pacific LXI and Bar Pacific LXII
Tong Nga Ling	50	each of Bar Pacific XII, Bar Pacific XVI and Bar Pacific XVIII
Tong Nga Ling	25	each of Bar Pacific XXI and Bar Pacific XXII
Tong Nga Ling	5	each of Bar Pacific XXXII and Bar Pacific LXI
Tong Nga Ling	3	Bar Pacific LXII
Tong Nga Ling	2	each of Bar Pacific XXXIII and Bar Pacific XXXVII
Poon Suet Hung	20	Bar Pacific XX
Poon Suet Hung	5	each of Bar Pacific XXXI, Bar Pacific LX and Bar Pacific LXII
Poon Suet Hung	3	each of Bar Pacific XXIX and Bar Pacific XXXIII
Yu Wai Tak	25	each of Bar Pacific III, Bar Pacific XXI, Bar Pacific XXII, Bar Pacific XXVII
Yu Wai Tak	10	Bar Pacific XXXII
Yu Wai Tak	5	each of Bar Pacific XXIX, Bar Pacific XXX, Bar Pacific XXXVII and Bar Pacific XXXVIII
Yu Wai Tak	2	Bar Pacific XXXIII

To reflect the proportionate indirect interests held by Harneys Trustees Limited in the operating subsidiaries before the above transfers of the interests in the operating subsidiaries, 36,577 shares were further allotted to Harney Trustees Limited on 11 December 2015.

HISTORY, DEVELOPMENT AND REORGANISATION

After the above issue and allotment of shares, Harney Trustees Limited and BP Sharing Limited held approximately 73.16% and 26.84% of the issued capital of Bar Pacific Group Limited, respectively.

On 30 December 2015, the relevant bought and sold notes and instruments of transfer were duly stamped and the above transfers of the shares of the operating subsidiaries to Bar Pacific Group Limited were registered by such operating subsidiaries.

10. Allotment of shares to Bar Pacific Group Limited and the remaining minority shareholders of the operating subsidiaries

For the purpose of capitalising the amounts due to the shareholders, additional shares in the operating subsidiaries were issued and allotted to Bar Pacific Group Limited and the remaining minority shareholders at nominal value of HK\$1 for each share on 11 December 2015 as follows:

The relevant operating subsidiaries	Number of shares issued and allotted	Allottee(s)
Bar Pacific XXX	135,877	Bar Pacific Group Limited
Bar Pacific XXX	11,410	Ng Chi Wah
Bar Pacific XXX	5,705	each of So Chiu Ming and Leung Tze Yin
Bar Pacific XXX	3,423	Chan Suk Ching
Bar Pacific XXX	2,282	each of Lai Fung Chi, Joan and Ho Pak Chuen
Bar Pacific XXX	1,141	each of Yuen Siu Chuen, Lau Wai Sum, Leung Wai Chiu Simon and Chan Wing Hing
Bar Pacific XXXI	432,392	Bar Pacific Group Limited
Bar Pacific XXXI	26,360	Ng Chi Wah
Bar Pacific XXXI	7,908	each of Tam Tat Ming, Chan Wing Wong, Yiu Chun Wing and Kwok Hang Shing
Bar Pacific XXXI	5,272	each of Wong Tak Cheung Harry, Cheng Wai Yan Phoebe, Yee Man Wai and Lam Ching Leung
Bar Pacific XXXI	2,636	each of Ho Ka Wai, Lau Wai Sum, Leung Wai Chiu Simon and Chan Wing Hing
Bar Pacific XXXIII	486,824	Bar Pacific Group Limited
Bar Pacific XXXIII	14,485	each of Ng Chi Wah, Li Qi Cun and Ng Sui Keung
Bar Pacific XXXIII	5,794	each of Lau Wai Sum, Chiu Sin Tung, Tam Tat Ming, Siu Ho Kwan and Wong Yu
Bar Pacific XXXIII	2,897	each of Mo Kuok Chong, Ting Shiou Shin, Chan Wing Wong, Ho Kwai Fong, Ma Hon Ping, Yuen Man Kit and Yiu Shiela
Bar Pacific XXXVII	858,950	Bar Pacific Group Limited
Bar Pacific XXXVII	22,965	Ng Chi Wah
Bar Pacific XXXVII	13,779	each of Chan Wing Wong and Ma Hon Ping
Bar Pacific XXXVII	9,186	each of Tam Tat Ming, Au Sze Nam Simon, Chiu Fai, Yee Man Wai and Lau Ka Ho
Bar Pacific XXXVII	4,593	each of Ho Kwai Fong and Lam Siu Ming
Bar Pacific XXXVIII	697,249	Bar Pacific Group Limited
Bar Pacific XXXVIII	25,820	Ng Chi Wah

HISTORY, DEVELOPMENT AND REORGANISATION

The relevant operating subsidiaries	Number of shares issued and allotted	Allottee(s)
Bar Pacific XXXVIII	15,492	each of Ma Hon Ping and Chan Wing Wong
Bar Pacific XXXVIII	10,328	each of Au Sze Nam Simon, Tam Tat Ming, Lam Ching Leung, Lau Mang Chi Angela and Chan Chun Kit
Bar Pacific XXXVIII	5,164	each of Ko Chi Fai, Chiu Fai, Lok Sze Man and Ma Hon Chung
Bar Pacific XXXIX	1,271,577	Bar Pacific Group Limited
Bar Pacific XXXIX	47,095	each of Ng Chi Wah and Yue Pak Kee David
Bar Pacific XXXIX	37,676	Lam Ching Leung
Bar Pacific XXXIX	28,257	each of Lam Siu Ming and Chan Suk Ching
Bar Pacific XXXIX	18,838	each of Chiu Fai, Tam Tat Ming, Au Sze Nam Simon, Lee Kwok Piu Ricky and Chan Wing Wong
Bar Pacific XXXIX	9,419	each of Ma Hon Ping, Lok Sze Man and Liu Yuk Ming
Bar Pacific LX	1,574,194	Bar Pacific Group Limited
Bar Pacific LX	46,850	each of Ng Chi Wah, Yue Pak Kee David and Ng Sui Keung
Bar Pacific LX	37,480	Lam Ching Leung
Bar Pacific LX	28,110	each of Chan Wing Wong, Lok Sze Man and Wong Ching Chi
Bar Pacific LX	18,740	each of Ma Hon Chung, Liu Yuk Ming, Lee Kwok Piu Ricky, Tam Tat Ming, Lam Siu Ming and Yiu Shiela
Bar Pacific LX	9,370	each of Mak Shu Wai and Ma Hon Ping
Bar Pacific LXI	1,462,687	Bar Pacific Group Limited
Bar Pacific LXI	40,405	each of Ng Chi Wah, Ng Sui Keung, Leung Kit Shan and Yue Pak Kee David
Bar Pacific LXI	24,243	Ma Hon Chung
Bar Pacific LXI	16,162	each of Lam Ching Leung, Tam Tat Ming, Ma Hon Ping, Liu Yuk Ming, Chiu Fai, Ho Kwai Fong and Fung Sing Yi
Bar Pacific LXI	8,081	each of Lok Sze Man and Lee Kwok Piu Ricky
Bar Pacific LXII	1,420,806	Bar Pacific Group Limited
Bar Pacific LXII	39,245	each of Ng Chi Wah, Lo Wun Choi and Wong Tze Yeung
Bar Pacific LXII	23,547	each of Chan Wing Wong and Fung Sing Yi
Bar Pacific LXII	15,698	each of Au Sze Nam Simon, Wong Ching Chi, Ma Hon Chung, Lam Ching Leung, Ho Kwai Fong, Ma Hon Ping, Tin Yu Yan and Lok Sze Man
Bar Pacific LXII	7,849	each of Tse Shui Wa and Leung Ho Yin
Bar Pacific LXIII	1,085,433	Bar Pacific Group Limited
Bar Pacific LXIII	48,240	each of Ng Kwok Fung and Chan Ka Fai Andy
Bar Pacific LXIII	40,200	each of Ng Chi Wah, Ha Ming Yan Sally, Ha Ying Yu, Li Shasha and Tsang King Sum Raymond
Bar Pacific LXIII	24,120	each of Wong Wing Lun Benny and Fung Sing Yi
Bar Pacific LXIII	16,080	each of Fung Sing Yin, Ma Hon Ping, Ma Hon Chung, Tong Po Ki May, Wong Fai and Lam Ching Leung

HISTORY, DEVELOPMENT AND REORGANISATION

11. Investment by the [REDACTED] Investor

On 25 January 2016, Harneys Trustees Limited and the [REDACTED] Investor entered into a sale and purchase agreement in respect of 3,125 shares in Bar Pacific Group Limited.

On 29 January 2016, 3,125 shares in Bar Pacific Group Limited were transferred from Harneys Trustees Limited to the [REDACTED] Investor for a total consideration of HK\$2.4 million. After the above transfer, Harneys Trustees Limited, BP Sharing Limited and the [REDACTED] Investor held approximately 66.91%, 26.84% and 6.25% of the issued share capital of Bar Pacific Group Limited, respectively.

Please refer to the paragraph headed “[REDACTED] Investment” below in this section.

12. Incorporation of the Company

On 2 June 2016, the Company was incorporated in the Cayman Islands as an exempted company with an authorised share capital of HK\$300,000 divided into 30,000,000 Shares, with one Share issued to the initial subscriber. On the same date, the subscriber Share was transferred to Ms. Tse.

13. Acquisition of interest in the operating subsidiaries by Bar Pacific Group Limited from Ms. Tse

On 1 September 2016, Bar Pacific Group Limited acquired the one share held by Ms. Tse in the 31 operating subsidiaries from Bar Pacific I to Bar Pacific LXVIII at nominal consideration of HK\$1.

HISTORY, DEVELOPMENT AND REORGANISATION

14. Incorporation of BVI Holdco

On 22 September 2016, BVI Holdco was incorporated in BVI and one share was issued to Harneys Trustees Limited.

15. Acquisition of Bar Pacific Group Limited by the Company

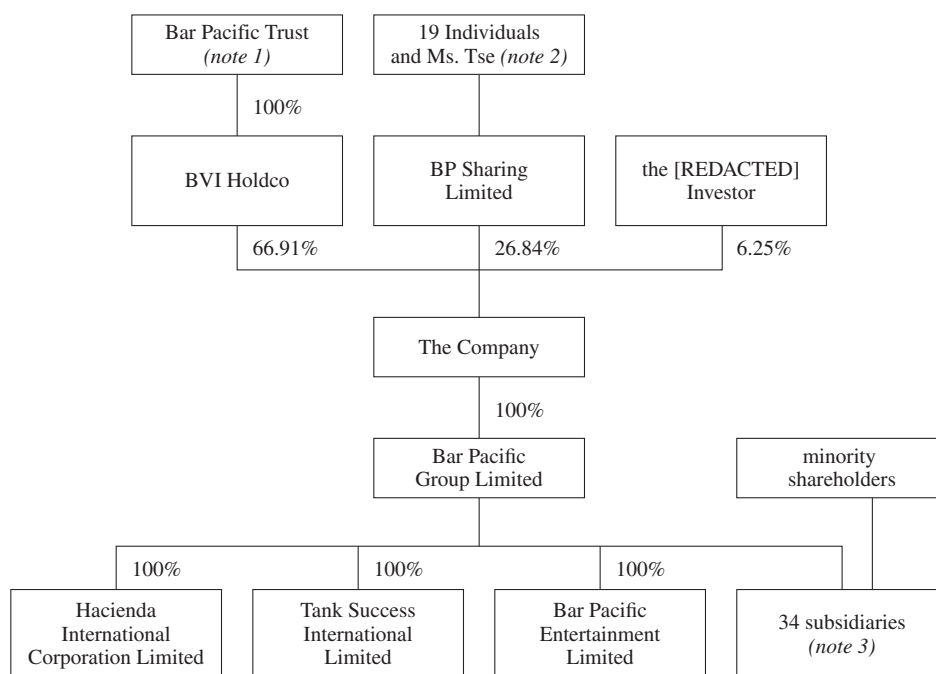
On [●] 2016, the Company acquired the entire issued share capital of Bar Pacific Group Limited from Harneys Trustees Limited, BP Sharing Limited and the [REDACTED] Investor.

The Company acquired (i) 33,453 shares in Bar Pacific Group Limited from Harneys Trustees Limited by issuing and allotting 33,453 new Shares to BVI Holdco, (ii) 13,422 shares from BP Sharing Limited by issuing and allotting 13,422 new Shares to BP Sharing Limited, and (iii) 3,125 shares from the [REDACTED] Investor by issuing and allotting 3,125 new Shares to the [REDACTED] Investor, respectively.

At the same time, Ms. Tse transferred her one Share to BVI Holdco.

After the above issues and allotments of new Shares and transfer of Share, BVI Holdco, BP Sharing Limited and the [REDACTED] Investor held approximately 66.91%, 26.84% and 6.25% of the issued share capital of the Company, respectively.

The following chart sets forth the Group’s shareholding structure immediately prior to the [REDACTED] and Capitalisation Issue:



HISTORY, DEVELOPMENT AND REORGANISATION

Notes:

1. The total issued share capital of BVI Holdco is directly held by Harneys Trustees Limited, being the trustee of the Bar Pacific Trust.
2. The shareholding structure of BP Sharing Limited is as follows:

Name of shareholder	Number of shares held	Percentage of shareholding
Chung Kwok Wai, Clement	2,595	19.33%
Kam Yiu Wan	1,715	12.78%
Ng Chui Kuen	1,185	8.83%
Chung Kin Shing	1,069	7.96%
Ko Hang Wa	1,026	7.64%
Ip Chi Man	956	7.12%
Pan Mui Lie (<i>Chief Operation Manager of our Group</i>)	775	5.77%
Tsui Chung	743	5.54%
Yu Wai Tak	659	4.91%
Tong Nga Ling	600	4.47%
Lo Wun Choi	543	4.05%
Chan Yiu Chung	458	3.41%
Leung Kwok Ho	363	2.70%
Poon Suet Hung (<i>District Manager of the Group</i>)	185	1.38%
Ho Keng Wai	141	1.05%
Lai Man Wai	141	1.05%
Chow Wing Hang, Eric	119	0.89%
Szeto Lawrence	105	0.78%
Cheung Ho Ming	44	0.33%
Ms. Tse	1	0.01%
Total	13,423	100.00%

3. 9 of these subsidiaries of the Company are wholly owned by Bar Pacific Group Limited and the remaining [25] subsidiaries of the Companies have minority shareholders as follows:

	Number of minority shareholders in the subsidiaries	Percentage of shareholding held by the largest minority shareholder	Percentage of total shareholdings held by the minority shareholders	Percentage of interests owned by Bar Pacific Group Limited
Bar Pacific I	Nil	Nil	Nil	100%
Bar Pacific II	Nil	Nil	Nil	100%
Bar Pacific III	2	5%	7.5%	92.5%
Bar Pacific VI	1	10%	10%	90%
Bar Pacific VII	Nil	Nil	Nil	100%
Bar Pacific VIII	Nil	Nil	Nil	100%
Bar Pacific IX	1	5%	5%	95%
Bar Pacific XII	Nil	Nil	Nil	100%
Bar Pacific XVI	1	5%	5%	95%
Bar Pacific XVII	3	5%	15%	85%
Bar Pacific XVIII	Nil	Nil	Nil	100%
Bar Pacific XIX	3	5%	12.5%	87.5%
Bar Pacific XX	2	5%	10%	90%
Bar Pacific XXI	2	2.5%	5%	95%
Bar Pacific XXII	2	2.5%	5%	95%
Bar Pacific XXIII	6	4%	16%	84%

HISTORY, DEVELOPMENT AND REORGANISATION

	Number of minority shareholders in the subsidiaries	Percentage of shareholding held by the largest minority shareholder	Percentage of total shareholdings held by the minority shareholders	Percentage of interests owned by Bar Pacific Group Limited
Bar Pacific XXVII	2	5%	7.5%	92.5%
Bar Pacific XXVIII	4	5%	13.5%	86.5%
Bar Pacific XXIX	5	5.32%	13.83%	86.17%
Bar Pacific XXX	10	6.66%	20.65%	79.35%
Bar Pacific XXXI	13	5.05%	17.17%	82.83%
Bar Pacific XXXII	6	4.39%	14.91%	85.09%
Bar Pacific XXXIII	14	2.50%	15.00%	85.00%
Bar Pacific XXXVII	9	2.38%	10.00%	90.00%
Bar Pacific XXXVIII	11	3.12%	15.00%	85.00%
Bar Pacific XXXIX	12	2.98%	18.45%	81.55%
Bar Pacific LX	15	2.38%	20%	80%
Bar Pacific LXI	13	2.27%	16.82%	83.18%
Bar Pacific LXII	15	2.27%	17.73%	82.27%
Bar Pacific LXIII	15	3.16%	28.95%	71.05%
Bar Pacific LXVIII	21	4.39%	42.11%	57.89%
Bar Pacific LXIX (incorporated on 14 April 2015)	Nil	Nil	Nil	100%
Bar Pacific LXX (incorporated on 10 June 2016)	Nil	Nil	Nil	100%
Bar Pacific LXXI (incorporated on 10 June 2016)	Nil	Nil	Nil	100%

55 minority shareholders have shareholding interests in only one subsidiary of the Company and 33 minority shareholders have shareholding interests in more than one subsidiary of the Company as follows:

Number of minority shareholders of the subsidiaries	Number of subsidiaries in which each such minority shareholder has interest
55	1
12	2
9	3
2	4
3	5
2	6
3	7
1	8
1	18

8 minority shareholders of the subsidiaries of the Company are staff of the Group and the remaining 80 minority shareholders are Independent Third Parties.

HISTORY, DEVELOPMENT AND REORGANISATION

[REDACTED]

[REDACTED] INVESTMENT

Subscription Agreement and Share Swap

Pursuant to a sale and purchase agreement dated 25 January, 2016 entered into between Harneys Trustees Limited and the [REDACTED] Investor, Harneys Trustees Limited transferred a total of 3,125 shares in Bar Pacific Group Limited to the [REDACTED] Investor at a consideration of HK\$2.4 million. After the Reorganisation but before the completion of the Capitalisation Issue and the [REDACTED], the [REDACTED] Investor holds 3,125 Shares, representing 6.25% of the then issued share capital of our Company.

HISTORY, DEVELOPMENT AND REORGANISATION

Description of the [REDACTED] Investor

The [REDACTED] Investor was incorporated in BVI on 18 September 2015. It is wholly owned by Mr. Fung Sik Lun and Mr. Wong Kin Chung. Other than its investment in our Company, each of the [REDACTED] Investor, Mr. Fung and Mr. Wong is independent from and not connected with our other Directors, senior management, or our other Substantial Shareholders, or any of our subsidiaries, or any of their respective associates.

Key Features of the [REDACTED] Investment

The following table provides a summary of the key features of the [REDACTED] Investment:

Name of the [REDACTED] Investor	Fortune Worth Investment Holdings Limited
Date of sale and purchase agreement	25 January 2016
Amount of consideration paid	HK\$2.4 million
Irrevocable settlement date of the consideration	27 January 2016
Basis of determination of the consideration	The consideration was determined based on arm’s length negotiations between the [REDACTED] Investor, the Bar Pacific Trust and Ms. Tse after taking into consideration of the timing of the subscription and the financial performance of the Group. The consideration was arrived at approximately 3.25x of the price-to-earning ratio for the year ended 31 March 2015.
Cost per Share paid	Approximately HK\$[REDACTED] after the completion of Capitalisation Issue and the [REDACTED]
Discount to [REDACTED]	Approximately [REDACTED]% discount to the [REDACTED] of HK\$[REDACTED] (being the mid-point of the [REDACTED] range stated in this document)
Strategic benefits to our Company	In conjunction with its investment, the [REDACTED] Investor provided capital to our Company in relation to our Group’s business, and shall bring in experience in accounting and financial function to our Company to improve our financial management.
Special rights of the [REDACTED] Investor	The [REDACTED] Investor was not granted any special rights in relation to our Company.
Shareholding in our Company before the [REDACTED] and the Capitalisation Issue	6.25%

HISTORY, DEVELOPMENT AND REORGANISATION

Shareholding in our Company upon [REDACTED]%
[REDACTED]

Lock-up period There is no lock-up period for the [REDACTED] Investor.

[REDACTED] [REDACTED]

Confirmation from the Sponsor

The Sponsor has confirmed that the investment by the [REDACTED] Investor is in compliance with the Interim Guidance on [REDACTED] Investments issued on 13 October 2010 (i.e. Guidance Letter HKEx-GL29-12) by the Stock Exchange, the Guidance Letter HKEx-GL43-12 issued on October 2012 and updated in July 2013 by the Stock Exchange and the Guidance Letter HKEx-GL44-12 issued in October 2012 by the Stock Exchange based on the above and the consideration under the investment by the [REDACTED] Investor which has been irrevocably settled on 27 January 2016 [REDACTED].

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OVERVIEW

We are a chained bar group offering beverages and light refreshments under the brand “Bar Pacific” in Hong Kong. In 1999, we opened our first shop in Hunghom. Over the years, our Group has gradually expanded and as at the Latest Practicable Date, we operated 32 shops at street level throughout Hong Kong. We strive to provide quality drinks and snacks at affordable prices under a pleasant, comfortable and tidy environment for our valuable customers. During the Track Record Period, we have received several awards or recognitions, namely Quality Bar Label, Gold Award of the Consumer’s Most Favourable Hong Kong Brands, Caring Company Awards and Best SME Award. Please refer to the section headed “Awards and Recognitions” in this section for further details. Our target customers are the neighborhood in different districts in Hong Kong looking for social connection and relaxation. As such, all of our existing shops were strategically situated at locations with close proximity to the residential or industrial areas rather than at prime retail locations. During the Track Record Period and up to the Latest Practicable Date, we opened Shop LXVIII and LXIX, which are located in North Point and Kwai Chung, respectively. For details of our network, please refer to the paragraph headed “Our network” in this section. Our Directors believe that our Group has already built up a stable client base over the years and our established brand can attract customers to our shops. We plan to continue expanding our network in Hong Kong. We intend to open a total of twelve new shops in the four years ending 31 March 2020. For details of our expansion plan, please refer to the paragraph headed “Business Strategies — Expand our “Bar Pacific” brand to different locations” in this section.

Our Group adopts centralised purchasing system for procurement of beverages and other supplies (except light refreshments). We have established relationship with our top five suppliers which were mostly beverages suppliers for period ranging from around 1 to 17 years. Please refer to the section headed “Business — Suppliers” in this section for further details. In order to increase brand awareness and attract new and returning customers, we have conducted various promotion and marketing events by ourselves or co-organising with our major suppliers or other parties from time to time. Apart from organising marketing events in our shops, we have also participated in external events. Please refer to the paragraph headed “Marketing and Promotion” in this section for further details.

The following table sets forth a breakdown of our revenue by service categories during the Track Record Period:

	Year ended 31 March			
	2015	% of	2016	% of
	Revenue	revenue	Revenue	revenue
	HK\$'000		HK\$'000	
Beverages	102,760	91.5%	116,333	92.2%
Light refreshments	6,550	5.8%	6,562	5.2%
Others ⁽¹⁾	3,063	2.7%	3,250	2.6%
Total	112,373	100.0%	126,145	100.0%

Notes:

(1) Others include income from electronic dart machine and sales of tobacco

BUSINESS

For details of our business performance, please refer to the section headed “Financial Information” in this document.

COMPETITIVE STRENGTHS

Our Directors believe that the following competitive strengths of our Group have contributed to our success and enabled our Group to compete effectively in the bar industry in Hong Kong:

Established brand with proven track record to provide quality bar services at reasonable price

We have been operating “Bar Pacific” branded bars in Hong Kong for approximately 17 years. As at the Latest Practicable Date, we operated 32 street-level bars in Hong Kong. Our Directors believe that our brand has gained recognition among our customers given our extensive presence throughout the region. In order to increase brand awareness and attract new and returning customers, from time to time various promotion and marketing events have been organised by us or co-organised with our major suppliers or other parties. Our Directors believe that our Group’s branding strategy and market initiatives are essential for us to develop our bar business in the long run. Please refer to the paragraph headed “Marketing and Promotion” for further details on our market initiatives.

Our Directors believe that a key to our success is to provide quality beverages at reasonable price. To guarantee our beverage product quality, our procurement policy is to select only those suppliers on our approved list who have passed selection procedures. Please refer to the paragraph headed “Suppliers” in this section for further details. Our shop managers and operation department of our head office will check the outer appearance of the beverage products to identify if there is any abnormality upon delivery to our shops and head office respectively. Any beverage products which show signs of abnormality will be returned to the supplier for replacement or refund.

In addition, we were awarded the “Quality Bar Label” in 2012 by Hong Kong Bar and Club Association and other recognitions over the years. Please refer to the paragraph headed “Awards and Recognitions” in this section for the detailed list of awards and recognitions that we have gained in the past years.

Standardised operations and economies of scale enabled by number of bars

Our standardised operations primarily consist of the following aspects:

Centralised procurement

Save for light refreshments, our head office is in charge of collecting orders for beverages and other supplies from individual shops and placing orders with suppliers. Please refer to the paragraph headed “Suppliers” in this section for further details of our centralised procurement system. Our Directors believe that such centralised procurement by our head office can enhance our sourcing capabilities and in turn can increase our bargaining power with suppliers and can lower our costs of sales as a whole so that we can offer beverages at reasonable and affordable prices. Centralisation of purchases is intended to simplify work procedures, minimise the labour required to perform the task, and maximise the efficiency of

BUSINESS

purchasing. Our Directors believe that this strategy assists us in controlling the inventory levels by having provided it with ready access to a stable supply of beverage products. It also helps us minimise the risk of price fluctuation of beverage products and prevent any possible kick-back arrangements between individual shops and the suppliers.

Standardised operation procedures

As at the Latest Practicable Date, we had 32 shops throughout Hong Kong. Our Directors believe that we can achieve consistent standard of service by centralising and standardising operations of all our shops.

Our head office has established a set of written operating procedures for major operation functions for all shops. Training is also provided to ensure all our staffs adhere to these procedures. In addition, our Group has computerised POS system at each shop to capture customer spending data such as guest count, quantities of beverages sold and cash and credit card receipts, which enables the head office to closely monitor and analyse the sales of all shops with the POS system. We can, based on such data obtained via the POS system, devise new strategies to promptly respond to any change of customers taste and preference in order to attract more customers to our shops.

According to the Euromonitor Report, we are the largest chain bar group in Hong Kong in terms of number of outlets in 2015.

Our Directors believe that the large number of shops and standardised operations have enabled us to achieve economies of scale and to ensure consistently high-level of services.

Strategic locations with close proximity to the residential or industrial areas

Our target customers are the neighborhood in different districts in Hong Kong looking for social connection and relaxation. We strive to provide quality drinks and snacks at affordable prices under a pleasant, comfortable and tidy environment for our valuable customers. As such, all of our existing shops were strategically situated at locations with close proximity to the residential or industrial areas rather than at prime retail locations. Our Directors believe that the strategic locations are more convenient to our target customers and enable us to lower our rent comparing to renting those prime retail locations.

Established relationship with suppliers

As at the Latest Practicable Date, we have maintained established business relationships with our top five suppliers for around 1 to 17 years.

Our Directors believe that our established relationship with suppliers, especially the beverage suppliers, enables us to secure stable sources of supply. Together with bulk purchasing achieved through centralised purchasing by our head office, we believe that our established relationship with our suppliers will allow us to obtain more favourable terms from them.

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Experienced management team

We are led by a team of experienced personnel with substantial experience in frontline bar operation, and substantial expertise in formulating corporate strategies and managing daily operation of our bars. Led by our Chairlady and CEO, namely Ms. Tse, all our district managers have worked with our Group for over 7 years on average. As a result, our district managers are very experienced in daily bar operation. Ms. Tse has been with our Group since our establishment and has in-depth understanding of the industry. With such experience and valuable knowledge, our Directors believe that we will be able to respond to and cope readily with the intense competition in the industry and the rapidly evolving market environment. Please refer to the section headed “Directors, Senior Management and Employees” in this document for details of biographies of our Directors and senior management.

BUSINESS STRATEGIES

Expand our “Bar Pacific” brand to different locations

We will continue to identify suitable locations to open new shops. Apart from the new shop in Chai Wan which we plan to open in the fourth quarter of 2016, we intend to open a total of twelve shops in the four years ending 31 March 2020. We believe that continuing to expand our network will increase our market share and maintain our leading position as the largest chained bar in Hong Kong. We will use our existing site selection criteria for expansion. For more details on site selection criteria, please refer to the paragraph headed “Expansion process” in this section.

Based on our historical experience during the Track Record Period and the current market conditions, we expect the total capital expenditure for each new shop to be approximately HK\$2.8 million. These costs include costs for renovation, rental expenses, hiring additional staffs and working capital requirements for three months. Similar to some of our existing shops, we expect our new shops to have a size of 84 to 167 square meters. Accordingly, we intend to allocate an aggregate sum of approximately HK\$[REDACTED] for the opening of the twelve new shops in the four years ending 31 March 2020. During the Track Record Period, we opened two new shops and the breakeven period for these two shops is approximately one to two months. The shop achieves breakeven when the shop for the first time records a positive EBITDA following the month of commencement of operation of the shop. We expect that our new shops will have similar breakeven period of Shop LXIX opened during the Track Record Period, since we expect our new shops will have similar size and nature of Shop LXIX opened during the Track Record Period. We expect our new shops will have the investment payback period, which means the period requires for the investment costs in a shop’s fixed assets and decoration costs to be fully covered by its accumulated EBITDA since the commencement of operation of the shop, of approximately 11 to 45 months. The above historical breakeven period and investment payback period for our shops operated during the Track Record Period are not indicative of our future performance as our revenue, expenses and operating results may vary from period to period in response to a variety of factors beyond our control.

For further details on our breakeven period and investment payback period, please refer to the paragraph headed “Operating breakeven period and investment payback period of new shops” in this section. As at the Latest Practicable Date, save for the new shop to be opened in Chai Wan in the fourth quarter of 2016, no other premises had been identified and no formal lease agreement has been entered into.

BUSINESS

Continue our promotion and marketing efforts

We will continue to build on our existing efforts to promote our brand “Bar Pacific”. We will increase our sales and marketing effort by organising various promotion and marketing events by ourselves or with our major suppliers as well as engaging independent marketing agent to place advertising on traditional media (such as newspaper and magazines) and other media (such as our own website, internet and Facebook) as well as to handle all matters in relation to our public relations to increase our recognition in the Hong Kong market. Our Directors intend to achieve this by applying an aggregate sum of approximately HK\$[REDACTED] within 30 months after the [REDACTED] to conduct additional marketing and promotion and brand building activities both online and offline in relation to our shops to promote our brand. For further details, please refer to the paragraph “Marketing and Promotion” in this section.

Continue to upgrade our shops’ facilities

We believe upgrading our shop facilities can enhance our brand image which in turn will generate greater customer traffic and increase in sales. We plan to carry out refurbishment in our existing shops and upgrade our shop facilities including, amongst others, adding new bar equipment such as draught beer stations and ice bins, and/or changing the atmosphere of the relevant shops. We also plan to modify our current shop layout and replace our tables and seats with more stylish ones, which can enhance our brand image, ultimately raising the competitive edge of our shops. In connection to this, we target to spend approximately HK\$3.2 million to renovate 13 existing shops in the next 36 months.

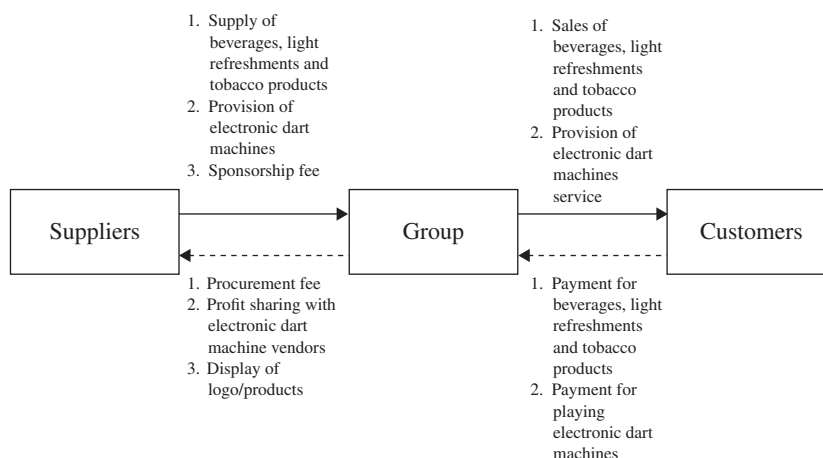
Diversified product mix offered

We plan to offer a more diversified beverages choice to cater for our customers’ changing tastes and preferences as well as attract new customers. We will from time to time provide fresh concepts in our beverages by enhancing and upgrading our existing menus. In particular, we plan to launch one to two new beverages in our shops on a half-yearly basis based on recommendations from our customers and our observation of the customers’ preferences. We note that our customers’ tastes and preferences are constantly evolving and the demand for variety is constantly growing as lifestyle changes. We will review our main menu every two years to cater to our customers’ changing tastes and preferences.

BUSINESS

BUSINESS AND REVENUE MODEL

The following chart summarises the business and revenue model of our Group up to the Latest Practicable Date:



During the Track Record Period and up to the Latest Practicable Date, our Group mainly generated revenue from sales of beverages, light refreshments and other products or services. In addition, we charged our customer on playing electronic dart machines on a per game basis. Our costs are primarily attributable to purchase of beverages, light refreshments and tobacco, rental expenses, staff costs and profit sharing payments to electronic dart machine vendors on a certain agreed ratio.

We also generated sponsorship income from beverage suppliers in exchange for displaying their logos or products at our shops and during marketing events organised by us or co-organised with them.

BUSINESS

Our services

All our shops serve mainly alcoholic and other non-alcoholic beverages as well as light refreshments. Tobacco is also being served in some of our shops subject to compliance with the relevant laws and regulations in Hong Kong. All of our shops provide entertainment facilities for our customers, including but not limited to electronic dart machines. We have standardised menu for all of our shops. There is no minimum charge for our customers but there is a 10% service charge.

The following table shows a breakdown of our revenue during the Track Record Period:

	Year ended 31 March			
	2015	% of	2016	% of
	Revenue	revenue	Revenue	revenue
	HK\$'000		HK\$'000	
Beverages				
• Beer ⁽¹⁾	67,317	59.9%	81,413	64.5%
• Other alcohol drinks ⁽²⁾	35,193	31.3%	34,522	27.4%
• Other beverages ⁽³⁾	250	0.3%	398	0.3%
Light refreshments	6,550	5.8%	6,562	5.2%
Others⁽⁴⁾	<u>3,063</u>	<u>2.7%</u>	<u>3,250</u>	<u>2.6%</u>
Total	<u>112,373</u>	<u>100.0%</u>	<u>126,145</u>	<u>100.0%</u>

Notes:

- (1) Beer includes bottle beer and draught beer.
- (2) Other alcoholic drinks include spirits, wine and cocktails.
- (3) Other beverages include non-alcoholic drinks such as mocktail, juice, tea and soft drinks.
- (4) Others include tobacco and electronic dart machines.

Our Directors believe dart and other games along with drinks has long been a bar culture in Hong Kong and can provide a leisure and relaxing environment to our customers. All of our shops are equipped with one or more entertainment facilities below depending on customers' demand including,

- (i) Electronic dart machines;
- (ii) Music audio system; and
- (iii) Live soccer match.

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Other than the above facilities, we may from time to time change the combination or add new facilities (such as beer pong and snooker) to adapt to the changing taste of our customers. Save for some electronic dart machines, all the above entertainment facilities are free of charge for our customers. Other than the electronic dart machines owned by the Group, customers have to pay on a per game basis. We have entered into electronic dart machine rental agreements with three vendors pursuant to which we split the electronic dart machine income with the vendors on a certain agreed ratio, with a maximum amount receivable by certain vendors per shop.

We play recorded music videos in our shops and broadcast live soccer matches in some of our shops. We have entered into an agreement with each of two official broadcasters and have obtained their authorisation to broadcast soccer matches in those shops.

BUSINESS

Our network

Operating performance of our existing network

As at the Latest Practicable Date, we had 32 shops throughout Hong Kong. The following table shows the summary of our existing network and the operating performance of each of our shops for each of the two years ended 31 March 2016.

Shop number	Address	Year of commencement of operation	For the year ended 31 March 2015					For the year ended 31 March 2016				
			Gross floor area (sq.m.)	Estimated seating capacity (seats) (Note 1)	Estimated number of customer visits (Note 2)	Estimated			Estimated number of customer visits (Note 2)	Estimated		
						Revenue (HK\$'000)	Average daily revenue (Note 3)	Average customer spending per seat (Note 4)		Revenue (HK\$'000)	Average daily revenue (Note 3)	Average customer spending per seat (Note 4)
I	G/F, 671 Gillies Avenue North, Hunghom, Kowloon City, Kowloon	1999	67.7	50	13,661	2,228.7	6,106.1	163.1	15,191	2,410.6	6,586.3	158.7
II	G/F, 663 Gillies Avenue North, Hunghom, Kowloon City, Kowloon	2002	58.1	34	13,106	2,314.6	6,341.5	176.6	12,505	2,466.3	6,738.6	197.2
III	Shop 2, G/F, 16-26 Tam Kung Road, Tokwawan, Kowloon	2002	70.7	42	21,588	3,004.1	8,230.3	139.2	15,691	3,197.3	8,735.8	203.8
VI	Shop A, G/F, Grace Court, 298 Un Chau Street, Sham Shui Po, Kowloon	2003	103.8	60	23,098	3,418.1	9,364.7	148.0	22,071	3,798.9	10,494.3	172.1
VII	G/F, 68 Un Chau Street, Sham Shui Po, Kowloon	2003	94.4	56	26,426	3,847.0	10,539.7	145.6	30,970	4,151.2	11,342.0	134.0
VIII	G/F, 66 Hong Ning Road, Kwun Tong, Kowloon	2003	70.7	50	23,757	3,701.1	10,139.9	155.8	24,151	3,924.7	10,723.2	162.5
IX	G/F, Fung Tak Road, N.K.L., 5030, Kowloon	2004	70.1	50	16,397	2,897.7	7,938.8	176.7	16,942	3,313.2	9,052.4	195.6
XII	G/F, 415 Castle Peak Road, Tsuen Wan, New Territories	2005	77.3	50	20,598	3,248.2	8,899.3	157.7	21,925	2,999.5	8,195.5	136.8
XVI	Shop 5, G/F, Wing Ngai Mansion, 9-15 Luen On Street, Kwun Tong, Kowloon	2005	65.4	47	24,992	3,671.4	10,058.5	146.9	24,599	3,925.4	10,725.2	159.6
XVII	G/F, Yin Hing Building, 70 Choi Hung Road, San Po Kong, Kowloon	2006	56.0	39	12,906	2,482.0	6,800.1	192.3	13,006	2,826.0	7,721.3	217.3
XVIII	Shop Nos. C, D & E, G/F, Yau Shing Building, 501-503 & 507-511 Castle Peak Road, Kwai Chung, New Territories	2006	133.6	74	26,608	3,770.9	10,331.2	141.7	19,770	4,052.9	11,073.6	205.0
XIX	Shop F8, G/F, Block F, Shek Pik Resettlement, 12-26 Luen Yan Street, DD 449, Lot 2134, Tsuen Wan, New Territories	2006	64.8	60	20,591	2,712.0	7,430.3	131.7	21,603	3,042.6	8,313.1	140.8
XX	Outlet 6, G/F, Regal Riverside Hotel, 34-36 Tai Chung Kiu Road, Shatin, New Territories	2006	159.8	110	50,081	6,858.9	18,791.6	137.0	48,398	7,313.9	19,983.4	151.1
XXI	Shop B02, B1/F, Park Central, 9 Tong Tak Street, Tsung Kwan O, Sai Kung, New Territories	2007	185.9	110	41,207	6,823.2	18,693.8	165.6	41,152	6,930.0	18,934.4	168.4
XXII	Shop D, G/F, Kwai Lok Building, 77-85 Wing Fong Road, Kwai Fong, Kwai Chung, New Territories	2007	78.1	70	14,786	2,903.7	7,955.3	196.4	13,307	2,764.8	7,554.1	207.8

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		For the year ended 31 March 2015						For the year ended 31 March 2016						
Shop number	Address	Year of commencement of operation	Gross floor area (sq.m.)	Estimated seating capacity (seats) (Note 1)	Estimated number of customer visits (Note 2)	Estimated			Estimated number of customer visits (Note 2)	Estimated				
						Average daily revenue (HK\$'000)	Average daily spending per customer (Note 3) (HK\$)	Estimated average seat turnover rate (times) (Note 4) (HK\$)		Average daily revenue (HK\$'000)	Average daily spending per customer (Note 3) (HK\$)	Estimated average seat turnover rate (times) (Note 4) (HK\$)		
16	XXIII	G/F, 78 Junction Road, Kowloon	69.1	48	13,265	2,545.9	6,975.1	191.9	0.8	11,355	2,825.1	7,718.9	248.8	0.6
17	XXVII	Shop 4, G/F, Tak On Mansion, 3, 7, 9 & 11 Pine Street, Tai Kok Tsui, Kowloon	146.2	100	22,119	3,372.6	9,239.9	152.5	0.6	25,270	3,846.5	10,509.6	152.2	0.7
18	XXVIII	Basement & Shop B, G/F, Kingsfield Court, 24 Nam Kok Road, Kowloon City, Kowloon	232.3	120	31,973	4,613.5	12,639.7	144.3	0.7	32,772	5,648.7	15,433.6	172.4	0.7
19	XXIX	Shop A & B, G/F, Lin Fung House, 82-86 Chik Chuen Street, Tai Wai, Shatin, New Territories	111.2	100	28,936	5,031.9	13,786.1	173.9	0.8	29,426	5,913.3	16,156.6	201.0	0.8
20	XXX	Shop 4, G/F, Hip Pont Building, 21 Tseng Choi Street, Tuen Mun, New Territories	76.8	60	17,624	3,129.6	8,574.3	177.6	0.8	18,614	3,659.2	9,997.9	196.6	0.8
21	XXXI	Shop 1 & 2, G/F., Jadewater, 238 Aberdeen Main Road, Aberdeen, Hong Kong	115.9	80	28,204	4,110.6	11,262.0	145.7	1.0	29,962	4,602.4	12,574.8	153.6	1.0
22	XXXII	Shop Nos 1-3 Ground Floor, Kam Hing Building, 169-181 Castle Peak Road, Tuen Mun, New Territories	237.0	115	56,993	7,251.7	19,867.7	127.2	1.4	48,083	7,113.7	19,436.3	147.9	1.1
23	XXXIII	Shop 3, G/F, Hong Wah Mansion, 18 Nam Hong Street, Shau Kei Wan, Hong Kong	155.8	85	28,189	4,511.8	12,361.2	160.1	0.9	29,480	5,049.1	13,795.3	171.3	0.9
24	XXXVII	Shop 1 & 2, G/F, Kar Fu Building, 196-202 Java Road, North Point, Hong Kong	122.1	74	32,460	4,697.6	12,870.3	144.7	1.2	29,008	5,048.4	13,793.4	174.0	1.1
25	XXXVIII	G/F, 33 Luen Hing Street, Fanling, New Territories	88.6	65	21,779	2,998.2	8,214.3	137.7	0.9	17,092	3,299.2	9,014.2	193.0	0.7
26	XXXIX	Shops A G/F New Start Building, 330-336 Queen's Road West, Sai Ying Pun, Hong Kong	87.8	60	13,547	2,435.0	6,671.1	179.7	0.6	16,895	2,449.9	6,693.6	145.0	0.8
27	LX	Shop 3, upper G/F, Full Jade Mansion, 48-54 Shek Pai Wan Road, Tin Wan, Hong Kong	129.0	85	16,807	2,445.6	6,700.4	145.5	0.5	13,271	2,163.8	5,912.1	163.0	0.4
28	LXI	Shop D, D1 and Shop G Ground Floor, Kin Tai House, Number 89-113 Wan Hon Street, Kowloon, Hong Kong	153.7	92	19,325	3,666.6	10,446.0	189.7	0.6	25,099	4,270.0	11,666.8	170.1	0.7
29	LXII	Shop B1 Ground Floor, Central Plaza, Number 51-59 Kwong Fuk Road, Tai Po, New Territories	104.7	85	35,767	4,266.0	11,849.9	119.3	1.2	33,634	4,582.7	12,521.1	136.3	1.1
30	LXIII	G/F 19 Wo Tai Street, Luen Wo Market, Fanling, New Territories	150.1	50	28,223	3,414.7	9,355.4	121.0	1.5	28,884	3,873.2	10,582.6	134.1	1.6
31	LXVIII	G/F, Yen Po Court, 74-82 Wharf Road, North Point (Note 6)	319.6	110	n/a	n/a	n/a	n/a	n/a	17,836	3,024.7	10,613.0	169.6	0.6
32	LXIX	Shops B & C, Block A, Ming Tong Building, 444-448 Castle Peak Road, Kwai Chung, New Territories (Note 6)	133.4	65	n/a	n/a	n/a	n/a	n/a	10,073	1,657.5	7,206.3	164.5	0.7

(Note 6)

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Notes:

1. Estimated seating capacity represents the total number of seats available for regular service in the relevant bar, and is estimated by our Directors after taking into account the likely possible number of seats occupied by customers per table. Our Directors consider that such estimation would best reflect the bar's capacity based on the fact that the seats in a single table may not be fully taken up in each table as customers may not be willing to share table with others.
2. Estimated number of customer visits represents the estimated total number of customer counts during the relevant period.
3. Average daily revenue is calculated by dividing the total revenue of the relevant shop during the relevant period by number of operation days.
4. Estimated average spending per customer is calculated by dividing the total revenue of the relevant shop during the relevant period by estimated number of customer visits.
5. Estimated seat turnover rate is calculated by dividing the estimated number of customers' visits by the outcome of multiplying the estimated seating capacity by the number of operation days.
6. Shop LXVIII and Shop LXIX were opened in April 2015 and August 2015 respectively.

The estimated average spending per customer of our shops increased from approximately HK\$150.8 for the year ended 31 March 2015 to approximately HK\$166.4 for the year ended 31 March 2016, representing an increase of approximately 10.33%. The average daily revenue of our shops increased from approximately HK\$10,280.2 for the year ended 31 March 2015 to HK\$10,977.7 for the year ended 31 March 2016, representing an increase of approximately 6.78%. The estimated average daily seat turnover rate of our shops remain stable at approximately 0.96 times for the year ended 31 March 2015 and approximately 0.92 times for the year ended 31 March 2016. Please refer to the section headed “Financial Information” in this document for further details.

Network expansion

We will continue to identify suitable locations to open new shops. We believe that continuing to expand our network will increase our market share and maintain our leading position as the largest chained bar in Hong Kong in terms of number of outlets in Hong Kong in 2015. Please refer to the paragraph headed “Business strategies and future plans — Expand our “Bar Pacific” brand to different locations” in this section for further details.

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The following shows the change in number of shops during the Track Record Period and up to the Latest Practicable Date:

	From 1 April 2016 to the Latest Practicable Date		
	Year ended 31 March 2015	2016	
Number of shops at the beginning of the period/year	30	30	32
Number of new shops opened during the period/year	0	2	0
Number of shops as at period/year end	30	32	32

During the Track Record Period and up to the Latest Practicable Date, we opened Shop LXVIII and LXIX, which are located in North Point and Kwai Chung, respectively. As at the Latest Practicable Date, the capital expenditure for renovation we incurred and committed for Shop LXX (i.e. the new shop to be opened in Chai Wan in the fourth quarter of 2016) amounted to approximately HK\$1.8 million. No shop has been closed down during the Track Record Period. Apart from the new shop in Chai Wan which we plan to open in the fourth quarter of 2016, we intend to open twelve new shops in the four years ending 31 March 2020. Capital expenditure for each shop will vary based on numerous factors including but not limited to location of the shop and size of shop both of which in turn will affect the rental cost, design, materials used, type of renovation and equipment required. Based on our historical experience during the Track Record Period and the current market conditions, we expect the total capital expenditure for each new shop to be approximately HK\$2.8 million. We intend to allocate an aggregate sum of approximately [REDACTED] for the opening of the twelve new shops in the four years ending 31 March 2020. Please refer to the section headed “Future Plans and [REDACTED] — [REDACTED]” in this document for further details. As at the Latest Practicable Date, save for the new shop to be opened in Chai Wan in the fourth quarter of 2016, no other premises had been identified and no formal lease agreement had been entered into.

Operating breakeven period and investment payback period of new shops

The following shows the approximate breakeven period for our new shops opened during the Track Record Period based on the unaudited management accounts of the relevant operating subsidiaries:

	Commencement of operation in	Operating breakeven period (Note 1)
LXVIII (Note 2)	April 2015	2 months
LXIX (Note 2)	August 2015	1 month

Notes:

- Operating breakeven period is defined as the period required for a shop for the first time to record a positive EBITDA following the month of commencement of operation of the shop.
- Shop LXVIII and Shop LXIX are yet to reach investment payback point.

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Our Directors confirmed that the operating breakeven period is around 1–2 months in general as per the Track Record Period.

For our shops opened since 1 January 2008 (based on the information we keep for the recent seven years), nine shops out of fifteen shops had achieved investment payback. The investment payback period for these nine shops ranged from approximately 11 months to 45 months. Investment payback period is the period required for the investment costs in a shop’s fixed assets and decoration costs to be fully covered by its accumulated EBITDA since the commencement of operation of the shop. For the remaining six shops out of fifteen shops that had not achieved investment payback, four shops were profit making during the Track Record Period. For the remaining two shops that were loss making during the Track Record Period, we will closely monitor their performance. As at the Latest Practicable Date, our Directors are of the view that we can improve the performance of these two shops. However, if our Directors are of the view that any of these shops is unlikely to improve performance in the future, we will consider closing the relevant shop.

Our Directors consider that the factors that affect investment payback period and operating breakeven period for different shops include but are not limited to (i) initial investment costs; (ii) market condition; (iii) location of the shop; and (iv) effectiveness of our marketing efforts. In general, larger initial investment costs results in a longer investment payback period. Our Directors believe that whether to open new shops should not solely rely on the expected investment payback period, as opening new shops can further enhance our brand and reputation. Also, it may take longer to achieve payback if we are expanding into new area. Therefore, our Directors will continue to explore suitable locations in Hong Kong to open new shops, even if investment payback period is expected to be longer than those of our existing shops. Our Directors may also consider acquiring other shops currently operated by our competitors if we believe the shop has potential. Up to the Latest Practicable Date, we did not have any acquisition targets.

Expansion process

We believe that the location of our shops is one of the factors in determining the long-term growth of our business. The set-up of a new shop involves the following key steps:

(1) Site selection

Our Directors and senior management, from time to time, will identify new potential location for new shops based on the following criteria of the new shop:

- location;
- surrounding area;
- proposed rental terms;
- site area;
- expected capacity;
- potential competitors; and

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- any potential impact on the sales of existing shops in the surrounding area.

We will conduct site-visit, pedestrian count and researches for all necessary information for our decision making in site selection.

(2) Feasibility study

Once a new location is identified, a feasibility study will be conducted. The following criteria will be taken into consideration for feasibility study:

- flow and level of the target customers traffic (e.g. the existence of favourable demographics of the area and accessibility to our target customers);
- flow and level of pedestrian traffic (e.g. private and public housing estates and other commercial, business and residential establishments);
- spending patterns of the target customers which may be affected by the preference of the local community, population density, existence of a critical mass and the spending power of the community;
- level of actual and potential competition (e.g. proximity to the competitors and operation performance of the competitors in the adjacent area);
- initial capital outlay including rental costs and other costs of operation and expenses; and
- size and structure of the premises.

Our Directors believe that opening a new shop in the same district would not cannibalise the sales of the existing shops. Each of our shops had its own shop manager and each of them had their own customer base. Therefore, opening a new shop in the same district will draw new customers to the new shop and increase our foothold in that district. We believe that increasing further our presence in Hong Kong through opening new shops fits well with our expansion strategy. Our Directors believe the new shop is able to attract more customers from competitors and this will increase our penetration of the existing market in the same area.

(3) Evaluation and approval

The feasibility report will then be evaluated and approved by our Directors and senior management. They will also evaluate the chance of obtaining relevant licences for the new shop and hire external professionals to evaluate whether the location of such proposed new shop will be able to comply with applicable laws and regulations. Should they decide that the potential location is not feasible based on the feasibility report, our Directors and senior management will cease the evaluation and reject the proposal.

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(4) Negotiation of lease terms

Once the opening of the new shop is approved, our Directors will negotiate lease terms with the landlord. In general, we will require an initial lease term of at least three to five years and a rent-free period of two to three months for renovation. Based on our historical experience during the Track Record Period, it generally takes an average of six months for a shop to launch upon signing of the lease.

(5) Renovation

Upon signing the lease agreement, our administration and human resources department will seek for quotation from professional to design the layout of the new shop. Once approved by our Directors and senior management, we will commence renovation of the new shop. The capital expenditure for opening a new shop will vary based on numerous factors, including but not limited to rental cost, size of shop, design and material used in the shop and type of renovation.

(6) Application for licences

During renovation, our administration and human resources department will apply for all necessary licences, namely, liquor licence, light refreshment licence and water pollution control licence or other licenses or permits from time to time required by relevant Government authorities, for the operation of the new shop.

(7) Staffing

Upon completion of the renovation, our administration and human resources department will either relocate existing staff or recruit new staff for the operation of the new shop. Before the commencement of operation of new shop, we will provide relevant training to our new staff. In general, we will have one liquor licence holder for each shop.

(8) Procurement for new shop

Our Group adopts centralised purchasing system for procurement of beverages and other supplies (except light refreshments). Our shops purchase light refreshments directly from approved suppliers. For details of approved suppliers, please refer to the paragraph headed “Suppliers” in this section.

Our head office is in charge of collecting orders from each shop and placing orders with suppliers. Please refer to the paragraph headed “Inventory management” in this section for further details.

(9) Management Reporting

We have been using POS system at all of our shops and our head office will capture customer spending data such as guest count, quantities of beverages sold and cash and credit card receipts. In addition, our district managers will hold meetings with our Directors to report on the performance of their responsible shops on a weekly basis. Our Directors and senior management

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closely monitor and analyse the relevant data, which enable us to devise new strategies to promptly respond to any change of customers’ taste and preference in order to attract more customers to our shops.

(10) Quality Control

To guarantee our beverage product quality, our procurement policy is to select only those suppliers on our approved list who have passed selection procedures. Please refer to the paragraph headed “Suppliers” in this section for further details. Our shop managers and operation department of our head office will check the outer appearance of the beverage products to identify if there is any abnormality upon delivery to our shops and head office respectively. Any beverage products which show signs of abnormality will be returned to the supplier for replacement or refund.

Pricing

We strive to provide quality drinks and snacks under a pleasant, comfortable and tidy environment for our valuable customers at affordable prices. Our operation department will from time to time assess the reasonableness of our pricing based on cost plus basis taking into account the relative pricing of our competitors and the spending power of our target customers.

During the Track Record Period, we have standardised menu with unified price for all items in all our shops. There is no minimum charge in our shops but a 10% service fee will be charged on all orders. Please refer to the section headed “Financial Information” in this document for further details.

Seasonality

Our revenue is subject to seasonal fluctuations as the spending patterns vary on seasonal basis. During the Track Record Period, we generally recorded higher revenue in July, August and December each year. We believe that the higher revenue recorded in July and August is due to the summer holidays and the higher revenue recorded in December is due to the Christmas holidays.

SUPPLIERS

We centralised the purchase of all beverages and other supplies (except light refreshments) for our shops by the operation department at our head office. During the Track Record Period, our suppliers were mainly beverage suppliers. The cost of beverage purchased accounted for approximately 90% and 92% of our total cost of purchase for each of the two years ended 31 March 2016 respectively.

We have established relationship with our top five suppliers which were mostly beverage suppliers for period ranging from around 1 to 17 years. We have entered into annual master purchase agreement with three of our top 5 suppliers to fix the pricing and other terms (such as volume rebates, promotion budget and indicated annual purchase amount) based on arms’ length negotiation during the Track Record Period. The volume rebates (in the form of cash) represent return of a portion of the purchase price by our suppliers to us, based on the amount of beverages purchased with reference to the specified quantity or value within a specified period. The promotion budget represents the amount which the suppliers have budgeted to organise marketing event with our Group to promote their brands. Our Directors believe that our centralised purchasing system may prevent any possible kickback arrangements between individual shops and our suppliers.

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We source our tobacco from suppliers on our approval list who have passed selection procedures. One of them were one of our top 5 suppliers during the Track Record Period. No annual master agreement was entered into with the tobacco suppliers. Also they did not offer any volume rebates and promotion budget to us during the Track Record Period.

We source our light refreshments from lists of approved suppliers kept by each shop. These suppliers were mostly food stalls or supermarkets nearby each shop. These suppliers are required to obtain approval by our administration and human resources department before they can be included in the lists.

For electronic dart machines, other than those owned by our Group, we have entered into electronic dart machine rental agreements with three vendors, pursuant to which we split the electronic dart machine income with the vendors on a certain agreed ratio, with a maximum amount receivable by certain vendors per shop.

As at the Latest Practicable Date, we have 19 and 2 suppliers on our approved lists of suppliers for beverages and tobacco respectively. We conduct a half-yearly evaluation on their performance based on a set of criteria including product range, delivery schedule, service quality, price and credit terms. New suppliers are selected on the list of approved suppliers upon satisfactory results on checking their company websites, business registration, and if necessary, the performance review by our management on a trial test period. Since our head office is responsible to source all beverages and other supplies for all shops, our Directors believe that we may increase our bargaining power through bulk purchasing to lower our costs.

The table below sets out some information on our top five suppliers during the Track Record Period:

Five largest suppliers for the year ended 31 March 2015

Rank	Supplier	Background	Number of years of business relationship with our Group as at the Latest Practicable Date	Credit terms	Payment method	Purchase (HK\$'000)	Approximate % of our total purchases
				(days)			
1	Supplier A	Beer and soft drink distributor	around 17 years	15	Cheque	9,838	35.1%
2	Supplier B	Alcohol distributor	around 7 years	30	Cheque	5,925	21.2%
3	Supplier C	Self-owned brand beer distributor	around 17 years	60	Cheque	4,868	17.4%
4	Supplier D	Self-owned brand beer distributor	over 17 years	60	Cheque	3,115	11.1%
5	Supplier E	Self-owned brand tobacco distributor	over 2 years	0	Cheque	1,652	5.9%
Total:						25,398	90.7%

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Five largest suppliers for the year ended 31 March 2016

Rank	Supplier	Background	Number of years of business relationship with our Group as at the Latest Practicable Date	Credit terms	Payment method	Purchase (HK\$'000)	Approximate % of our total purchases
				(days)			
1	Supplier A	Beer and soft drink distributor	around 17 years	15	Cheque	10,320	36.5%
2	Supplier B	Alcohol distributor	around 7 years	30	Cheque	6,231	22.0%
3	Supplier D	Self-owned brand beer distributor	over 17 years	60	Cheque	3,056	10.8%
4	Supplier C	Self-owned brand beer distributor	around 17 years	60	Cheque	1,856	6.6%
5	Supplier F	Self-owned brand beer distributor	around 1 year	30	Cheque	1,726	6.1%
Total:						23,189	82.0%

Our purchase from our largest supplier accounted for approximately 35.1% and 36.5% of our total purchases for the year ended 31 March 2015 and the year ended 31 March 2016, respectively. Our purchases from our top 5 suppliers accounted for approximately 90.7% and 82.0% of our total purchases for the year ended 31 March 2015 and 2016 respectively. To the best of our Director’s knowledge, having made reasonable enquiries, none of our Directors and their respective close associates or any Shareholder holding 5% or more of our issued share capital has any interest in any of our five largest suppliers during the Track Record Period.

During the Track Record Period, none of our major suppliers ceased their operations. In addition, we did not experience any beverage supply interruption that would have any material adverse impact on our business, early termination of contractual arrangements with our major suppliers nor failure to secure sufficient quantities of beverages. In case of any supply shortage, our Group can source beverage products from alternative suppliers with comparable quality and prices. Our Directors believe that the concentration risk of suppliers is not material and the Group’s practices are in line with the industry standards.

Revenue from beer represents approximately 59.9% and 64.5% of our total revenue during the Track Record Period. There was no material increase in beer price during the same period. To ensure that our profit margin can be maintained, we will continue to refine our menus and increase prices of selected menu items, introduce higher-margin menu items, and enhance relationship with our major suppliers to secure better pricing. Our Directors believe that we will be able to pass most of the price fluctuations, if any, onto our customers.

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The following sensitivity analysis illustrates the impact of hypothetical fluctuations in cost of inventories sold on our profit before tax for the year during the Track Record Period. Fluctuations are assumed to be 5%, 10% and 15% for each of the year ended 31 March 2015 and 2016, respectively, which correspond to the range of historical fluctuations of our cost of inventories sold during the Track Record Period.

	(HK\$'000, except percentages)					
Hypothetical fluctuation	+5%	-5%	+10%	-10%	+15%	-15%
<i>Impact on certain consolidated income statement items for the year ended 31 March 2015</i>						
Change in cost of inventories sold	1,388	(1,388)	2,776	(2,776)	4,164	(4,164)
Change in profit before tax	(1,388)	1,388	(2,776)	2,776	(4,164)	4,164
<i>Impact on certain consolidated income statement items for the year ended 31 March 2016</i>						
Change in cost of inventories sold	1,421	(1,421)	2,843	(2,843)	4,264	(4,264)
Change in profit before tax	(1,421)	1,421	(2,843)	2,843	(4,264)	4,264

Inventory management

Our inventory mainly comprises beverages. Beer typically has shelf life of approximately one year while spirits typically do not state a shelf life. Although beer has shelf life, our inventory turnover rate for them is shorter than one year so we can ensure their quality and freshness. The operation department of our head office is responsible for managing the inventory both at the head office and at the shop level.

On a daily basis, each shop needs to unaudit stock take on the inventory level and provide the stock take results to the operation department. Operation department ensures that the inventory level at the shop level is consistent with the record maintained by the operation department. If there is any inconsistency, the shop manager and/or bartender need to review the sales record on the previous day and report back to our head office on the reasons for such discrepancy. The operation department will also conduct sample checks on each shop from time to time and on a need basis. Once the inventory at the shop level drops to near the minimum inventory level, the shop manager will send an order form to the operation department of the head office and the operation department will either place orders to supplier(s) upon consolidating all orders from individual shops or send supply to shops from its own inventory.

We have our own inventory for spirits in our head office. Once our inventory level drops to below a minimal inventory amount, we will place orders with supplier(s). Since there may be a time lag between placing order to suppliers and actual delivery of spirits to shops, we can immediately despatch spirits to individual shops from our head office inventory in case this is necessary.

MARKETING AND PROMOTION

Our marketing department has three staff as at the Latest Practicable Date and is responsible for the overall promotion of our brand as well as acting as a liaison with suppliers to organise marketing events in our shops.

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In order to increase brand awareness and attract new and returning customers, we have conducted various promotion and marketing events from time to time. During the Track Record Period, we have organised marketing events (by ourselves or co-organising with our suppliers to promote their brands) in our shops. Apart from organising marketing events in our shops, we have also participated in external events.

In addition, we have engaged an independent marketing agent for all our advertising efforts. Through this marketing agent, we have placed advertisements on traditional media (such as newspaper and magazines) as well as other media (such as our own website, Internet and Facebook) as well as to handle all matters in relation to our public relations.

During the Track Record Period, our advertising and promotions expenses were HK\$981,053 and HK\$1,065,599 for the year ended 31 March 2015 and 2016 respectively. Going forward, we will increase our sales and marketing effort to increase our recognition in Hong Kong market. Our Directors intend to achieve this by applying approximately [REDACTED] within 30 months after the [REDACTED] to conduct additional marketing and promotion and brand building activities both online and offline in relation to our shops and to promote our brand generally. For details of our marketing implementation plans, please refer to the section headed “Future Plans and [REDACTED]” in this document.

CUSTOMERS

Due to the nature of our business, the majority of our customers consist of retail customers from the general public. The largest customer and the top five customers of our Group accounted for less than 10% and 30% of our Group’s total revenue, respectively for each of the two years ended 31 March 2016. As such, our Directors consider that it is not practicable to identify the five largest customers of our Group for the Track Record Period and we did not rely on any single customer during the Track Record Period.

Settlement

All of the payments made by our customers are through cash, credit cards, coupons or EPS. During the Track Record Period, most of the payment was made by cash by our customers.

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We have implemented a cash management system to all our shops. In order to prevent any misappropriation of cash, we have strict procedures on cash custody such as segregation of duties and daily reconciliation of the cash receipt with the cash sales record. All orders must be recorded on our point-of-sales system. After closing, our shop manager and the bartender will check the cash balance against the record of our point-of-sales system to ensure the correct amount of cash has been collected.

We also adopt a cash delivery system for each shop. Cash must be delivered to bank deposit machines for deposit on a daily basis. In case the banks are closed for few non-business days, the cash collected on the previous days will be deposited to the bank on the following business day. On the next day, our finance department will check the cash deposited against the cash sales record. Any discrepancies will be investigated by the shop manager and district manager.

To the best knowledge of our Directors, we did not experience any material cash embezzlement by employees during the Track Record Period. Our Directors consider our internal control policies and procedures to be adequate.

EMPLOYEES

As at the Latest Practicable Date, we had a total of 284 employees in Hong Kong. The following table sets forth a breakdown of our employees by function as at the Latest Practicable Date:

	As at the Latest Practicable Date
Operation department	4
Marketing department	3
Finance department	11
Administration and human resources department	6
Staff at shop levels — full-time	117
Staff at shop levels — part-time	143
Total	284

Our Directors believe that the quality of our staff is the key to our success. We endeavour to maintain good relationships with our employees. Our administration and human resources department will promptly handle and address complaints and issues raised by our employees. In addition to full-time staff, we also employ part-time staff to meet any shortage of staff due to illness or holiday leave taken by staff. These part-time staff are usually paid on hourly basis. There is no labour union for our employees. Our Directors confirm that we did not have any major labour dispute during the Track Record Period and up to the Latest Practicable Date and generally we maintain a good working relationship with our employees and have not experienced any material labour shortages.

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Employee recruitment and remuneration

Our Directors consider that the recruitment in the industry is competitive. To facilitate recruitment of competitive staff, apart from basic salary, we also offer our staff with medical benefits. In addition, we have also adopted various bonus schemes for our staff in order to incentivise them once their shops have achieved certain pre-set targets, such as a certain amount of revenue per shop during a period of time. Once the staff of a shop achieved the target for three consecutive months, extra bonus will be paid to them.

Employee training

Standardised operation manual and training will be provided to new staff and existing staff from time to time. Our administration and human resources department is responsible for our staff training. In general, training is provided to all new staff. Regular trainings and briefings are also provided to our staff to update on any new industry regulations and our new marketing events. Our Directors believe that relevant training is important to maintain our service quality and enhance our brand.

QUALITY CONTROL AND SAFETY

Procedures for handling customer complaints

Complaints related to daily operation of the shops will be addressed by our shop managers while complaints related to service quality of the staff will be handled by our administration and human resource department. Remedial proposals will be offered to the customer immediately by the shop managers on scene. All the complaints received will be recorded in our internal record. Review of our internal records of complaints will be carried out regularly by our chief operation manager and suitable training courses will be provided to our staff in order to improve our operations.

During the Track Record Period and up to the Latest Practicable Date, we are not aware of any customer complaints claiming material compensation that could have a material adverse impact on our business, results of operations or financial condition.

During the Track Record Period and as at the Latest Practicable Date, we had not experienced any material incidents of food poisoning or problems on food safety in general that could adversely affect our reputation and our business.

Quality control in procurement of beverage products

To guarantee our beverage product quality, our procurement policy is to select only those suppliers on our approved list who have passed selection procedures. Please refer to the paragraph headed "Suppliers" in this section for further details. Our shop managers and operation department of our head office will check the outer appearance of the beverage products to identify if there is any abnormality upon delivery to our shops and head office respectively. Any beverage products which show signs of abnormality will be returned to the supplier for replacement or refund.

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Safe environment for staff and customers

We target to provide the safest environment for both our staff and customers. To ensure alcoholic beverages are only sold to legitimate customers, our staff will check the identity document of any customers who are suspected to be under 18 years of age. All our shops are equipped with security system such as CCTV to monitor the shop operation. Our senior management will review those CCTV for the shops from time to time to ensure no illegal activities or disorderly behaviour is carried out in our shop. We have strict guidelines which are issued to our staff on this area. They have been instructed that, whenever they suspect there are illegal activities or disorderly behaviour taking place in the shop, they should immediately report to the shop manager and the shop manager must immediately report to the police. All the written statement made to the police must be sent to our compliance department for record. In addition, if the customer appears to be intoxicated, we will cease to supply any alcoholic beverages and request that customer to leave our shop.

Apart from the above procedures, we also have established and implemented workplace safety guidelines for our staff. Any accidents that occur will be reported to our compliance department and handled accordingly. Our Directors believe that these measures help reduce the number and seriousness of work injuries of the employees and are adequate and effective to prevent serious work injuries.

During the Track Record Period and as at the Latest Practicable Date, we had not experienced any material incidents that resulted in termination of any of our liquor licences, light refreshment licences nor any material work injuries that would have material adverse effect on our business, results of operation or financial condition. We strive to prevent injuries and accidents in our bars and to ensure a clean and safe drinking environment for the staff and customers. During the Track Record Period, we did not receive any general liabilities claims from customers.

ENVIRONMENTAL MATTERS

Our operations are subject to environmental protection laws and regulations. For details, please refer to the paragraph headed “Hong Kong Regulatory Overview — (B) Environmental Protection” in the section headed “Laws and Regulations of the Industry” in this document. Further, our Directors believe that they should operate their food and beverage operations with social responsibility and as such should take into account factors that may affect the environment. As at the Latest Practicable Date, we have obtained water pollution licences for most of our bars. Our administration and human resource department is responsible for the compliance of such laws and regulations. During the Track Record Period, we only recorded insignificant amount of expenses in compliance with those applicable rules and regulations for environmental matters, including but not limited to garbage collection expenses, grease tank cleaning expenses and sewage services charge which includes a sewage charge and a trade effluent surcharge. Going forward, our Directors believe the cost of compliance with the applicable environmental laws and regulations for the coming years will continue to be immaterial.

INSURANCE

We primarily maintain the following insurances:

- Insurance for employees’ compensation for injuries or death in the course of employment;
- Fire insurance;

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- Medical insurance;
- Public liability insurance to cover ourselves against, among other things, claims of drink poisoning by our customers, claims in respect of bodily injury by any person or loss of or damage to property of our Group, and claims in respect of fire or other damages to the venues leased by our Group.

During the Track Record Period and as at the Latest Practicable Date, we had not made any material claims against any of the above mentioned insurance policies.

Our Directors are of the view that the aforesaid insurance coverage is sufficient and the nature of coverage is in line with normal industry practice in Hong Kong.

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All our shops are on leased properties from independent third parties. The following table shows the details of the gross floor areas and lease terms of these shops.

Shop number	Address	Gross floor area (sq.m.)	Lease term	Option for renewal
I	G/F., 671 Gillies Avenue North, Hunghom, Kowloon City, Kowloon	67.7	10 August 2016– 9 August 2018	1 year
II	G/F., 663 Gillies Avenue North, Hunghom, Kowloon City, Kowloon	58.1	25 March 2016– 24 March 2019	N/A
III	Shop 2, G/F., 16–26 Tam Kung Road, Tokwawan, Kowloon	70.7	1 September 2015– 31 August 2018	N/A
VI	Shop A, G/F., Grace Court, 298 Un Chau Street, Sham Shui Po, Kowloon	103.8	22 April 2016– 21 April 2019	N/A
VII ^(Note 1)	G/F., 68 Un Chau Street, Sham Shui Po, Kowloon	94.4	15 September 2011– 14 September 2013	N/A
VIII	G/F., 66 Hong Ning Road, Kwun Tong, Kowloon	70.7	10 December 2014– 9 December 2017	N/A
IX	31 Fung Tak Road, N.K.I.L. 5030, Kowloon	70.1	1 June 2015– 31 May 2018	3 years
XII	G/F., 415 Castle Peak Road, Tsuen Wan, New Territories	77.3	1 June 2016– 31 May 2018	N/A
XVI	Shop 5, G/F., Wing Ngai Mansion, 9–15 Luen On Street, Kwun Tong, Kowloon	65.4	25 July 2015– 24 July 2018	3 years
XVII	G/F., Yin Hing Building, 70 Choi Hung Road, San Po Kong, Kowloon	56.0	7 October 2016– 6 October 2018	N/A
XVIII ^(Note 1)	Shop Nos. C, D & E, G/F., Yau Shing Building, 501–503 & 507–511 Castle Peak Road, Kwai Chung, New Territories	133.6	1 November 2013– 31 October 2015	N/A
XIX	Shop F8, G/F., Block F, Shek Pik Resettlement, 12–26 Luen Yan Street, Dd 449, Lot 2134, Tsuen Wan, New Territories	64.8	3 April 2016– 2 April 2019	N/A
XX	Outlet 6, G/F., Regal Riverside Hotel, 34–36 Tai Chung Kiu Road, Shatin, New Territories	159.8	15 November 2015– 14 November 2018	N/A
XXI ^(Note 2)	Shop B02, B1/F., Park Central, 9 Tong Tak street, Tseung Kwan O, Sai Kung, New Territories	185.9	1 September 2015– 31 December 2016	N/A
XXII	Shop D, G/F., Kwai Lok Building, 77–85 Wing Fong Road, Kwai Fong, Kwai Chung, New Territories	78.1	1 August 2016– 31 July 2018	N/A
XXIII ^(Note 3)	G/F., 78 Junction Road, Kowloon	69.1	23 March 2015– 22 March 2017	4 years
XXVII	Shop 4, G/F., Tak On Mansion, 3, 7, 9 & 11 Pine Street, Tai Kok Tsui, Kowloon	146.2	23 September 2014– 22 September 2017	N/A
XXVIII ^(Note 4)	Basement & Shop B, G/F., Kingsfield Court, 24 Nam Kok Road, Kowloon City, Kowloon	232.3	25 August 2014– 24 August 2016	N/A
XXIX	Shop A & B, G/F., Lin Fung House, 82–86 Chik Chuen Street, Tai Wai, Shatin, New Territories	111.2	15 January 2015– 14 January 2018	2 years
XXX	Shop 4, G/F., Hip Pont Building, 21 Tseng Choi Street, Tuen Mun, New Territories	76.8	19 May 2015– 18 May 2017	N/A

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Shop number	Address	Gross floor area (sq.m.)	Lease term	Option for renewal
XXXI	Shop 1 & Shop 2, G/F., Jadewater, 238 Aberdeen Main Road, Aberdeen, Hong Kong	115.9	1 May 2016– 30 April 2019	N/A
XXXII ^(Note 4)	Shop Nos. 1–3 Ground Floor, Kam Hing Building, 169–181 Castle Peak Road, Tuen Mun, New Territories	237.0	27 September 2013– 26 September 2016	N/A
XXXIII	Shop 3, G/F., Hong Wah Mansion, 18 Nam Hong Street, Shau Kei Wan, Hong Kong	155.8	1 May 2014– 30 April 2017	2 years
XXXVII	Shop 1 & 2, G/F., Kar Fu Building, 196–202 Java Road, North Point, Hong Kong	122.1	1 September 2014– 31 August 2017	2 years
XXXVIII	G/F., 33 Luen Hing Street, Fanling, New Territories	88.6	1 November 2016– 31 October 2018	N/A
XXXIX	Shop A, G/F., New Start Building, 330–336 Queen’s Road West, Sai Ying Pun, Hong Kong	87.8	1 April 2012– 31 March 2017	N/A
LX	Shop 3 on Upper G/F., Full Jade Mansion, 48–54 Shek Pai Wan Rd, Tin Wan, Hong Kong	129.0	12 June 2015– 11 June 2018	N/A
LXI	Shop D1 And Shop G, Ground Floor, Kin Tai House, Number 89–113 Wan Hon Street, Kowloon, Hong Kong	153.7	1 October 2016– 30 September 2020	N/A
LXII	Shop B1, Ground Floor, Central Plaza, Number 51–59 Kwong Fuk Road, Tai Po, New Territories	104.7	18 June 2016– 17 June 2018	2 years
LXIII	G/F & C/L, 19 Wo Tai Street, Luen Wo Market, Fanling, New Territories	150.1	10 September 2016– 9 September 2022	N/A
LXVIII	G/F., Yen Po Court, 74–82 Wharf Road, North Point, Hong Kong	319.6	1 November 2014– 31 October 2017	3 years
LXIX	Shop B & C, G/F., Block A, Ming Tong Building, 444–448 Castle Peak Road, Kwai Chung, New Territories	133.4	1 July 2015– 30 June 2018	6 years

Notes:

- (1) The leases for Shop VII and Shop XVIII have been expired in September 2013 and October 2015 respectively. However, based on our understanding with the respective landlords, the lease will be continued and we did not foresee any circumstances that might result in the termination of the lease.
- (2) The lease for Shop XXI was expired in August 2016 and has been renewed till December 2016. In case where the landlord cannot lease the same shop or another shop in the same shopping centre to us, we may have to close shop XXI.
- (3) We plan to close Shop XXIII in March 2017. For details of the cessation of the operation of Shop XXIII, please refer to the paragraph “Contravention of Prescribed Use in the Occupation Permits” in this section.
- (4) The lease terms of these shops have been expired and we are in the course of negotiating the renewal with the landlords and we expect the leases can be renewed on similar terms as the existing leases.

In general, all our leases had fixed rent arrangements apart from Shop XXI, which had a fixed rent plus variable rent based on turnover. Our leases generally have a term of 1 to 6 years.

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As at the Latest Practicable Date, save as disclosed above, we had not received any indication from the landlords that they may not renew our leases or that there will be a substantial increase in rental fees which are not in line with market rates when the leases are subject to renewal.

As at the Latest Practicable Date, apart from the shops, we also leased the following properties for our head office and storage:

Location	Approximate Gross floor area (sq. m.)	Rental type	Lease term	Usage
Unit D2, 11th Floor, Hang Fung Industrial Building Phase 2, 2G Hok Yuen Street, Hung Hom, Hong Kong	309.4	Fixed	31 December 2015 – 30 December 2018	Office premises and centralised warehouse for shops

Our property rentals and related expenses in relation to the properties leased for our shops, head office and storage were HK\$18.8 million and HK\$21.3 million for the year ended 31 March 2015 and 2016 respectively.

We did not own any property during the Track Record Period and as at the Latest Practicable Date. As we did not own any property as of 31 March 2016, we are not required by Rule 8.01A of the GEM Listing Rules to include in this document any valuation report. Pursuant to [REDACTED], this document is exempted from compliance with the requirements of [REDACTED], which requires a valuation report with respect to interests in land or buildings.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we owned a registered trademark of “BAR PACIFIC 太平洋酒吧” under class 43 which is registered under the name of Bar Pacific Entertainment Limited and being used by our Group. We have also registered the domain name of www.barpacific.com.hk which is registered under the name of Bar Pacific International Limited and being used by our Group. We have taken appropriate steps to protect our intellectual property rights. We have registered the principal trademark that is necessary for us to carry out the business operation and internet domain names. We may take necessary legal actions if any infringement of trademarks or any misappropriation of our brand name is discovered.

During the Track Record Period and as at the Latest Practicable Date, we had not received any claim against us for infringement of any intellectual property rights nor were we aware of any pending or threatening claims in relation to any such infringement; and we had not made any claims against any third party with respect to the infringement of intellectual property rights owned by us. Our Directors believe that we have taken all reasonable measures to deter any infringement of our intellectual property rights.

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For information relating to our intellectual property rights, please refer to Appendix IV to the document for further details.

INFORMATION TECHNOLOGY

We have installed POS system at all of our shops and our head office in order to record sales and other information such as customers spending data. Our Directors and senior management will review these data from time to time. Based on the collected information, they will devise new strategies such as initiating more marketing events or revising pricing to attract more customers to the shops. Our Directors and senior management will also collect financial data to assist regular analysis of operation results and to provide management control and improve operating efficiency.

AWARDS AND RECOGNITIONS

During the Track Record Period, we have received the following awards or recognitions in relation to our brand and service standard:

Shop/Group	Award/recognition	Awarding body	Year
Bar Pacific Group	Quality Bar Label (優質酒吧標籤)	Hong Kong Bar and Club Association (香港酒吧業協會)	2012 to 2016
Bar Pacific International Limited	Gold Award of the Consumer’s Most Favourable Hong Kong Brands (香港名牌 — 金獎品牌)	China Enterprise Reputation & Credibility Association (Overseas) Limited (中華(海外)企業信譽協會)	2012 to 2014
Bar Pacific Group	Caring Company Awards (商界展關懷獎狀)	Hong Kong Council of Social Service (香港社會服務聯會)	2012 to 2015
Bar Pacific Group	Best SME Award (最佳中小企業獎)	Hong Kong General Chamber of Small and Medium Business (香港中小型企業總商會)	2016

LITIGATION OR CLAIMS

As at the Latest Practicable Date, none of the members of our Group or any of the Directors are subject to any actual, pending or threatened litigation or claims of material importance which would have a material impact on our operations, financials and reputation. As at the Latest Practicable Date, we are not subject to any material claim for personal injuries by our employees nor we had experienced any insufficient payment of wages to our employees which would have a material impact on our operations, financials and reputation.

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LICENCES, PERMITS AND APPROVALS

A summary of the laws and regulations related to our business and industry is set out in the section headed “Laws and Regulations of the Industry” in this document. We confirm that as at the Latest Practicable Date, save for the licences, permits and approvals set out in the following table, no material requisite licences, permits and approvals specific to our industry are required for our operation.

Shop number	Liquor licence Holder	Liquor Licence	Light Refreshment Restaurant Licence	Water Pollution Control Licence
I	WONG KA YAN	22 May 2016– 21 May 2017	10 May 2016– 9 May 2017	23 June 2016– 30 June 2021
II	NGAI SZE MAN	18 October 2016– 17 October 2018	29 October 2015– 28 October 2016	23 June 2016– 30 June 2021
III	LI SHING HUNG	18 August 2016– 17 August 2017	29 May 2016– 28 May 2017	23 June 2016– 30 June 2021
VI	CHAN MAI TO	29 March 2016– 28 December 2016	21 November 2015– 20 November 2016	6 June 2016– 30 June 2021
VII	SUEN WAI LAI	25 April 2016– 24 April 2018	28 April 2016– 27 April 2017	19 May 2016– 31 May 2021
VIII	CHAN YIU BONG	15 December 2015– 14 December 2016	30 December 2015– 29 December 2016	17 May 2016– 31 May 2021
IX	WONG KA WAI	10 July 2016– 9 July 2018	19 April 2016– 18 April 2017	8 August 2016– 31 August 2021
XII	CHEUNG YIN FEI	5 August 2016– 4 August 2017	28 December 2015– 27 December 2016	10 August 2016– 31 August 2021
XVI	KUNG WING YAN	22 January 2016– 21 January 2017	1 April 2016– 31 March 2017	23 June 2016– 30 June 2021
XVII	MAO HONG CHUN	7 February 2016– 6 February 2018	11 July 2016– 10 July 2017	18 November 2011– 30 Novemebr 2016
XVIII	HO TSZ CHUN	8 April 2016– 7 January 2017	14 November 2015– 13 November 2016	24 June 2016– 30 June 2021
XIX	WONG KA YEE	11 July 2016– 10 July 2017	14 February 2016– 13 February 2017	Applying
XX	CHAN WAI HIN	20 November 2015– 19 November 2016	30 July 2016– 29 July 2017	28 July 2016– 31 July 2021
XXI	YUEN SZE MING	18 December 2015– 17 December 2016	27 June 2016– 26 June 2017	23 June 2016– 30 June 2021
XXII	WONG KA WING	22 April 2016– 21 January 2017	25 April 2016– 24 April 2017	Applying
XXIII	WONG HING FAT	6 May 2016– 5 May 2017	4 November 2015– 3 November 2016	6 June 2016– 30 June 2021
XXVII	CHEN ZHIHENG	26 March 2016– 25 March 2017	7 July 2016– 6 July 2017	12 April 2016– 30 April 2021
XXVIII	AU SIU LUN	13 October 2015– 12 October 2017	6 July 2016– 5 July 2017	17 May 2016– 31 May 2021
XXIX	LIN KA MAN	27 January 2016– 26 January 2017	12 November 2015– 11 November 2016	13 July 2016– 31 July 2021
XXX	LAU SUET YEE	30 January 2016– 29 October 2016	13 April 2016– 12 April 2017	13 September 2016– 30 September 2021
XXXI	LAW WAI MAN	7 June 2016– 6 March 2017	20 May 2016– 19 May 2017	30 May 2016– 31 May 2021
XXXII	LIU KA KI	2 February 2016– 1 February 2017	18 November 2015– 17 November 2016	13 September 2016– 30 September 2021
XXXIII	SZETO FAI	6 March 2016– 5 March 2017	27 March 2016– 26 March 2017	25 May 2016– 31 May 2021
XXXVII	NG WAI LUN	20 December 2015– 19 December 2016	14 August 2016– 13 August 2017	30 June 2016– 30 June 2021

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Shop number	Liquor licence Holder	Liquor Licence	Light Refreshment Restaurant Licence	Water Pollution Control Licence
XXXVIII	WU PAK HONG	10 October 2015– 9 October 2016	5 November 2015– 4 November 2016	8 August 2016– 31 August 2021
XXXIX	CHAN PUI MAN	5 September 2016– 4 June 2017	20 November 2015– 19 Novemehr 2016	17 January 2013– 31 January 2018
LX	LAM FONG YEE SABINA	1 May 2016– 31 January 2017	22 February 2016– 21 February 2017	30 May 2016– 31 May 2021
LXI	FOK WAI TUNG	16 September 2016– 15 September 2017	14 May 2016– 13 May 2017	17 May 2016– 31 May 2021
LXII	MAN WING SHUM VINCENT	17 June 2016– 16 March 2017	25 April 2016– 24 April 2017	10 May 2016– 31 May 2021
LXIII	LAI NGA LAI	28 January 2016– 27 October 2016	10 June 2016– 9 June 2017	27 May 2016– 31 May 2021
LXVIII	LI SHUK CHONG	14 April 2016– 13 April 2017	17 December 2015– 16 December 2016	30 June 2016– 30 June 2021
LXIX	HO CHI CHUNG	3 August 2016– 5 May 2017	5 February 2016– 4 February 2017	19 May 2016– 31 May 2021

The liquor licences are held by our employees on behalf of our Group. For the relevant risks relating to our liquor licences, please refer to the section headed “Risk Factors — Risks relating to our business — Liquor licences are held by our employees and we may have to suspend or cease the sale of liquor in our shops if the relevant employees who hold the relevant liquor licences fail to transfer the licences in a timely manner” in this document for details. To protect our Shareholders’ interests, each of the holders holding the liquor licences for our Group has signed all relevant prescribed forms and documents related to the transfer of the liquor licence(s) in escrow so that we can timely submit these prescribed forms to the LLB to effect the transfer of the liquor licence to the new holder designated by our Group from time to time and/or upon notice of the termination of employment with those holders holding the liquor licences for our Group.

To ensure that we would be able to timely obtain all necessary licenses for our operations in Hong Kong, we have assigned a member of our management to keep track of the expiry dates of all relevant licenses and apply for timely renewal. We will apply to renew the relevant licences in due course to ensure successful renewal before their expiry. The expiry dates of the existing liquor licenses and light refreshment restaurant licenses fall between October 2016 and October 2018. During the Track Record Period, none of our application for any licenses were rejected.

COMPLIANCE MATTERS

Our Directors confirm that, save as disclosed in the paragraphs below, our Group had carried out our business in compliance with the relevant laws and regulations in Hong Kong in all material respects during the Track Record Period and up to the Latest Practicable Date.

Our Controlling Shareholders entered into the Deed of Indemnity in favour of our Group whereby the Controlling Shareholders agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of, among other matters, any claims, payments, suits, damages, settlement payments, cost, expenses, liabilities and losses which would be incurred or suffered by our Group as a result of any litigation, arbitration, legal proceedings and/or non-compliance of our Group, whether of criminal, administrative, contractual, tortious or otherwise nature against any member of our Group in relation to any act, non-performance, omission or otherwise of any member of our Group on or before

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the date on which the [REDACTED] becomes unconditional. Further details of the Deed of Indemnity are set out in the paragraph headed “E. Other information — 1. Tax and other indemnities” in Appendix IV to this document.

Conduct of business without liquor licence and light refreshment restaurant licence

The following shops had conducted business without valid liquor licences and/or light refreshment restaurant licences for the following periods of time during the Track Record Period and up to the Latest Practicable Date:

Shop number	Licences involved	Period
Shop VI	Liquor licence	One day on 25 March 2016
Shop LXI	Liquor licence	6 days from 26 to 29 November 2014 and from 5 to 6 December 2014
Shop LXII	Liquor licence and light refreshment restaurant licence	21 days from 3 to 23 April 2014
Shop LXVIII	Liquor licence and light refreshment restaurant licence	One day on 13 October 2015
Shop LXIX	Liquor licence and light refreshment restaurant licence	One day on 3 February 2016

We apply for light refreshment restaurant licences and liquor licences for our shops before the shops commence business operations. For our new shops, we apply the full and provisional light refreshment restaurant licences at the same time. Provisional light refreshment restaurant licences are granted to applicants who have fulfilled the essential requirements in accordance with the Food Business Regulation (Cap 132X of the Laws of Hong Kong) so that they can operate on a provisional basis, pending compliance with all outstanding requirements for the issue of a full light refreshment restaurant licence.

Our Directors confirm that the reasons for the above non-compliances are due to the procedural delay in the approval process on the part of the relevant authorities so that the light refreshment restaurant licences and liquor licences of the relevant shops were granted after the expiration dates of the provisional light refreshment restaurant licence and the corresponding liquor licence; or after the expiration date of the preceding licences.

Pursuant to section 35 of the Food Business Regulation, the maximum penalty is a fine of HK\$50,000, imprisonment for six months to which any or all of the directors of the operating subsidiary concerned shall be liable and HK\$900 for each day if the offence is proved to be continued. The maximum penalty under section 17(3B) and 46(1) and schedule 2 of the Dutiable Commodities Ordinance for selling liquor without a licence is a fine of HK\$1,000,000 and imprisonment for two years to which any or all of the directors of the operating subsidiary concerned shall be liable.

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Pursuant to section 35 of the Food Business Regulation and sections 17(3B) and 46(1) and schedule 2 of the Dutiable Commodities Ordinance as mentioned above, the total potential maximum penalties for the above non-compliances would be approximately HK\$6,707,000.

As advised by our Hong Kong Legal Counsel, the chance of imprisonment is low and the total estimated financial penalty for the above non-compliances would be approximately HK\$199,600, which would not affect the relevant light refreshment restaurant licences and liquor licences; and the likelihood of prosecution is low because:

- i. the periods of non-compliances are relatively short and not particularly serious; and
- ii. the relevant shops held valid licences before and after non-compliances.

Based on the advice of our Hong Kong Legal Counsel, our Directors are therefore of the view that there would be no material adverse impact on our operation or financial position and we have not made any provision as a result of the above instances of non-compliance.

Breach of conditions of liquor licences

During the Track Record Period and up to the Latest Practicable Date, certain holders of the liquor licences for our shops were charged and penalised for breach of conditions of the licences, details of which are summarised in the table below:

Breach	Shop	Reason for the breaches	Date(s) of incident(s)	Penalty
The liquor licensee was not present on the premises within the prescribed hours	Shop XXI	Our Director confirmed that the breach was not willful and was due to absence of timely and professional advice at the material time such that the relevant licensee took sick leave without medical certification or took leave for contingent personal reasons and as a result of which we could not apply for temporary liquor licences.	24 November 2013, 7 December 2013, 3 February 2014 and 9 April 2014	A fine of HK\$4,000 was imposed for each of the first three incidents. A fine of HK\$3,200 was imposed of the last incident. Hence, a total fine of HK\$15,200 was imposed for the four incidents.
	Shop VIII		20 January 2015 and 11 February 2015	A fine of HK\$8,000 was imposed for each of the incidents and hence, a total fine of HK\$16,000 was imposed for the two incidents.
	Shop XXIII		4 November 2015 and 24 February 2016	Fine of HK\$2,000 was imposed for each of the incidents and hence, a total fine of HK\$4,000 was imposed for the two incidents.

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Breach	Shop	Reason for the breaches	Date(s) of incident(s)	Penalty
Liquor was sold or supplied for consumption on the premises out of the prescribed hours	Shop XXXI	Our Director confirmed that the breach was not willful and was due to inadvertent oversight of the frontline staff to pay sufficient attention to the prescribed hours for the sale and provision of liquor when handling customers’ orders.	30 August 2015	A fine of HK\$2,500 was imposed.
	Shop LX		30 August 2015	A fine of HK\$2,500 was imposed.
	Shop XXXIX		12 September 2015	A fine of HK\$2,500 was imposed.
Music was played by amplification device/ music and amplified sound was played, out of the prescribed hours	Shop XXXIX	Our Director confirmed that the breach was not willful and was due to inadvertent oversight of the frontline staff to pay sufficient attention to amplification of sound playing in the shop.	11 July 2015	A fine of HK\$1,200 was imposed.
	Shop XXVII		7 January 2014	A fine of HK\$3,000 was imposed.
A person under age of 18 was allowed on the premises	Shop XXI	Our Director confirmed that the breach was not willful and was due to inadvertent oversight of the frontline staff to verify the age of a visitor who was under 18.	24 June 2014	A fine of HK\$9,950 was imposed.

The above non-compliances with the conditions of the liquor licences resulted in conviction of the relevant holders of the liquor licences and imposition of fines amounting to a total of HK\$56,850, which were paid by our Group.

During the Track Record Period and up to the Latest Practicable Date, no liquor licence of our shops was revoked or suspended and no application for new liquor licences of our shops was rejected. Given (i) the financial impact of the above non-compliance incidents on our Group is minimal; (ii) as advised by our Hong Kong Legal Counsel, the chance of renewing our liquor licences can still be considered to be optimistic if there is no further non-compliance in this aspect; (iii) the above non-compliances did not involve dishonesty, fraud or deceit on the part of our Directors or senior management; and (iv) enhanced internal control measures (as illustrated below) have been implemented to prevent recurrence of non-compliance incidents, our Directors are of the view that such non-compliances did not have significant adverse impact on our business, financial condition or operation.

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Water pollution control licences

Our Group had not obtained water pollution control licences for our 29 shops (other than Shops XVII, XXIX and XXXIX) during the Track Record Period. Our Group have applied for the water pollution licences for those shops without it during the Track Record Period, and as at the Latest Practicable Date, have obtained water pollution control licences for 30 shops and the applications for water pollution control licences for the remaining 2 shops (namely Shops XIX and XXII) were being processed by the Environmental Protection Department.

Our Group had engaged external independent licensing consultants to apply for the relevant licences for the operation of our shops on our behalf and to advise us on licensing matters. The then administrative officer of our Group, based on the advice from the then external licensing consultants, was under the impression that the water pollution control licences were only required on a case-by-case basis. Therefore, we did not obtain the water pollution control licence for our shops.

Pursuant to section 11 of the WPCO, a person commits an offence for any prohibited discharges under section 9(1) or 9(2) is liable to imprisonment for six months and, in the case of a first offence, a fine of HK\$200,000, in the case of a second or subsequent offence, a fine of HK\$400,000, and in addition if the offence is a continuing offence, a daily fine of HK\$10,000.

As advised by our Hong Kong Legal Counsel, the fair range of the estimation of a fine for an offence will be from HK\$15,000 to HK\$40,000. The chance of imprisonment is relatively low because the nature of the business does not generate serious water pollution issue.

As advised by our Hong Kong Legal Counsel, the likelihood of our Group being prosecuted for the above non-compliances, although cannot be ruled out completely, is low, because:

- i. our Group is applying for the water pollution control licences for those shops without it; and
- ii. if our Group shows willingness to operate in a compliant manner, the prosecution for past breaches serve no practicable purpose.

In view of the low likelihood of prosecution of such non-compliance, our Directors are of the view that such non-compliances will not have any material adverse impact on our business operation and financial condition and we have not made any provision for the non-compliances.

Contravention of Prescribed Use in the Occupation Permits

One of the subsidiaries of our Group operates a shop in Kowloon City, in contravention of the prescribed use of the occupation permit of the building of which our shop is located at the ground floor. The occupation permit of the building prescribes the use of the building is domestic purpose. Our Directors confirmed that the reason for such non-compliance was the then directors of the Group had not sought timely and professional advice at the material time. There has not been any charge or penalty for such non-compliance during the Track Record Period and up to the Latest Practicable Date. We will cease operation of the shop after the existing tenancy expires in March 2017.

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Pursuant to section 40(2) and section 40(6) of the Building Ordinance (Cap 123 of the Laws of Hong Kong) (“**BO**”), our Group is liable to a maximum fine of HK\$100,000 and our Directors are liable to a maximum fine of HK\$100,000 and a maximum imprisonment of two years for the failure to notify the Building Authority of the change of use according to section 25(1) of BO. Pursuant to sections 40(1B) and 40(6) of BO, our Group and our Directors will be liable to a maximum principle fine of HK\$50,000, a maximum daily fine of HK\$5,000 and a maximum imprisonment of one year for the failure to comply with the order served on the relevant subsidiary to discontinue its present use by the Building Authority according to section 25(2) BO.

As advised by our Hong Kong Legal Counsel, the likely penalty for the above non-compliance with sections 25(1) and 25(2) of BO should be a fine and imprisonment is highly unlikely because nothing suggests that the change of use have endangered the structure of the building or any public interest. The estimated fine for the non-compliance with section 25(1) of BO is HK\$25,000 for the company and each of the responsible directors and for any non-compliance with section 25(2) will be HK\$15,000, with a daily default fine of HK\$2,000, for the company and each of the responsible directors. Accordingly, our Directors are of the view that such non-compliance has a minimal impact on the operational and financial condition of our Group and we have not made any provision for the non-compliance.

Operation of electronic darting machines (“EDM”) without an Amusement Game Centre Licence (“AGC Licence”)

31 shops of our Group have one to five EDMs placed inside the respective shops without any AGC Licence. Strictly speaking, a bar installed with EDM(s) does fall within the definition of an amusement game centre and an AGC Licence should be required under the Amusement Game Centres Ordinance (Cap 435 of the Laws of Hong Kong) (“**AGCO**”).

Our Group had engaged external independent licensing consultants to apply for the relevant licences for the operation of our shops on our behalf and to advise us on licensing matters. The then administrative officer of our Group, based on the advice from the then external licensing consultants, were under the impression that AGC Licences were not required for our operation.

As advised by our Hong Kong Legal Counsel, pursuant to section 4(1) of AGCO, the maximum penalty for the Group and our employees working in the relevant bars for operating an amusement game centre without licence is HK\$100,000, an imprisonment of six months, and a fine of HK\$20,000 each day during which the offence continues.

As advised by our Hong Kong Legal Counsel, the chance of prosecution is relatively low and the penalty for the above non-compliances in the event of an unlikely prosecution should be a fine instead of imprisonment and the total estimated financial penalty for the above non-compliances is HK\$30,000 for each offence, based on the following reasons:

- (i) according to Business Facilitation Advisory Committee Paper 9/15(3) (“**BFAC Paper 9/15(3)**”), Home Affairs Bureau was working out the construction of legal document and the operational details with relevant department in connection with the proposal to exempt from the AGCO the electronic darting centres and other premises installed with EDMs already licensed under other licensing regimes with similar safety requirements;

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- (ii) accordingly, the Group's breaches of AGCO are minor and benign; and
- (iii) our Group had made enquiry to the Home Affairs Department and was given to understand that enforcement will generally not be carried out when the EDMs are located in areas which are licensed.

Accordingly, our Directors believe that such non-compliances will not have any material adverse impact on the operation of our Group and we have not made any provision for the non-compliance. Our compliance officer will closely monitor the progress of the proposal of Home Affairs Bureau on exemption from the AGCO, and the updates on the relevant legislations, and regulations.

Internal control measures to prevent recurrence of non-compliance incidents

To prevent the recurrence of any non-compliance in the future, our Group, as recommended by an internal control consultant, has adopted and implemented the following internal control measures to ensure compliance with the applicable rules and regulations:

1. Internal control measures to prevent the recurrence of non-compliance incidents related to conduct of business without liquor licence and light refreshment restaurant licence
 - Our Group has set up a licence register which includes particulars of our licences such as types of licences, licence holders, licence number and expiry date, and designated the administrative officer of our Group to update the licence register and the compliance officer to monitor the validity period of our licences.
2. Internal control measures to prevent the recurrence of non-compliance incidents related to conditions of liquor licences
 - Regarding the non-compliance where the liquor licensee was not present on the premise within the prescribed hours, we have established policies and procedures over compliance, under which in the event that the holder of the liquor licence is on leave and accordingly cannot be on duty on the relevant premises during the hours stated on the liquor licences, a formal notice shall be sent to the police station in advance.
 - Regarding the non-compliance where liquor was sold or supplied for consumption on the premises out of the prescribed hours, our Group designates a personnel to do regular review on the POS record of each shop of our Group and locks the POS machine out of the prescribed hours so as to ensure that no liquor is sold out of the prescribed hours.
 - Regarding the non-compliance where music was played by amplification device/music and amplified sound was played out of the prescribed hours, our Group and locks the Pos machine out of the prescribed hours so as has established policies and procedures over compliance pursuant to which:
 - i. the Operation Control Manager will perform sudden check on a random basis; and
 - ii. training is provided to staff every three months.

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We have circulated a formal notice to the staff to announce and introduce the above policies and procedures over compliance.

- Regarding the non-compliance where a person under the age of 18 was allowed on the premises, our Group implements the following internal control measures:
 - i. we have provided to our staff guidelines on handling suspected under-age entry of our shops;
 - ii. regular meetings and training are to be held with our staff; and
 - iii. we have circulated a formal notice to the staff to announce and introduce the policies and procedures over compliance.
- 3. Internal control measures to prevent the recurrence of non-compliance incidents related to water pollution control licences
 - Our Group has set up a licence register which includes particulars of our licences such as types of licences, licence holders, licence number and expiry date, and designated the administrative officer of our Group to update the licence register and the compliance officer to monitor the validity period of our licences.

View of our Directors and the Sponsor

Our Directors consider that the abovementioned non-compliance incidents would not affect the suitability of our executive Directors under Rule 5.01 and 5.02 of the GEM Listing Rules or the suitability of [REDACTED] our Company under Rule 11.06 of the GEM Listing Rules and that the various internal control measures adopted by our Group are adequate and effective having taken into account that (i) our Group has fully rectified all of the non-compliance incidents, if applicable; (ii) our Group has implemented (or will implement where applicable) the abovementioned measures to avoid recurrence of the non-compliance incidents; (iii) there were no recurring of similar non-compliance incidents since the implementation of such measures; and (iv) the non-compliance incidents were unintentional, did not involve any dishonesty or fraudulent act on the part of our executive Directors, and did not raise any question as to the integrity of our executive Directors.

The Sponsor, after considering the above and having reviewed the internal control measures and the findings of the internal control consultant, concurs with the view of our Directors that (a) the various internal control measures adopted by our Group are adequate and effective; and (b) the abovementioned non-compliance incidents would not affect the suitability of our Directors under Rule 5.01 and 5.02 of the GEM Listing Rules and the suitability of [REDACTED] our Company under Rule 11.06 of the GEM Listing Rules.

RISK MANAGEMENT

In the course of conducting our business, we are exposed to various type of risks, including business risks, financial risks, compliance risks and operation and other risks, the details of which have been disclosed under the section headed “Risk Factors” in this document.

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Our Board is ultimately responsible for the risk management of our Group. This is overseen by our executive Directors and senior management members, who have on average over 7 years of experience in our industry. The objectives of the risk management team are to oversee the implementation and monitoring of our internal control and risk management. For details regarding our measures in respect of control against our operational and quality control risk, please refer to the paragraph headed “Quality Control and Safety” in this section.

The risk management process of our Group will involve, inter alia, (i) prepare a risk management plan and a business impact analysis to identify and assess risks in order to develop strategies to manage the identified risks; and (ii) test, evaluate and update the risk management plan on quarterly basis for identifying new risks and monitoring the effectiveness of the risk treatment strategies.

INTERNAL CONTROL AND CORPORATE GOVERNANCE

In order to achieve high standards of corporate governance with a view to safeguarding the interests of our Shareholders as a whole and to prevent recurrence of non-compliance incidents, we intend to adopt or have adopted the following measures:

- on 26 August 2016, our Directors attended training sessions provided by our legal advisers to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange;
- independent non-executive Directors are appointed to enhance the diversity of our Board and to provide independent view, monitoring and advice to our Group;
- we have established the risk management team to oversee the implementation and monitoring our internal control at operational level;
- on [●], we established an audit committee, which will comprise all independent non-executive Directors. The audit committee has adopted its terms of reference which sets out clearly its duties and set up formal arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the GEM Listing Rules and all relevant laws and regulations;
- we will oversee our compliance matters from the very top level. We will seek timely legal advice from external professional advisers where necessary.
- our compliance officer and company secretary, Mr. Chan Darren Chun-Yeung, is responsible for the day-to-day compliance matters of our Group and will report to our Board in relation to the potential non-compliance issue identified on a timely basis and, if necessary, consult external professional for advice to address to the potential issue;
- we have engaged LY Capital Limited as our compliance adviser to advise us on the compliance matters under the GEM Listing Rules; and
- we will appoint CFN Lawyers as our legal advisers as to Hong Kong law upon the [REDACTED] to advise us on the compliance with the GEM Listing Rules and the applicable laws and regulations in Hong Kong and such engagement will be reviewed regularly.

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Our Company will adopt the following measures to strengthen its corporate governance practice and to safeguard the interests of our Shareholders:

- 1 the Articles provide that a Director shall not vote (nor shall he/she be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or proposal in which he/she or any of his close associate(s) has/have a material interest, and if he/she shall do so his/her vote shall not be counted (nor shall he/she be counted in the quorum for that resolution), but this prohibition shall not apply to the exceptions as stated in the Articles where such exceptions are consistent with those provided in Appendix 3 to the GEM Listing Rules;
- 2 our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;
- 3 our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- 4 our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition of our Controlling Shareholders in the annual reports of our Company;
- 5 our Controlling Shareholders will make an annual declaration on compliance with the Deed of Non-competition in the annual report of our Company;
- 6 our independent non-executive Directors will be responsible for deciding whether or not to allow any Controlling Shareholder and/or his/its close associates to involve or participate in any business in competition with or likely to be in competition with the existing business activity of any member of our Group within Hong Kong and such other parts of the world where any member of our Group may operate from time to time and if so, any condition to be imposed; and
- 7 our independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the Deed of Non-competition or connected transaction(s) at the cost of our Company.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective close associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements as at and for the financial years ended 31 March 2015 and 2016 and the accompanying notes included in the Accountants’ Report set forth in Appendix I to this document. Our financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance which involve risks and uncertainties. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. Our actual results reported in future periods could differ materially from those discussed below. Factors that could cause or contribute to such differences include those discussed in the sections headed “Risk factors” and “Business” and elsewhere in this document.

The following discussion and analysis also contain certain amounts and percentage figures that have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and all monetary amounts shown are approximate amounts only.

OVERVIEW

We are a chained bar group offering beverages and light refreshments under the brand “Bar Pacific” in Hong Kong. In 1999, we opened our first shop in Hunghom. Over the years, our Group has gradually expanded and as at the Latest Practicable Date, we operated 32 shops at street level throughout Hong Kong.

Our target customers are the neighborhood in different districts in Hong Kong for social connection and relaxation. As such, all of our existing shops were strategically situated at locations with close proximity to the residential or industrial areas rather than at prime retail locations. During the Track Record Period, we opened Shop LXVIII and Shop LXIX, which are located in North Point and Kwai Chung respectively. For details of our network, please refer to the section headed “Business — Business and Revenue Model — Our Network” of this document.

Our Directors believe that our Group has already built up a stable client base over the years and our established brand can attract customers to our shops. We plan to continue expanding our network in Hong Kong. Apart from the new shop in Chai Wan which we plan to open in the fourth quarter of 2016, we intend to open a total of twelve new shops in the four years ending 31 March 2020. For details of our expansion plan, please refer to the section headed “Business — Business strategies — Expand our “Bar Pacific” brand to different locations” of this document.

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BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 2 June 2016. In preparation for the [REDACTED], we underwent the Reorganisation as detailed in the section headed “History, Development and Reorganisation — Reorganisation” in this document. As a result of the Reorganisation, our Company became a holding company of the subsidiaries comprising our Group. The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined cash flows statements of our Group include the results of operations of the companies now comprising our Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation whichever is a shorter period. The combined statements of financial position of our Group as at 31 March 2015 and 2016 have been prepared to present the assets and liabilities of the companies now comprising our Group as at those dates as if the current group structure had been in existence at the respective dates.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including those factors set out in the section headed “Risk factors” in this document and the factors discussed below.

The number of shops in operation

Our revenue is mainly generated from beverage sales at our shops which in turn are affected by the number of our shops in operation. During the Track Record Period, we have opened two new shops, namely Shop LXVIII in North Point and Shop LXIX in Kwai Chung, commencing business in April 2015 and August 2015, respectively. Another new shop in Chai Wan is expected to open in the fourth quarter of 2016. During the Track Record Period and up to the Latest Practicable Date, none of our shops was closed.

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The table below sets forth information on revenue for the two years ended 31 March 2016 generated from our shops which were operating throughout the Track Record Period (the “**Comparable Shops**”) and those shops which were newly opened during the Track Record Period (the “**New Shops**”):

	Comparable Shops	New Shops	Total
Year ended 31 March 2015			
Number of shops	30	—	30
Revenue (<i>HK\$’000</i>)	112,373	—	112,373
Percentage of total revenue (%)	100	—	100
Year ended 31 March 2016			
Number of shops	30	2	32
Revenue (<i>HK\$’000</i>)	121,463	4,682	126,145
Percentage of total revenue (%)	96.3	3.7	100

Although a new shop generally generates lower profit margin due to lower sales and higher start-up operating cost in the initial stage, the two newly opened shops namely Shop LXVIII and Shop LXIX, generated a total revenue of HK\$4.7 million, contributing 3.7% of the total revenue generated from all our shops for the year ended 31 March 2016. We believe that continuing to expand our network will increase our market share and maintain our leading position as the largest chained bar in Hong Kong in terms of number of outlets in Hong Kong as at 31 December 2015. Please refer to the section headed “Business — Business strategies — Expand our “Bar Pacific” brand to different locations” for details.

Comparable Shop sales

Comparable Shop sales for a given fiscal year refers to the revenue of shops which have been operating throughout the periods under comparison. During the Track Record Period, we have 30 Comparable Shops.

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The table below sets forth our Comparable Shop sales, the estimated seat turnover rate and average spending per customer of our Comparable Shops during the Track Record Period:

	Year ended 31 March	
	2015	2016
Number of Comparable Shops	30	30
Comparable Shop sales (HK\$'000)	112,373	121,463
Estimated seat turnover rate of Comparable Shops (times) ⁽¹⁾	0.96	0.94
Estimated average spending per customer of Comparable Shops (HK\$) ⁽²⁾	151	166

Notes:

- (1) Estimated seat turnover rate is calculated by dividing the estimated number of customers' visits by the outcome of multiplying the estimated seating capacity by the number of operation days of the relevant comparable shops during the year.
- (2) Estimated average spending per customer is calculated by dividing the total revenue by the number of customer visits of the relevant comparable shops during the year.

Our Comparable Shop sales increased from HK\$112.4 million for the year ended 31 March 2015 to HK\$121.5 million for the year ended 31 March 2016, representing an increase of 8.1%. Such increase was mainly due to an increase in average spending per customer from HK\$151 for the year ended 31 March 2015 to HK\$166 for the year ended 31 March 2016, representing an increase of 9.9%. Our Directors believe that the increase in average spending per customer was mainly due to the upward price adjustment as a result of the unification of our price for all items across all our shops and our promotion and marketing events launched by our marketing department.

We will focus on increasing Comparable Shop sales by increasing our brand awareness and attracting new and returning customers through launching promotion and marketing events. For details of our sales and marketing events, please refer to the section headed “Business — Marketing and promotion” in this document.

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Staff costs

Bar operations are highly service-oriented and labour intensive. We believe that our ability to attract, motive and retain qualified staff, including bar managers and bartenders, will have significant impact on our profitability and our success. We offer competitive remuneration packages, career development and promotion opportunities to our staff. During the Track Record Period, we recorded staff costs, which comprise salaries and benefits, including wages, salaries, bonuses, retirement benefit costs and other allowances, of HK\$28.9 million and HK\$36.4 million for the years ended 31 March 2015 and 2016 respectively, representing 25.7% and 28.8% of our revenue for the corresponding periods.

The increase in salary level in the catering service industry in Hong Kong and the increase in the statutory minimum wage rate in Hong Kong, which may increase the overall market salary level of worker, may increase our staff costs. Accordingly, our results of operation and financial condition may be adversely affected.

The table below sets forth a sensitivity analysis for our staff costs, illustrating its impact on our profit before taxation if our staff costs had been 5%, 10% and 15% higher or lower in the years indicated, assuming all other variables were held constant:

	Year ended 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
If staff costs had been 5% higher/lower		
Decrease/increase in profit before taxation	-/+1,443	-/+1,818
If staff costs had been 10% higher/lower		
Decrease/increase in profit before taxation	-/+2,886	-/+3,635
If staff costs had been 15% higher/lower		
Decrease/increase in profit before taxation	-/+4,329	-/+5,453

We believe the upward pressure on our staff costs could be mitigated by (i) enhancing our efficiency by providing more on-the-job training programs to our staff; (ii) adopting bonus schemes for our staff to motivate and incentivise them to achieve sales targets; and (iii) optimizing staff mix by internal promotions, transfers and re-allocations of staff from existing shops.

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Cost of inventories sold

Our cost of inventories sold consists of the cost of beverages, light refreshments and tobacco sold in our shops. According to the Euromonitor Report, all alcoholic drinks displayed increasing prices over the period from 2011 to 2015. Our cost of inventories sold amounted to HK\$27.8 million for the year ended 31 March 2015 and HK\$28.4 million for the year ended 31 March 2016, representing 24.7% and 22.5% of our revenue for the corresponding periods.

The table below sets forth a sensitivity analysis for our cost of inventories sold, illustrating its impact on our profit before taxation if our cost of inventories sold had been 5%, 10% and 15% higher or lower in the years indicated, assuming all other variables were held constant:

	Year ended 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
If cost of inventories sold had been 5% higher/lower		
Decrease/increase in profit before taxation	-/+1,388	-/+1,421
If cost of inventories sold had been 10% higher/lower		
Decrease/increase in profit before taxation	-/+2,776	-/+2,843
If cost of inventories sold had been 15% higher/lower		
Decrease/increase in profit before taxation	-/+4,164	-/+4,264

Property rentals and related expenses

During the Track Record Period and up to the Latest Practicable Date, we operate all of our shops on leased properties, and the changes in the level of property rentals will have significant impact on our profitability. The costs of leasing and maintaining our shops, storage and office premises are reflected in our property rentals and related expenses. For each of the two years ended 31 March 2015 and 2016, our property rentals and related expenses amounted to HK\$18.8 million and HK\$21.3 million, respectively, representing 16.7% and 16.9% of our revenue for the corresponding periods.

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The table below sets forth a sensitivity analysis for our property rentals and related expenses, illustrating its impact on our profit before taxation if our property rentals and related expenses had been 5%, 10% and 15% higher or lower in the years indicated, assuming all other variables were held constant:

	Year ended 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
If property rentals and related expenses had been 5% higher/lower		
Decrease/increase in profit before taxation	-/+939	-/+1,066
If property rentals and related expenses had been 10% higher/lower		
Decrease/increase in profit before taxation	-/+1,879	-/+2,131
If property rentals and related expenses had been 15% higher/lower		
Decrease/increase in profit before taxation	-/+2,818	-/+3,197

Seasonality

Our revenue is subject to seasonal fluctuations as the spending patterns vary on seasonal basis. During the Track Record Period, we generally recorded higher revenue in July, August and December each year. We believe that the higher revenue recorded in July and August is due to the summer holidays and the higher revenue recorded in December is due to the Christmas holidays. Because of the seasonality of the business, the results for any period in a year are not necessarily indicative of the results that may be achieved for the full year.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial information has been prepared in accordance with HKFRSs. We have identified certain accounting policies that are critical to the preparation of our financial information. These accounting policies are important for an understanding of our financial position and results of operations and are set forth in note 4 “Significant accounting policies” to the Accountants’ Report in Appendix I to this document.

Revenue recognition

We measure revenue at fair value of the consideration received or receivable. Our revenue represents amounts receivable from operation of bars, net of discounts and returns. We recognize revenue from bar operations at the point of sales to customers when the services have been rendered and the amount can be measured reliably.

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Property, plant and equipment and depreciation

Our property, plant and equipment comprised leasehold improvements, dart machines, computer equipment, furniture and fixtures and motor vehicles held for use in the operation of our shops, or for administrative purposes during the Track Record Period. Our property, plant and equipment are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses, if any. Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each financial year end, with the effect of any changes in estimate accounted for a prospective basis. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Change of depreciation rate in the year

Before 1 April 2014, leasehold improvements were depreciated over 5 years. During the year ended 31 March 2015, our management reviewed our depreciation policy and considered that the expected useful life of leasehold improvements should be revised from 5 years to 3 years. Accordingly, with effect from 1 April 2014, leasehold improvements are depreciated over 3 years or the term of the lease, whichever is the shorter. The change in depreciation rate has increased the depreciation charge for the year ended 31 March 2015 by approximately HK\$1,873,000.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out method. Net realisable value is determined as estimated selling prices for inventories less all estimated costs of completion and costs necessary to make the sale. We estimate the net realizable value for inventories based primarily on the current market conditions and the historical experience of selling products of a similar nature.

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RESULTS OF OPERATION OF OUR GROUP

The following table sets forth our combined statements of profit or loss and other comprehensive income for the years ended 31 March 2015 and 2016, extracted from the Accountants’ Report as set out in Appendix I to this document:

Combined statements of profit or loss and other comprehensive income

	Year ended 31 March	
	2015	2016
	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue	112,373	126,145
Other income	1,977	1,364
Cost of inventories sold	(27,761)	(28,427)
Staff costs	(28,862)	(36,353)
Depreciation	(6,178)	(3,938)
Property rentals and related expenses	(18,786)	(21,311)
Other operating expenses	(18,139)	(19,109)
Finance costs	(23)	(17)
[REDACTED] expenses	<u>—</u>	<u>(300)</u>
Profit before taxation	14,601	18,054
Taxation	<u>(2,772)</u>	<u>(2,699)</u>
Profit and total comprehensive income for the year	<u><u>11,829</u></u>	<u><u>15,355</u></u>
Profit for the year attributed to:		
Owners of the Company	7,273	9,450
Non-controlling interests	<u>4,556</u>	<u>5,905</u>
	<u><u>11,829</u></u>	<u><u>15,355</u></u>

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Revenue

During the Track Record Period, we generate our revenue from bar operations, which were recognised net of discounts and returns, out of which was mainly generated from sales of beverages in our shops under the brand “Bar Pacific” in Hong Kong. The following table sets forth the breakdown of our revenue from our bar operations during the Track Record Period:

	Year ended 31 March			
	2015		2016	
	HK\$'000	% of revenue	HK\$'000	% of revenue
Beverages	102,760	91.5	116,333	92.2
Light Refreshments	6,550	5.8	6,562	5.2
Others ^(Note)	<u>3,063</u>	<u>2.7</u>	<u>3,250</u>	<u>2.6</u>
Total	<u><u>112,373</u></u>	<u><u>100.0</u></u>	<u><u>126,145</u></u>	<u><u>100.0</u></u>

Note: Others include income generated from fee charged on our customers for playing electronic dart machines and sales of tobacco products in our shops.

Beverage sales contributed over 90.0% to our revenue during the Track Record Period while less than 10.0% of our revenue was generated from sales of light refreshments and others. The table below sets forth the breakdown of beverage items sold in terms of revenue during the Track Record Period:

	Year ended 31 March			
	2015		2016	
	HK\$'000	%	HK\$'000	%
Beer ⁽¹⁾	67,317	65.5	81,413	70.0
Other alcoholic drinks ⁽²⁾	35,193	34.2	34,522	29.7
Other beverages ⁽³⁾	<u>250</u>	<u>0.3</u>	<u>398</u>	<u>0.3</u>
Total	<u><u>102,760</u></u>	<u><u>100.0</u></u>	<u><u>116,333</u></u>	<u><u>100.0</u></u>

Notes:

- ⁽¹⁾ Beer includes bottle beer and draught beer.
- ⁽²⁾ Other alcoholic drinks include spirits, wine and cocktails.
- ⁽³⁾ Other beverages include non-alcoholic drinks such as mocktail, juice, tea and soft drinks.

In terms of revenue contributions, our top five shops contributed 27.3% and 26.1% of our total revenue for the years ended 31 March 2015 and 2016, respectively.

Other Income

Other income primarily consists of sponsorship income and others. Sponsorship income represents income from beverage suppliers for displaying their logos or products at our shops and during marketing events organised by us or co-organised with them. Others mainly include penalty income charged on our

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shop managers and shop staff for shop management purpose and claims from an insurance company on property damages. The following table sets forth the breakdown of our other income during the Track Record Period:

	Year ended 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sponsorship income	1,263	686
Interest income	—	1
Others	<u>714</u>	<u>677</u>
Total	<u>1,977</u>	<u>1,364</u>

Cost of inventories sold

Our cost of inventories sold consists of the cost of beverages, light refreshments and tobacco products sold in our shop. For the years ended 31 March 2015 and 2016, our cost of inventories sold amounted to HK\$27.8 million and HK\$28.4 million, respectively, representing 24.7% and 22.5% of our revenue for the corresponding periods.

Staff Costs

Our staff costs comprise salaries and benefits, including wages, salaries, bonuses, retirement benefit costs and other allowances to all our employees and staff, including our directors, head office and shop staff. Our staff costs amounted to HK\$28.9 million and HK\$36.4 million for the years ended 31 March 2015 and 2016, respectively, representing 25.7% and 28.8% of our revenue for the corresponding periods. The table below sets forth the staff costs by category during the Track Record Period:

	Year ended 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Directors' remuneration	490	813
Other staff's salaries and other benefits	27,067	33,904
Other staff's retirement benefits scheme contributions	<u>1,305</u>	<u>1,636</u>
Total	<u>28,862</u>	<u>36,353</u>

Depreciation

Our depreciation represents depreciation charges for our property, plant and equipment which comprise leasehold improvements, dart machines, computer equipment, furniture and fixtures and motor vehicles. For the years ended 31 March 2015 and 2016, our depreciation amounted to HK\$6.2 million and HK\$3.9 million, respectively, representing 5.5% and 3.1% of our revenue for the respective years.

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Property rentals and related expenses

Our property rentals and related expenses primarily consist of the rental payments under operating leases paid for our shops, storage and office premises. For the years ended 31 March 2015 and 2016, property rentals and related expenses amounted to HK\$18.8 million and HK\$21.3 million, respectively, representing 16.7% and 16.9% of our revenue for the corresponding periods, respectively.

For the years ended 31 March 2015 and 2016, only the lease of Shop XXI was subject to contingent rent arrangement. Under the contingent rent arrangement, the monthly rent payable by us includes (i) the monthly basic rent and (ii) the additional monthly rent representing a certain percentage of the monthly turnover of Shop XXI in excess of the monthly basic rent. The following table sets forth a breakdown of our property rental expenses by category of rent:

	Year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
Fixed rent	18,687	21,264
Contingent rent <i>(Note)</i>	<u>99</u>	<u>47</u>
Total	<u><u>18,786</u></u>	<u><u>21,311</u></u>

Note: Contingent rent includes the additional monthly rent in excess of the monthly basic rent of Shop XXI payable pursuant to the contingent rent arrangement.

Our shop leases generally have a term of 1 to 6 years. The following table summarizes the terms of the current leases for our shops as at the Latest Practicable Date and the related information:

Number of shops with leases expiring	Before	After	Total
	31 March 2017	31 March 2017	
Option to renew	1	10	11
No option to renew	<u>3</u>	<u>18</u>	<u>21</u>
Total	<u><u>4</u></u>	<u><u>28</u></u>	<u><u>32</u></u>

Save as (i) Shop XXI which we may have to close in December 2016 if the landlord does not lease the shop or another shop in the same shopping centre to us; and (ii) Shop XXIII which we plan to close in March 2017, our Directors do not foresee any material difficulties in renewing such leases. For details of our leases, please refer to the section headed “Business — Properties” in this document.

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Other operating expenses

Other operating expenses primarily consist of electricity, water, telephone and air conditioning expenses, license fees for the copyright of music played in our shops and for obtaining the required licenses for our shop operations, repair and maintenance, low value consumables, legal and professional fees, cleaning expenses and internet and cable expenses. The following table sets forth a breakdown of our other operating expenses during the Track Record Period:

	Year ended 31 March			
	2015		2016	
	HK\$'000	%	HK\$'000	%
Advertising and promotions	981	5.4	1,066	5.6
Bank and credit card handling charges	611	3.4	728	3.8
Cleaning expenses	1,665	9.2	1,548	8.1
Electricity, water, telephone and air conditioning	3,060	16.9	3,046	15.9
Entertainment and travelling	317	1.7	406	2.1
Financial advisory fee	600	3.1	—	—
Insurance	648	3.6	858	4.5
Internet and cable expenses	1,139	6.3	1,227	6.4
Legal and professional fees	1,809	10.0	1,651	8.6
License fees	1,957	10.8	2,389	12.5
Low value consumables	1,602	8.8	1,927	10.1
Repair and maintenance	1,480	8.2	1,941	10.2
Tools and stationery	941	5.2	1,244	6.5
Transportation and motor vehicles expenses	358	2.0	627	3.3
Others	971	5.4	451	2.4
Total	18,139	100.0	19,109	100.0

For the years ended 31 March 2015 and 2016, our other operating expenses amounted to HK\$18.1 million and HK\$19.1 million, respectively, representing 16.1% and 15.1% of our revenue for the corresponding periods.

Finance Costs

Our finance costs represent interest expenses on obligations under a finance lease of a motor vehicle. For the years ended 31 March 2015 and 2016, our finance costs amounted to approximately HK\$23,000 and HK\$17,000, respectively.

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Taxation

Our operations are subject to Hong Kong profits tax of 16.5% on estimated assessable profits arising in Hong Kong and we have no tax obligation arising from other jurisdictions during the Track Record Period. For more details, please see Note 12 to the Accountants’ Report as set out in Appendix I to this document. Our effective tax rate for operations in Hong Kong was 19.0% and 14.9% for the years ended 31 March 2015 and 2016, respectively.

REVIEW OF HISTORICAL OPERATING RESULTS OF OUR GROUP

Year ended 31 March 2016 compared to year ended 31 March 2015

Revenue

Our revenue generated from our shop operations increased by HK\$13.7 million, or 12.3%, from HK\$112.4 million for the year ended 31 March 2015 to HK\$126.1 million for the year ended 31 March 2016. The increase in revenue was primarily due to (i) the increase in average spending per customer, resulting in an increased revenue of HK\$9.1 million from our Comparable Shops during the year ended 31 March 2016; and (ii) the opening of two new shops during the year ended 31 March 2016 which generated revenue of HK\$4.7 million for the same year.

Cost of inventories sold

Our costs of inventories sold slightly increased by HK\$0.6 million, or 2.4%, from HK\$27.8 million for the year ended 31 March 2015 to HK\$28.4 million for the year ended 31 March 2016. Our revenue growth of 12.3% was higher than our cost of inventories sold growth of 2.4% for the year ended 31 March 2016, which was mainly due to upward price adjustments as a result of unification of price for all items across all our shops during the year ended 31 March 2016 to improve our profit margin.

Other income

Other income decreased by HK\$0.6 million, or 31.0%, from HK\$2.0 million for the year ended 31 March 2015 to HK\$1.4 million for the year ended 31 March 2016, primarily resulting from a decrease in sponsorship income received from some of our beverage suppliers in organising promotional events in our shops.

Staff costs

Our staff costs increased by 26.0%, or HK\$7.5 million, from HK\$28.9 million for the year ended 31 March 2015 to HK\$36.4 million for the year ended 31 March 2016. The increase was primarily due to (i) the general increase in salaries level and the increase in staff costs in relation to the increase in revenue; and (ii) the increase in hiring in headquarters for the year ended 31 March 2016 due to the expansion of different departments such as finance department and marketing department.

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Depreciation

Our depreciation charges decreased by HK\$2.3 million, or 36.3%, from HK\$6.2 million for the year ended 31 March 2015 to HK\$3.9 million for the year ended 31 March 2016. The decrease was primarily due to the additional depreciation of HK\$1.9 million being charged during the year ended 31 March 2015 as a result of the change in depreciation rate of our leasehold improvements during the year. For details of the change of depreciation rate, please refer to the paragraph headed “Critical Accounting Policies and Estimates — Change of depreciation rate in the year” in this section.

Property rentals and related expenses

Our property rentals and related expenses increased by HK\$2.5 million, or 13.4% from HK\$18.8 million for the year ended 31 March 2015 to HK\$21.3 million for the year ended 31 March 2016. The increase was primarily due to the opening of two new shops during the year ended 2016 and the general increase in the rental expenses of some of our leased properties upon renewal during the Track Record Period.

Other operating expenses

Our other operating expenses increased by HK\$1.0 million, or 5.3%, from HK\$18.1 million for the year ended 31 March 2015 to HK\$19.1 million for the year ended 31 March 2016. The increase was primarily due to the increase in repair and maintenance, license fees, low value consumables, insurance, bank and credit card handling charges as a result of our shop expansion, which was partially offset by the decrease in our financial advisory fee and other operating expenses as a result of our effort to tighten the budget of our operating expenses.

Finance costs

Our finance costs remained relatively stable at approximately HK\$23,000 and HK\$17,000 for the years ended 31 March 2015 and 2016 respectively.

Profit before taxation

As a result of the foregoing, our profit before taxation increased by HK\$3.5 million, or 23.6%, from HK\$14.6 million for the year ended 31 March 2015 to HK\$18.1 million for the year ended 31 March 2016.

Taxation

Our taxation charge decreased by HK\$0.1 million, or 2.6%, from HK\$2.8 million for the year ended 31 March 2015 to HK\$2.7 million for the year ended 31 March 2016. Our effective income tax rate decreased from 19.0% for the year ended 31 March 2015 to 14.9% for the year ended 31 March 2016 primarily due to the decrease in tax effect of unrecognised temporary differences arising from the depreciation of our fixed assets.

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Profit for the year

As a result of the cumulative effect of the above factors, our profit for the year attributable to owners of our Company and non-controlling interests increased by HK\$3.6 million, or 29.8%, from HK\$11.8 million for the year ended 31 March 2015 to HK\$15.4 million for the year ended 31 March 2016.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to satisfy our working capital requirements for payments of staff costs, cost of inventories sold, property rentals and related expenses, and other operating expenses incurred for our shop operations and to fund our capital expenditures for opening new shops and renovation of our existing shops. During the Track Record Period, our working capital and other liquidity requirements was principally financed by cash generated from our operations. As at 31 March 2015 and 2016, our Group had bank balances and cash of HK\$10.9 million and HK\$15.2 million, respectively, all of which were held in Hong Kong dollars.

Going forward, we expect to fund our working capital requirements with a combination of various sources, including but not limited to, (i) cash generated from our operations; (ii) [REDACTED]; and (iii) other possible equity and debt financings as and when appropriate.

For details regarding the historical and planned capital expenditures of our Group, please refer to the paragraph headed “Capital expenditures” in this section.

Cash flows

The following table sets forth the selected cash flow data from the consolidated statements of cash flows for the Track Record Period:

	As at 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	18,176	20,387
Net cash used in investing activities	(2,035)	(5,165)
Net cash used in financing activities	<u>(8,792)</u>	<u>(10,859)</u>
Net increase in cash and cash equivalents	7,349	4,363
Cash and cash equivalents at the beginning of the year	<u>3,530</u>	<u>10,879</u>
Cash and cash equivalents at the end of the year, representing bank balances and cash	<u><u>10,879</u></u>	<u><u>15,242</u></u>

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Net cash generated from operating activities

We derive our cash flow principally from our shop operations. Our working capital requirements mainly represent the payments for staff costs, cost of inventories sold, property rentals and related expenses, and other operating expenses incurred for our shop operations. During the Track Record Period, our net cash flow from operating activities represented profit before tax for the year adjusted for income tax paid, finance costs, interest income, non-cash items and changes in working capital.

For the year ended 31 March 2015, we recorded net cash inflow from operating activities of HK\$18.2 million, primarily as a result of operating cash flows of HK\$20.8 million before net positive changes in working capital of HK\$0.1 million and tax payment of HK\$2.8 million. Net positive change in working capital primarily consisted of the combined effects of the increase in trade and other receivables and rental deposits of HK\$1.5 million and the increase in trade and other payables of HK\$1.8 million.

For the year ended 31 March 2016, we recorded net cash inflow from operating activities of HK\$20.4 million, primarily as a result of operating cash flows of HK\$22.1 million before net positive changes in working capital of HK\$1.1 million and tax payment of HK\$2.9 million. Net positive change in working capital primarily consisted of the combined effects of the decrease in trade and other receivables and rental deposits of HK\$1.8 million and the decrease in trade and other payables of HK\$0.8 million.

Cash flows used in investing activities

For the years ended 31 March 2015 and 2016, we recorded net cash outflow in investing activities of HK\$2.0 million, HK\$5.2 million, respectively, which was primarily attributable to the purchase of property, plant and equipment.

Cash flows used in financing activities

For the year ended 31 March 2015, we recorded net cash outflow in financing activities of HK\$8.8 million, which was primarily attributable to the combined effects of (i) the repayment of HK\$10.3 million to a director, and (ii) the advance from non-controlling shareholders of subsidiaries of HK\$3.5 million which is partially offset by the repayment of HK\$1.7 million to non-controlling shareholders of subsidiaries.

For the year ended 31 March 2016, we recorded net cash used in financing activities of HK\$10.9 million, which was mainly due to (i) the repayment of HK\$8.0 million to a director of which is partially offset by the advance from a director of HK\$2.8 million; (ii) the repayment of HK\$3.6 million to non-controlling shareholders of subsidiaries; (iii) the acquisition of additional interests in subsidiaries of HK\$1.5 million; and (iv) the dividends paid to non-controlling shareholders of subsidiaries of HK\$1.3 million.

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WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion, and the Sponsor concurs that after taking into account the existing financial resources available to us, the expected internally-generated funds, the available banking facilities and the [REDACTED], we have sufficient working capital for our working capital requirements for at least the next 12 months from the date of this document.

CURRENT ASSETS AND CURRENT LIABILITIES

The table below sets forth the breakdown of our current assets, current liabilities, and net current assets as at the dates indicated:

	As at 31 March		As at
	2015	2016	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets			
Inventories	1,046	917	1,337
Trade receivables	460	264	367
Prepayments, deposits and other receivables	6,013	4,955	7,764
Restricted bank deposit	—	—	5,000
Bank balances and cash	<u>10,879</u>	<u>15,242</u>	<u>11,890</u>
	<u>18,398</u>	<u>21,378</u>	<u>26,358</u>
Current liabilities			
Trade payables	3,354	2,960	3,131
Accruals and other payables	5,000	4,580	7,770
Amount due to a related party in respect of acquisition of property, plant and equipment	1,750	—	—
Amount due to a director	196	3,726	4,169
Amounts due to non-controlling shareholders of subsidiaries	5,780	—	—
Taxation payable	634	483	47
Obligations under finance leases — amount due within one year	<u>105</u>	<u>187</u>	<u>189</u>
	<u>16,819</u>	<u>11,936</u>	<u>15,306</u>
Net current assets	<u>1,579</u>	<u>9,442</u>	<u>11,052</u>

Our current assets as at 31 March 2015 and 2016 amounted to HK\$18.4 million and HK\$21.4 million, respectively, which primarily consisted of bank balances and cash, prepayments, deposits and other receivables, inventories and trade receivables. Our current liabilities as at 31 March 2015 and 2016

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amounted to HK\$16.8 million and HK\$11.9 million, respectively, with accruals and other payables, amount due to a director, trade payables and amounts due to non-controlling shareholders of subsidiaries being our major current liabilities components.

Our net current assets position improved by HK\$7.8 million, from HK\$1.6 million as at 31 March 2015 to HK\$9.4 million as at 31 March 2016, which was primarily attributable to the decrease in amounts due to non-controlling shareholders of subsidiaries by HK\$5.8 million, the decrease in an amount due to a related party in respect of acquisition of property, plant and equipment by HK\$1.8 million and the increase in bank balances and cash by HK\$4.3 million, which was partially offset by the increase in amount due to a director by HK\$3.5 million and the decrease in prepayments, deposits and other receivables by HK\$1.0 million.

See “Financial Information — Discussion of Selected Statements of Financial Position Items” for a discussion of various current assets and current liabilities items.

DISCUSSION OF SELECTED STATEMENTS OF FINANCIAL POSITION ITEMS

Property, plant and equipment

During the Track Record Period, our property, plant and equipment mainly represented leasehold improvements, dart machines, computer equipment, furniture and fixtures and motor vehicles. As at 31 March 2015 and 2016, our property, plant and equipment amounted to HK\$7.1 million, HK\$6.9 million, respectively. Our property, plant and equipment decreased by HK\$0.2 million, or 3.7%, from HK\$7.1 million as at 31 March 2015 to HK\$6.9 million as at 31 March 2016, as depreciation charges outpaced the additions of leasehold improvements for Shop LXIX opened in August 2015, the addition of computer equipment for our office use and the general addition of furniture and fixtures in our shops over such period.

Inventories

Our inventories primarily consisted of beverages and other items for our shop operations. The following table sets out information on our inventory balances and inventory turnover days as at the dates indicated:

	As at 31 March	
	2015	2016
	<i>(HK\$'000, except turnover days)</i>	
Beverages and other items for shop operations	1,046	917
Inventories turnover days ⁽¹⁾	12.2	12.6

⁽¹⁾ We calculate inventory turnover days by dividing average inventory by cost of inventories sold multiplied by 365 days for each of the years ended 31 March 2015 and 2016. Average inventory is calculated by dividing the sum of inventory at the beginning of the period and the inventory at the end of the period by two.

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Our inventories decreased by HK\$0.1 million, or 12.3%, from HK\$1.0 million as at 31 March 2015 to HK\$0.9 million as at 31 March 2016, which was primarily due to a decrease in the level of buffer stocks of beverages. Our inventory turnover days remained relatively stable during the Track Record Period, as demonstrated by inventories turnover days of 12.2 days as at 31 March 2015 as compared to our inventory days of 12.6 days as at 31 March 2016.

As at 31 July 2016, HK\$0.8 million out of the HK\$0.9 million inventories as at 31 March 2016 had been subsequently sold.

Trade receivables

During the Track Record Period, since most of our clients settled their bills by cash or credit cards, our trade receivables represented credit card sales receivable from financial institutions. All trade receivables were aged within 30 days from the transaction date as at 31 March 2015 and 2016.

As at 31 March 2015 and 2016, our trade receivables amounted to HK\$0.5 million and HK\$0.3 million, respectively. The relatively higher balance of trade receivables as at 31 March 2015 was primarily due to the fact that 31 March 2015 was Tuesday, while 31 March 2016 was Thursday and hence, there was two additional business day for the credit card issuers for processing the credit card transactions which took place during the weekend prior to 31 March 2015 as compared to 31 March 2016.

As at 31 July 2016, our trade receivables as at 31 March 2016 were fully settled.

The following table sets out the trade receivables turnover days of our Group for the Track Record Period:

	Year ended 31 March	
	2015	2016
Trade receivables turnover days ⁽¹⁾	0.9	1.1

⁽¹⁾ We calculate trade receivables turnover days by dividing average trade receivables by revenue and multiplied by 365 days for each of the years ended 31 March 2015 and 2016. Average trade receivables is calculated by dividing the the sum of trade receivables, net of bad and doubtful debts allowance, at the beginning of the period and trade receivables at the end of the period by two.

Our trade receivables turnover days remained relatively stable during the Track Record Period, as demonstrated by the trade receivables turnover days of 0.9 days as at 31 March 2015 and 1.1 days as at 31 March 2016.

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Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables consisted of non-current portion and current portion. The non-current portion as at 31 March 2015 and 2016 consisted of rental deposits for the leasing of the Group’s lease properties with leases expiring beyond 31 March 2016 and 2017, respectively. The current portion primarily represented rental deposits, other deposits and prepayments for rent under operating lease agreements. The following table sets out the details of our prepayments, deposits, and other receivables as at the dates indicated:

	As at 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current portion		
Rental deposits	<u>3,024</u>	<u>2,481</u>
Current portion		
Rental deposits	1,776	2,554
Other deposits	1,067	1,362
Prepayments	2,747	706
Other receivables	423	233
Deferral for [REDACTED] expenses	<u>—</u>	<u>100</u>
Total	<u><u>6,013</u></u>	<u><u>4,955</u></u>

The decrease in non-current portion of deposits of HK\$0.5 million, or 18.0%, from HK\$3.0 million as at 31 March 2015 to HK\$2.5 million as at 31 March 2016 was mainly due to the reclassification of certain of our rental deposits into current assets during the year ended 31 March 2016 for those lease agreements expiring during the year ending 31 March 2017.

The decrease in current portion of prepayments, deposits and other receivables of HK\$1.0 million, or 17.6%, from HK\$6.0 million as at 31 March 2015 to HK\$5.0 million as at 31 March 2016 was mainly due to the decrease in prepayments of HK\$2.0 million, which was partially offset by the increase in rental deposits by HK\$0.8 million. The decrease in prepayments was primarily due to the fact that we prepaid rent for majority of our leases before the commencement of the next calendar month as at 31 March 2015. As such, larger amount of the prepaid rent remained prepaid and was not charged to rental expenses as at 31 March 2015. As at 31 March 2016, we generally prepaid our rent on the first day of calendar month as generally required by our landlords. As a result, majority of our prepaid rent was being charged to rental expenses, leaving a smaller amount of prepaid rent in our current assets as at 31 March 2016. The increase in current portion of rental deposits was mainly due to the reclassification of certain of our rental deposits from non-current assets during the year ended 31 March 2016 for those lease agreements expiring during the year ending 31 March 2017.

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Trade payables

During the Track Record Period, our trade payables represented our purchases of beverages and other items for our shop operation. During the Track Record Period, our credit period with our major beverage suppliers is normally within 60 days after the monthly statement is issued. The table below sets out an aging analysis of our trade payables based on the invoice date and our trade payables turnover days as at 31 March 2015 and 2016.

	As at 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	2,347	2,284
31–60 days	956	634
61–90 days	9	—
91–120 days	42	—
Over 120 days	—	42
	<u> </u>	<u> </u>
Total	<u>3,354</u>	<u>2,960</u>
	As at 31 March	
	2015	2016
Trade payables turnover days ⁽¹⁾	<u>50.2</u>	<u>40.5</u>

⁽¹⁾ Trade payables turnover days are calculated by dividing average trade payables by cost of inventories sold and multiplied by 365 days for each of the years ended 31 March 2015 and 2016. Average trade payable balance is the average at the beginning and ending trade payable balance for the relevant year.

Our trade payables decreased from HK\$3.4 million as at 31 March 2015 to HK\$3.0 million as at 31 March 2016, representing a decrease of 11.7%. Our trade payables turnover days decreased from 50.2 days as at 31 March 2015 to 40.6 days as at 31 March 2016. The decrease in trade payables and trade payables turnover days was primarily due to the decrease in purchase from one of our major suppliers with credit term of 60 days and an enhancement of our payment procedures, resulting in a shorter administrative time for such payment.

As at 31 July 2016, HK\$2.9 million of our HK\$3.0 million trade payables as at 31 March 2016 were subsequently settled.

Accruals and other payables

Our other payables and accrued charges mainly comprised accrued staff costs, accrued license fees for music played in our shops, accrued audit fee and [REDACTED] expenses, accrued rental expenses, unearned revenue for our cash coupons issued and a financial advisory fee payable. The decrease in accruals and other payables by HK\$0.4 million, or 8.4%, from HK\$5.0 million as at 31 March 2015 to HK\$4.6 million as at 31 March 2016 was primarily due to the settlement of a financial advisory payable during the year ended 31 March 2016.

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Amount due to a related party

The amount due to a related party represented an amount due to Wishing Limited (“Wishing”), a company controlled by a close family member of a controlling party of the Group. The amount was unsecured, interest-free and repayable on demand. As at 31 March 2016, the amount due to the related party had been fully settled.

Amount due to a director

The amount due to a director represented the amounts due to Ms. Tse, being our executive Director, which amounted to HK\$0.2 million and HK\$3.7 million as at 31 March 2015 and 2016, respectively. Such amounts are interest-free, unsecured and have no fixed terms of repayments. The entire amount due to a director will be fully settled prior to the [REDACTED].

Amounts due to non-controlling shareholders of subsidiaries

The amounts due to non-controlling shareholders of our subsidiaries represented advances from our non-controlling shareholders of our subsidiaries used as our working capital, which amounted to HK\$5.8 million as at 31 March 2015 and nil as at 31 March 2016. The amounts are non-trade in nature, unsecured, interest free and repayable on demand. As at 31 March 2016, all amounts due to non-controlling shareholders of our subsidiaries had been fully settled.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set forth in note 25 to the Accountants’ Report to Appendix I to this document, our Directors confirm that each transaction set forth therein were conducted in accordance with terms as agreed between us and the respective related parties, on an arm’s length basis and did not distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance.

INDEBTEDNESS

Obligations under finance leases

The table below sets out our obligations under finance leases as at the dates indicated:

	As at 31 March		As at
	2015	2016	31 July
	HK\$’000	HK\$’000	2016
			HK\$’000
Current liabilities	105	187	189
Non-current liabilities	<u>290</u>	<u>436</u>	<u>372</u>
	<u>395</u>	<u>623</u>	<u>561</u>

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Our obligations under finance leases as at 31 March 2015 and 2016 and 31 July 2016 primarily comprised finance leases for the purchase of a motor vehicle and certain furniture and fixtures. Our finance lease liabilities were denominated in Hong Kong dollars and the effective annual interest rates during the Track Record Period was 2.5%.

As at 31 July 2016, being the latest practicable date for determining our indebtedness, we had an unutilised banking facility in an aggregate amount of HK\$16.0 million granted from two Financial institutions for our working capital. One of the banking facility of HK\$8 million is secured by a fixed deposit of HK\$5 million and an unlimited amount of personal guarantee provided by Ms. Tse. Our Directors are of the opinion that the personal guaranteed provided by Ms. Tse will be released before Listing. Another banking facilities of HK\$8 million is secured by our fixed deposit placed in that financial institution and the total overdraft amount should not exceed 97% of the deposit charged or the ceiling limit of HK\$8 million whichever is lower. There are no material covenants relating to these outstanding indebtedness.

Save as disclosed above, as at 31 July 2016, we did not have any other borrowings, mortgages, charges, debentures or debt securities, issued or outstanding, or authorised or otherwise created but unissued, or other similar indebtedness, finance lease commitment, liabilities under acceptances, acceptance credits, hire purchase commitments, material contingent liabilities or guarantees. In addition, our Directors confirmed that as at the Latest Practicable Date, we do not have any external debt financing plan shortly after [REDACTED].

Our Directors confirmed that up to the Latest Practicable Date, there has been no material change in our indebtedness, capital commitment and contingent liabilities of our Group since 31 July 2016.

[REDACTED] EXPENSES

The total expenses for the [REDACTED] are estimated to be HK\$[REDACTED] based on the [REDACTED] of HK\$[REDACTED] ([REDACTED]), of which HK\$[REDACTED] is directly attributable to [REDACTED] and is expected to be accounted for as a deduction from equity. For the remaining [REDACTED] expenses of [REDACTED], [REDACTED] and [REDACTED] were charged to the combined statement of comprehensive income of our Group for the years ended 31 March 2015 and 2016, respectively, and HK\$[REDACTED] will be charged to the combined statement of comprehensive income of our Group for the year ending 31 March 2017.

EFFECT ON OUR FINANCIAL PERFORMANCE DUE TO [REDACTED] EXPENSES

Our net profit and financial performance for the year ending 31 March 2017 will be adversely affected due to the [REDACTED] expenses to be incurred in the same year.

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OPERATING LEASES COMMITMENT

We leased the premises for our office, storage and shops under operating lease arrangements. The following table sets forth our future minimum lease payments under non-cancellable operating leases which fall due:

	As at 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	16,710	14,001
After one year but within five years	<u>13,204</u>	<u>10,842</u>
Total	<u><u>29,914</u></u>	<u><u>24,843</u></u>

The above lease commitments represent basic rents only and do not include contingent rents payable in respect of certain bars leased by the Group. In general, these contingent rents are calculated based on the relevant bars' turnover pursuant to the terms and conditions as set out in the respective rental agreements. It is not possible to estimate in advance the amount of such contingent rent payable. During the years ended 31 March 2015 and 2016, the amounts of contingent rental recognised as expenses were approximately HK\$99,000 and HK\$47,000 respectively.

CONTINGENT LIABILITIES

Our Directors confirmed that as at the Latest Practicable Date, we did not have any material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENT

During the Track Record Period and up to the Latest Practicable Date, we did not have any off-balance sheet arrangement.

CAPITAL EXPENDITURE

Our capital expenditures amounted to HK\$2.0 million and HK\$5.2 million for the year ended 31 March 2015 and 2016, respectively. It was primarily used for the purchase of property, plant and equipment. The capital expenditure increased by HK\$3.2 million, from HK\$2.0 million for the year ended 31 March 2015 to HK\$5.2 million for the year ended 31 March 2016. Such increase was mainly due to the increase in capital expenditure used for the addition of leasehold improvements for Shop LXIX opened in August 2015, purchase of computer equipment for our office use and general purchase of fixtures and furnitures for our shop operation during the year ended 31 March 2016.

Our planned capital expenditures for the year ended 31 March 2017 are HK\$5.3 million, which will be primarily used for the acquisition of property, plant and equipment for our opening of new shops and renovation of existing shops. We plan to finance our capital expenditures with a combination of cash generated from our operating activities and [REDACTED].

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DISTRIBUTABLE RESERVES

Our Company was incorporated on 2 June 2016 and has not carried out any business since the date of incorporation and it had no distributable reserves as at 31 March 2015 and 2016.

Under the Companies Law, the share premium account may be applied by our Company in paying distributions or dividends to the Shareholders, provided that immediately following the date on which the distribution or dividend is proposed to be paid, our Company shall be able to pay its debts as they fall due in the ordinary course of business.

DIVIDENDS AND DIVIDEND POLICY

During the Track Record Period, certain subsidiaries of our Group declared and paid dividends of HK\$0.1 million for the year ended 31 March 2015 and HK\$1.3 million for the year ended 31 March 2016 to their then non-controlling shareholders. During the year ended 31 March 2016, Bar Pacific Group Limited declared and paid an interim dividend of HK\$9.1 million to its then shareholder.

As at the Latest Practicable Date, we have not adopted any dividend policy. The declaration of dividends is subject to the absolute discretion of our Directors, and if necessary, the approval of our Shareholders. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and the Companies Law. Our past dividend payment history is not, and should not be taken as, an indication of our potential future practice on dividend payments. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios of our Group during the Track Record Period:

	Year ended 31 March	
	2015	2016
Profitability ratios		
Net profit margin ⁽¹⁾	10.5%	12.2%
Return on equity ⁽²⁾	103.5%	83.7%
Return on total assets ⁽³⁾	41.4%	50.0%
Liquidity ratios		
Current ratio ⁽⁴⁾	1.1	1.8
Quick ratio ⁽⁵⁾	1.0	1.7
Capital adequacy ratios		
Gearing ratio ⁽⁶⁾	52.3%	20.3%
Interest coverage ratio ⁽⁷⁾	635.8	1,063.0

(1) Net profit margin is calculated by dividing profit for the year by revenue and multiplying the resulting value by 100%.

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- (2) Return on equity is calculated by dividing profit for the year by total equity as at the end of year and multiplying the resulting value by 100%.
- (3) Return on total assets is calculated by dividing profit for the year by total assets as at the end of year and multiplying the resulting value by 100%.
- (4) Current ratio is calculated by dividing total current assets by total current liabilities.
- (5) Quick ratio is calculated by dividing total current assets (excluding inventories) by total current liabilities.
- (6) Gearing ratio is calculated by dividing total debt by total equity. Total debt is defined to include all payables incurred not in the ordinary course of business, which included the amount due to a director and amounts due to non-controlling shareholders of subsidiaries.
- (7) Interest coverage ratio is calculated by dividing profit before interest and tax by finance costs and multiplying by 100%.

Net profit margin

Our net profit margin increased from 10.5% for the year ended 31 March 2015 to 12.2% for the year ended 31 March 2016, mainly due to the upward price adjustment as a result of the unification of our price for all items across all our shops and our promotion and marketing events launched by our marketing department.

Return on equity

Our return on equity decreased from 103.5% for the year ended 31 March 2015 to 83.7% for the year ended 31 March 2016. The decrease in return on equity was mainly due to our strengthened equity base of HK\$18.3 million as at 31 March 2016 as compared to HK\$11.4 million as at 31 March 2015 and such increase in equity was primarily contributed by the addition of profit of HK\$15.4 million for the year ended 31 March 2016 which was partially offset by dividend of HK\$9.1 million paid during the year ended 31 March 2016.

Return on total assets

Our return on total assets increased from 41.4% for the year ended 31 March 2015 to 50.0% for the year ended 31 March 2016. The increase in return on total assets was mainly due to the higher net profit of HK\$15.4 million for the year ended 31 March 2016 as compared to the net profit of HK\$11.8 million in the previous financial year.

Current ratio

Our current ratio increased from 1.1 times as at 31 March 2015 to 1.8 times as at 31 March 2016. The increase in current ratio was mainly due to (i) the increase in bank balances and cash of HK\$4.3 million generated from our operating activities; and (ii) the decrease in amounts due to non-controlling shareholders of our subsidiaries of HK\$5.8 million for the year ended 31 March 2016.

Quick ratio

Our quick ratio increased from 1.0 times as at 31 March 2015 to 1.7 times as at 31 March 2016. The trend of our quick ratio was in line with our current ratio as disclosed as above.

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Gearing ratio

Our gearing ratio decreased from 52.3% as at 31 March 2015 to 20.3% as at 31 March 2016. The decrease in gearing ratio was mainly due to the decrease in amounts due to non-controlling shareholders of subsidiaries of HK\$5.8 million, partially offset by the increase in the amount due to a director of HK\$3.5 million.

Interest coverage ratio

Our interest coverage was 635.8 times and 1,063.0 times for the years ended 31 March 2015 and 2016, respectively. The high interest coverage was mainly due to our low finance costs during the Track Record Period.

QUANTITATIVE AND QUALITATIVE ANALYSIS ABOUT MARKET RISKS

Credit risk

We trade with a large number of individual customers and trading terms are mainly on cash and credit card settlement. In view of our operation, we do not have significant credit risk exposure to any single individual customer. The credit risk on bank balances and trade receivables is limited as such amounts are placed with or due from financial institutions with good reputation or credit rating.

Liquidity risk

We regularly monitor and maintain a level of cash to finance our operations and mitigate the effects of fluctuations in cash flows. All of the Group’s liabilities are carried at amounts not materially different from their contractual undiscounted cash flows as all the financial liabilities are with maturities within one year or repayable on demand at the end of the reporting period.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative statement of our unaudited pro forma adjusted combined net tangible assets and is prepared in accordance with paragraph 7.31 of the GEM Rules and is set out below to illustrate the effect of the [REDACTED] on our combined net tangible assets attributable to owners of our Company as at 31 March 2016 as if the [REDACTED] had taken place on that date.

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[REDACTED]

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to any disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our financial or trading position since 31 March 2016 and there is no event since 31 March 2016 which would materially affect the information shown in the Accountant’s Report set out in Appendix I to the document.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the [REDACTED] and Capitalisation Issue (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), BVI Holdco will directly hold approximately [REDACTED] of the issued share capital of our Company. The entire issued share capital of BVI Holdco is held by Harneys Trustees Limited, which is the trustee of the Bar Pacific Trust. Bar Pacific Trust is a trust established by Ms. Tse as settlor on 25 March 2014 for the benefit of herself and her daughter, namely Ms. Chan Tsz Kiu, Teresa. Pursuant to the deed of settlement dated 25 March 2014 in respect of the Bar Pacific Trust, Ms. Chan Ching, Mandy, who is the sister of Chan Wai, is the protector of the Bar Pacific Trust, and Harneys Trustees Limited is required to exercise the voting rights in any company the fund of the Bar Pacific Trust is invested in accordance with the joint written instruction from the protector (i.e. Ms. Chan Ching, Mandy) and the settlor (i.e. Ms. Tse) of the Bar Pacific Trust.

For the purpose of the GEM Listing Rules, BVI Holdco, Ms. Tse and Ms. Chan Ching, Mandy are deemed as the Controlling Shareholders of our Company.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Other than the de minimis continuing connected transaction between our Group and Ms. Tse for licence of premises for our operation of a bar, details of which are set out in the section headed “Connected Transactions” in this document, our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders upon or shortly after the [REDACTED].

Our Group is capable of carrying on our business independently from and does not place undue reliance on our Controlling Shareholders and their respective close associates, taking into consideration the following factors:

Management independence

Our Board comprises two executive Directors and three independent non-executive Directors.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and that no conflict between his/her duties as a Director and his/her personal interest would be allowed. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Director(s) or their respective close associate(s), the interested Director(s) shall abstain from voting at the relevant board meeting(s) of our Company in respect of such transactions and shall not be counted towards the quorum.

Three of the members of our Board are independent non-executive Directors who have extensive experience in different areas or are professionals, and they have been appointed pursuant to the requirements under the GEM Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Furthermore, our Board’s main functions include devising and approving the overall business plans and strategies of our Group, monitoring the implementation of our Group’s policies and strategies and taking into account the reports and advice of the senior management of our Group. In addition, the Company has an independent senior management team to carry out the business decisions of the Group independently.

Having considered the above factors, our Directors are of the view that they are able to carry out the business decisions of our Group independently and to perform their relevant roles independently of our Controlling Shareholders and their respective associates after the [REDACTED].

Operational independence

The operations of our Group are independent of and not connected with our Controlling Shareholders and their respective close associates. Our Group has established our own set of organisational structure made up of individual divisions, each with specific areas of responsibilities, including corporate development, sales and marketing, administration, finance and accounting.

During the Track Record Period and up to the Latest Practicable Date, our Group had independent access to suppliers of our Group for our business operations and all of our customers are Independent Third Parties. The continuing connected transaction between our Group and Ms. Tse for licence of premises for our operation of a bar, details of which are set out in the section headed “Connected Transactions” in this document, is on normal commercial terms and constitutes de minimis continuing connected transaction of the Company. Save as the above, all of the operating subsidiaries of our Company hold the necessary assets and equipment for the operation of the Group.

Our Directors are of the view that there is no operational dependence on our Controlling Shareholders or any of their respective close associates.

Financial independence

Our Group has an independent financial system, and makes financial decisions according to our own business needs. We have sufficient capital to operate our business independently, and adequate internal resources and a strong credit profile to support our daily operations.

During the Track Record Period, Ms. Tse has provided personal guarantees in favour of the landlords of certain premises leased to our Group for our shops under the relevant tenancy agreements. The aforesaid guarantees given by Ms. Tse have been released as at the Latest Practicable Date. In April 2016, Ms. Tse has provided guarantee in respect of the obligations of Hacienda under a banking facilities agreement of HK\$8 million. Our Directors confirmed that the aforesaid guarantee given by Ms. Tse for the banking facilities will be released upon [REDACTED]. In addition, as at 31 December 2013, we had an amount of approximately HK\$3,726,000 due to Ms. Tse. Our Directors confirmed that such amount will be fully settled prior to [REDACTED].

As such, upon [REDACTED], our Group will have independent access to third party financing without relying on any guarantee from its Controlling Shareholders or their respective associates. All loans and advances due from/to the Controlling Shareholders or their respective associates will be fully settled before [REDACTED].

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Directors are of the view that our Group is able to obtain external financing on market terms and conditions for its business operations as and when required and is not financially dependent on our Controlling Shareholders or any of their respective close associates.

RULE 11.04 OF THE GEM LISTING RULES

Our Controlling Shareholders, our Directors and their respective close associates do not have any interest in a business apart from our business which competes and is likely to compete, directly or indirectly, with our business and would require disclosure under Rule 11.04 of the GEM Listing Rules.

DEED OF NON-COMPETITION

Ms. Chan Ching, Mandy, Ms. Tse and BVI Holdco (each the "Covenantor", and collectively, the "Covenantors") entered into the Deed of Non-competition with an aim to avoid any possible future competition between our Group and each of the Covenantors. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken and covenanted with our Company (for itself, and as trustee of its subsidiaries) that, among other things, during the period that the Deed of Non-competition remains effective, she/it and her/its close associates shall not, directly or indirectly, be interested, involved or engaged, or acquire or hold any right or interest, in any business which competes or is likely to compete with the existing business engaged by our Group from time to time, save for the holding of not more than 5% of shareholding interest (individually or with her/its associates) in any company listed on a recognised stock exchange, and she/it or her associates are not entitled to appoint a majority of the directors or management of that company.

Each of the Covenantors has further undertaken and covenanted that if she/it and/or her/its close associates is aware of any project, or new business opportunity, that may compete with the business or our Group (the "New Opportunity"), she/it and/or her/its associates shall, among other things:

- a. refer the New Opportunity to the Company within 7 business days after becoming aware of the New Opportunity, and promptly provide such information as is reasonably required by the Company or the independent non-executive Directors in order to enable the Company and/or the independent non-executive Directors to come to an informed assessment of the New Opportunity;
- b. grant a right of first refusal to the Group to take up the New Opportunity, and the Group shall, within a period of 6 months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out or required under the GEM Listing Rules from time to time), notify the Covenantors if the Group shall exercise such right of first refusal, and the Company shall only exercise such right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in the New Opportunity);
- c. abstain from participating in and voting at, and not be counted as quorum at, all meetings of the Board of Directors where there is a conflict of interest for considering whether or not to exercise the right of first refusal; and
- d. be entitled to pursue the New Opportunity only if she/it or her/its close associates has received a notice from the Company declining the New Opportunity.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Company shall adopt the following procedures to ensure that the provisions of the Deed of Non-competition are observed at all times:

- a. our independent non-executive Directors shall review, on an annual basis, the compliance with the above undertakings by the Covenantors, including all decisions taken in the year on whether to pursue a New Opportunity in accordance with the Deed of Non-competition, and evaluate the effective implementation of the terms and conditions of the Deed of Non-competition; and
- b. each of the Covenantors shall further undertake and covenant with our Company that:
 - i. for so long as the Deed of Non-competition remains in effect, she/it shall promptly provide our Company with such information as our Company may from time to time reasonably request to ascertain compliance by the Covenantors of her/its obligations under the Deed of Non-competition; and
 - ii. if requested by our Company, she/it shall issue a letter to our Company, confirming his full compliance with the relevant terms and conditions of the Deed of Non-competition, and consenting to our Company's disclosure of the contents of such letter in the annual report of our Company, and/or such other documents as otherwise published by our Company.

The terms and conditions of the Deed of Non-competition are conditional on, and take effect upon, the [REDACTED].

The Deed of Non-competition shall terminate on the earliest date on which: (i) our Company becomes wholly-owned by the Covenantors and/or their respective associated (whether individually or collectively); or (ii) the securities of our Company cease to be listed on the Stock Exchange, or any other stock exchange recognised under the SFO.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following corporate governance measures to avoid potential conflict of interests and safeguard the interests of our Shareholders:

- (a) compliance with the GEM Listing Rules, in particular, strictly observe any proposed transactions between us and our Connected Person(s) and comply with the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules where applicable;
- (b) appointment of LY Capital Limited as our compliance adviser to advise us on the compliance matters in respect of the GEM Listing Rules and applicable laws and regulations;
- (c) our independent non-executive Directors will be responsible for considering and deciding as to whether to pursue or decline the Business Opportunity;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (d) our Controlling Shareholders undertake to provide all details reasonably necessary for our Company to consider whether to pursue such Business Opportunity, and in the event that there is any material change in the nature, terms or conditions of such Business Opportunity, our Controlling Shareholders shall refer such Business Opportunity to our Company as if it were a new Business Opportunity;
- (e) if appropriate, our independent non-executive Directors may appoint independent financial advisers to assist in the decision-making process in relation to such Business Opportunity;
- (f) our Controlling Shareholders undertake to provide all information necessary for the annual review by our independent non-executive Directors in respect of the compliance with the Deed of Non-Competition;
- (g) our independent non-executive Directors will review, on an annual basis, the compliance of our Controlling Shareholders with the Deed of Non-Competition, in particular the right of refusal relating to any Business Opportunity and our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance with and enforcement of the Deed of Non-Competition in our annual report or by way of announcement to public; and
- (h) adoption of the Articles which provides that a Director shall abstain himself/herself from participating in Board meetings (nor he/she be counted towards the quorum) and from voting on any resolutions of the Board in relation to any contract or arrangement or other proposal in which he/she or any of his/her associates is materially interested.

CONNECTED TRANSACTIONS

Our Group has entered into the following transactions with connected persons and will continue to carry out such transactions upon [REDACTED]. Such transaction will therefore constitute continuing connected transactions of our Group under Chapter 20 of the GEM Listing Rules.

LICENCE AGREEMENT BETWEEN MS. TSE AND BAR PACIFIC XXII INTERNATIONAL LIMITED

On 30 April 2016, Ms. Tse as tenant entered into a tenancy agreement (“**Tenancy Agreement**”) with an Independent Third Party as landlord for the operation of shop XXII of our Group at Shop No. D on G/F & Cockloft, Kwai Lok Building, No.81 Wing Feng Road, Kwai Chung, New Territories, Hong Kong. The term of the Tenancy Agreement is from 1 August 2016 to 31 July 2018 at a monthly rent of HK\$60,000.

As the landlord was only willing to enter into the Tenancy Agreement with an individual instead of a corporation as the tenant of the said premise, Ms. Tse entered into a licence agreement (as the licensor) (“**Licence Agreement**”) with Bar Pacific XXII International Limited, one of the subsidiaries of our Company (as the licensee) on 23 September 2016 for a term commencing from 23 September 2016 to 31 July 2018 at a monthly licence fee of HK\$60,000, which is payable exclusive of other outgoings and in advance on the first day of each calendar month, so that Bar Pacific XXII International Limited can use the premises for operating the shop.

Since the percentage ratio under the GEM Listing Rules in respect of the transaction under the Licence Agreement is expected to be less than 5% and the consideration is expected to be less than HK\$3 million, the transaction constitutes de minimis transaction which will be fully exempt from the shareholders’ approval, annual review and all disclosure requirements under the GEM Listing Rule 20.74.

PERSONAL GUARANTEE PROVIDED BY A CONNECTED PERSON

During the Track Record Period, Mr. Chan Darren Chun-Yeung, our executive Director, had entered into a guarantee in favour of the landlord in relation to a premise leased from an Independent Third Party for one of our shops, particulars of which are set out below:

Guarantor	Premise	Tenant	Term
Mr. Chan Darren Chun-Yeung	G/F 19 Wo Tai Street, Luen Wo Market, Fanling, the New Territories, Hong Kong	Bar Pacific LXIII International Limited	10 September 2016 to 9 September 2022

As the guarantee is provided by a connected person of the Company for the benefit of our Group on normal commercial terms and no counter guarantee, indemnity or security over the assets of our Group is provided in respect of the guarantee, the above transaction is a fully exempt continuing connected transaction pursuant to Chapter 20 of the GEM Listing Rules.

SHARE CAPITAL

The share capital of our Company immediately following completion of the [REDACTED] and Capitalisation Issue is set out in the table below. The table is prepared on the basis of the [REDACTED] becoming unconditional and the issue of [REDACTED] and Capitalisation Issue pursuant thereto is made as described herein. It takes no account of any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors as referred to below or otherwise.

Authorised share capital:

HK\$

<u>[2,000,000,000]</u> Shares	<u>[20,000,000]</u>
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Issued and to be issued, fully paid or credited as fully paid upon completion of the [REDACTED] and Capitalisation Issue

HK\$

[REDACTED]	Shares in issue as at the date of this document	[REDACTED]
[REDACTED]	Shares to be issued pursuant to the Capitalisation Issue	[REDACTED]
[REDACTED]	[REDACTED] to be issued pursuant to the	[REDACTED]
_____	[REDACTED]	_____
<u>[REDACTED]</u> Shares		<u>[REDACTED]</u>

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. The [REDACTED] [REDACTED] represent 25% of the issued share capital of our Company upon [REDACTED].

RANKING

The [REDACTED] will rank in pari passu in all respects with all the Shares now in issued or to be allotted and issued as mentioned in this document save for the entitlement under the Capitalisation Issue and will qualify for all dividends or other distributions declared made or paid on the Shares in respect of a record date which falls after the [REDACTED].

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the major terms of which are set out in the paragraph headed “D. Share Option Scheme” in Appendix IV to this document.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, the Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might acquire such Shares to be allotted and issued

SHARE CAPITAL

or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by the Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the [REDACTED] and the Capitalisation Issue (not including Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme); and
- (b) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares referred to in the paragraph headed “General Mandate to Repurchase Shares” below.

This mandate does not cover Shares to be allotted, issued or dealt with under a rights issue or pursuant to the exercise of the options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

For further details of this general mandate, please refer to the sub-paragraph headed “Written shareholders’ resolutions of the Company passed on [●]” under the paragraph “A. Further information about the Company” in Appendix IV to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, the Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue following the completion of the [REDACTED] and the Capitalisation Issue (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, and such repurchases are made in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed “A. Further information about the Company — 6. Repurchase of the Shares by the Company” in Appendix IV to this document.

SHARE CAPITAL

The general mandates to issue and repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable law of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph “A. Further information about the Company — 6. Repurchase of the Shares by the Company” in Appendix IV to this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in the Articles and Association. For details, please see the section headed “2. Articles of Association” in Appendix III to this document.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons shall, immediately following the completion of the [REDACTED] and the Capitalisation Issue (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), have an interest or short position in the Shares, or underlying Shares, which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who shall, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Group:

Name	Nature of Interest	No. of Shares	Approximate percentage of shareholding
BVI Holdco ^(Note)	Beneficial owner	[REDACTED]	[REDACTED]
Harneys Trustees Limited ^(Note)	Trustee (other than a bare trustee)	[REDACTED]	[REDACTED]
Ms. Tse ^(Note)	Beneficiary of a trust	[REDACTED]	[REDACTED]
Ms. Chan Tsz Kiu Teresa ^(Note)	Beneficiary of a trust	[REDACTED]	[REDACTED]
Ms. Chan Ching, Mandy	Interest of controlled corporation	[REDACTED]	[REDACTED]
BP Sharing Limited	Beneficial owner	[REDACTED]	[REDACTED]

Note: Immediately following the completion of the [REDACTED] and the Capitalisation Issue, BVI Holdco holds [REDACTED] Shares, representing approximately [REDACTED] of the share capital of the Company. The sole shareholder of BVI Holdco is Harneys Trustees Limited, the trustee of the Bar Pacific Trust, of which Ms. Tse and her daughter, namely Ms. Chan Tsz Kiu Teresa, are beneficiaries. Pursuant to the deed of settlement dated 25 March 2014 in respect of the Bar Pacific Trust, Ms. Chan Ching, Mandy is the protector of the Bar Pacific Trust, and Harneys Trustees Limited is required to exercise the voting rights in any company the fund of the Bar Pacific Trust is invested in accordance with the joint written instruction from the protector (i.e. Ms. Chan Ching, Mandy) and the settlor (i.e. Ms. Tse) of the Bar Pacific Trust. Each of Harneys Trustees Limited, Ms. Tse, Ms. Chan Tsz Kiu Teresa and Ms. Chan Ching, Mandy is deemed to be interested in the Shares held by BVI Holdco under the SFO.

Save as disclosed in this section, our Directors are not aware of any person(s) who, immediately following completion of the [REDACTED] and the Capitalisation Issue (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), shall have an interest or a short position in the Shares, or underlying Shares, which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or shall be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Group, and are, therefore, regarded as substantial shareholders under the GEM Listing Rules.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

The Board consists of five Directors, among which there are two executive Directors and three independent non-executive Directors. Our Directors and senior management are involved in the day-to-day management of our business. The following table sets forth certain information in respect of our Directors:

Name	Age	Time of joining our Group	Date of appointment as Director	Position	Brief description of roles and responsibilities
Tse Ying Sin Eva	45	August 1999	2 June 2016	Chairlady, CEO, executive Director	Formulating the overall business strategy and planning; overseeing the Group’s performance generally; leading and representing the Group in negotiation with potential business partners
Chan Darren Chun-Yeung	35	October 2014	2 June 2016	Executive Director	Overseeing the management of the Group’s finance, accounting & company secretarial matters
Tang Wing Lam David	60	[●]	[●]	Independent non-executive Director	Overseeing the Group’s compliance, internal control, corporate governance, but not participating in the day-to-day management of the Group’s business operation

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Time of joining our Group	Date of appointment as Director	Position	Brief description of roles and responsibilities
Chin Chun Wing	38	[●]	[●]	Independent non-executive Director	Chairman of the remuneration committee, overseeing the Group’s compliance, internal control, corporate governance, but not participating in the day-to-day management of the Group’s business operation
Yung Wai Kei	34	[●]	[●]	Independent non-executive Director	Chairman of the remuneration committee, overseeing the Group’s compliance, internal control, corporate governance, but not participating in the day-to-day management of the Group’s business operation

Executive Directors

Ms. Tse Ying Sin Eva (謝熒倩), aged 45, is our Chairlady, managing Director and executive Director. Ms. Tse is responsible for formulating the overall business strategy and planning, overseeing the Group’s performance generally and leading and representing the Group in negotiation with potential business partners. Ms. Tse joined our Group since August 1999 and has been a director of a number of subsidiaries of our Group. Ms. Tse is currently a director of Tank Success International Limited (騰昇國際有限公司), Bar Pacific Entertainment Limited (太平洋娛樂有限公司), Hacienda International Corporation Limited (希斯達國際有限公司) and the operating subsidiaries of the Group.

Mr. Chan Darren Chun-Yeung (陳振洋), aged 35, is our executive Director. Mr. Chan is responsible for overseeing the management of the Group’s finance, accounting and company secretarial matters. Mr. Chan joined our Group since October, 2014 as accounting manager. Mr. Chan obtained a Bachelor of Commerce degree from University of British Columbia in Canada in May 2006. Mr. Chan is also a Practising Member of the Hong Kong Institute of Certified Public Accountant. Mr. Chan has more than 9 years of experience in accounting.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Before joining our Group, Mr. Chan worked in Deloitte Touche Tohmatsu as an auditor from September 2006 to September, 2008 and as a senior auditor from October 2008 to January 2013, during which he was involved in various projects of large publicly listed multi-national companies. In April 2013, Mr. Chan joined Milon Wine (Hong Kong) Company Limited, a subsidiary of Midea Group (listed on the Shenzhen Stock Exchange; stock code 000333) as finance manager. Throughout the years, Mr. Chan has extensive exposure in the accounting field including areas such as audit, tax and consulting and financial advisory.

Save as disclosed in this document, each of our executive Directors has confirmed that (i) he/she has no interests in the Shares within the meaning of Part XV of the SFO, (ii) he/she is independent from, and is not related to, any other Directors, members of senior management, Substantial Shareholders or Controlling Shareholders, (iii) he/she has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years, and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his/her appointment.

Independent non-executive Directors

Mr. Tang Wing Lam David (鄧榮林), aged 60, is our independent non-executive Director appointed by our Company on [●]. Mr. Tang obtained a diploma in Sociology from Hong Kong Baptist College in June 1983. Mr. Tang obtained a Master degree of Arts in Management Systems from University of Hull in the United Kingdom in December 1988. Mr. Tang subsequently obtained a Bachelor degree of laws from University of Wolverhampton in United Kingdom in October 1994 by attending the Distance Learning Program and the Postgraduate Certificate in Laws from City University of Hong Kong in August 1996. Mr. Tang is currently a practicing solicitor in Hong Kong. From April 1999 to March 2016, Mr. Tang worked in Fung, Wong, Ng & Lam, Solicitors & Notaries as consultant. Since April 2016 till the date of this document, Mr. Tang became a limited liability partner of Fung, Wong, Ng & Lam LLP Solicitors (formerly known as “Fung, Wong, Ng & Lam, Solicitors & Notaries”). Mr. Tang has about 17 years of legal experience in Hong Kong.

Mr. Chin Chun Wing (錢雋永), aged 38, is our independent non-executive Director appointed by our Company on [●]. From August 2006 to August 2009, Mr. Chin worked in Grand Bar & Lounge as director. Since March 2007 till [the date of this document], Mr. Chin is the director of Hong Kong Cocktail School. Since November 2008 till [the date of this document], Mr. Chin is the vice chairman of Hong Kong Bar & Club Association. Mr. Chin has more than 9 years of experience in the beverage industry in Hong Kong.

Mr. Yung Wai Kei (容偉基), aged 34, is our independent non-executive Director appointed by our Company on [●]. Mr. Yung obtained a Bachelor degree of Business Administration from Hong Kong Baptist University (香港浸會大學) in Hong Kong in November 2004, majoring in Applied Economics. Mr. Yung is currently a full member of the Association of Chartered Certified Accountants. From June 2004 to September 2005, Mr. Yung worked in AIP Partners C.P.A. Limited as audit junior. From October 2005 to January 2008, Mr. Yung was employed by Jimmy C.H. Cheung & Co., CPA as audit intermediate. From July 2008 to November 2008, Mr. Yung worked in Ronald Ng & Company Limited, CPA as audit senior. After his departure from Ronald Ng & Company Limited, Mr. Yung worked in

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

W.Y. Lam & Co., CPA (formerly known as W.Y. Lam & Dominic Chan & Co.,) as assistant manager from December 2008 to January 2012. Since December 2012 till now, Mr. Yung joined Alpha Partners, CPA as audit manager. Mr. Yung has over 10 years of external audit experience in Hong Kong.

Save as disclosed in this document, each of our independent non-executive Directors has confirmed that (i) he/she has no interests in the Shares within the meaning of Part XV of the SFO, (ii) he/she is independent from, and is not related to, any other Directors, members of senior management, Substantial Shareholders or Controlling Shareholders, (iii) he/she has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years, and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his/her appointment.

SENIOR MANAGEMENT

Name	Age	Time of joining our Group	Date of appointment as senior management	Position	Brief description of roles and responsibilities
Pan Mui Lie	39	August 2003 (left in March 2013 and rejoined in October 2015)	20 March 2013	Chief Operation Manager	Overseeing the day-to-day operation; assessing the performance of frontline staff and formulating training standard and guidance to frontline staff
Au Siu Lun	38	April 2005	7 February 2006	District Manager	Daily operation of the shops, staff coordination, staff training and execution of sales proposal
Chan Ting	27	April 2009	1 September 2011	District Manager	Daily operation of the shops, staff coordination, staff training and execution of sales proposal
Poon Suet Hung	38	January 2007	3 January 2007	District Manager	Daily operation of the shops, staff coordination, staff training and execution of sales proposal
Leung Ching Ming	34	March 2014	5 September 2015	Operation Supervisor	Daily operation of the shops

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Pan Mui Lie (范美麗), aged 39, joined our Group since August 2003 for more than 9 years and subsequently rejoined our Group in October 2015. Ms. Pan is currently appointed as chief operation manager of our Group, responsible for overseeing the day-to-day operation; assessing the performance of frontline staff and formulating training standard and guidance to frontline staff of our Group. From August 2003 to March 2013, Ms. Pan worked in Tank Success International Limited (騰昇國際有限公司) as district manager. In October 2015, Ms. Pan rejoined our Group as chief operation manager. Ms. Pan has over 10 years of experience in the food and beverage industry.

Mr. Au Siu Lun (區兆倫), aged 38, joined our Group since April 2005 and was appointed as shop manager, responsible for the daily operation of the shops, handling enquiries and complaints of customers, coordinating staff, providing training for staff and planning and executing sales proposal of the bars. Mr. Au has over 10 years of experience in the bar industry. Currently, Mr. Au is one of the district managers of our Group.

Ms. Chan Ting (陳婷), aged 27, was appointed as part-time waitress in April 2009, and as full-time waitress in July 2009, responsible for daily operation of the shops. Ms. Chan obtained a certificate in hosting and broadcasting from Communication University of China in January 2008. In September 2011, Ms. Chan was appointed as district manager of the Group, responsible for the daily operation of the shops, handling enquiries and complaints of customers, coordinating staff, providing training for staff and planning and executing sales proposal of the bars. Ms. Chan has more than 7 years of experience in the bar industry. Currently, Ms. Chan is one of the district managers of our Group.

Ms. Poon Suet Hung (潘雪紅), aged 39, joined our Group since January 2007 and was appointed as waitress responsible for the daily operation of the shops, handling enquiries and complaints of customers, coordinating staff, providing training for staff and planning and executing sales proposal of the bars. Ms. Poon has over 9 years of experience in the food and beverage industry. Currently, Ms. Poon is one of the district managers of our Group.

Ms. Leung Ching Ming (梁靜明), aged 34, joined our Group since 21st March 2014 and was appointed as Operation Clerk of our Group. Ms. Leung obtained the Certificate in Food Hygiene for Hygiene Supervisor from the Hong Kong Productivity Council in July 2006. In January 2011, Ms. Leung obtained the Level 2 Award in Food Safety in Catering from the Chartered Institute of Environmental Health. Ms. Leung obtained Basic Food Hygiene Certificate for Hygiene Managers in March 2011 from the School of Continuing and Professional Education of the City University of Hong Kong in Hong Kong. From March 2006 to May 2008, Ms. Leung worked in Baab Limited as server, senior server and supervisor, and as a Manager Candidate from August 2008 to April 2009. From May, 2009 to December 2009, Ms. Leung worked in Pizza Box as associate manager. Ms. Leung returned to Baab Limited and performed various roles, including supervisor, assistant manager, restaurant manager and area manager during the period between December 2009 and September 2013. After that, Ms. Leung joined our Group in 21st March 2014. Currently, Ms. Leung is the operation supervisors of our Group.

COMPANY SECRETARY

Mr. Chan Darren Chun-Yeung is the company secretary of our Company. For his biographical details, please refer to the section headed “Directors and Senior Management and Employees — Directors — Executive Directors” in this document.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPLIANCE OFFICER

Mr. Chan Darren Chun-Yeung is the compliance officer of our Company. For his biographical details, please refer to the section headed “Directors, Senior Management and Employees — Directors — Executive Directors” in this document.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed LY Capital Limited as our compliance adviser, who will have access to all relevant records and information relating to our Company that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, the Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated by our Company, including share issues and share repurchases;
- (iii) where our Company proposes to use [REDACTED] in a manner different from that detailed in this document or where the business activities, developments or results of our Company deviate from any forecast, estimate (if any) or other information in this document; and
- (iv) where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules.

The terms of appointment shall commence on the [REDACTED] and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the [REDACTED], that is, the distribution of our Company’s annual report of its financial results for the year ending [●], or until the agreement is terminated, whichever is the earlier.

BOARD COMMITTEES

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit committee

Our Company established the Audit Committee pursuant to a resolution of the Directors passed on [●] 2016 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C.3.3 of the Corporate Governance Code has been adopted. Among other things, the primary duties of the Audit Committee are to make recommendations to the Board on appointment or reappointment and removal of external auditor; review financial statements of our Company and judgments in respect of financial reporting; and oversee the effectiveness of the

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

procedures of the internal control procedures of our Group. The Audit Committee consists of three independent non-executive Directors, namely Mr. Chin Chun Wing, Mr. Tang Wing Lam David and Mr. Yung Wai Kei. Mr. Yung Wai Kei is the chairman of the Audit Committee.

Remuneration committee

Our Company established the Remuneration Committee on [●] 2016 pursuant to a resolution in compliance with Rule 5.34 of the GEM Listing Rules with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors, senior management and general staff of the Group and ensure that none of the Directors or any of their associates determine their own remuneration. The Remuneration Committee consists of three members, namely Mr. Chin Chun Wing, Ms. Tse Ying Sin Eva and Mr. Yung Wai Kei. Mr. Chin Chun Wing is the chairman of the Remuneration Committee.

Nomination committee

Our Company established the Nomination Committee on [●] 2016 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board annually; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to appointment or reappointment of Directors. The Nomination Committee consists of three members, namely Mr. Chin Chun Wing, Ms. Tse Ying Sin Eva and Mr. Yung Wai Kei. Ms. Tse Ying Sin Eva is the chairman of the Nomination Committee.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Company’s corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules (the “**Corporate Governance Code**”). Except for the deviation from paragraph A.2.1 of the Corporate Governance Code as stated below, our Company’s corporate governance practices have complied with the Corporate Governance Code.

Paragraph A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Ms. Tse is the Chairlady and the chief executive officer of our Company. Considering that Ms. Tse has been operating and managing our Group for the Track Record Period, the Board believes that it is in the best interest of our Group to have Ms. Tse taking up both roles for effective management and business development. Therefore, the Board considers that the deviation from paragraph A.2.1 of the Corporate Governance Code is appropriate in such circumstance.

DIRECTORS AND SENIOR MANAGEMENT’S REMUNERATION

The aggregate amount of fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses paid to the Directors for the years ended 31 March 2015 and 31 March 2016 were approximately HK\$0.4 million and HK\$0.8 million respectively.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Our Group’s five highest paid individuals included one Director. Excluding that Director, the aggregate amount of fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses paid to the remaining four highest paid individuals for the years ended 31 March 2015 and 31 March 2016 were approximately HK\$1,485,000 and HK\$1,905,000 respectively.

During the Track Record Period, no compensation was paid to, or receivable by, our Directors, past directors or our Group’s five highest paid individuals for the loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. During the Track Record Period, no emolument was paid to, or receivable by, our Directors or our Group’s five highest paid individuals as an inducement to join or upon joining our Group. During the Track Record Period, none of our Directors had waived or agreed to waive any emolument.

Except as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

For additional information on our Directors’ remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to note 11 in the Accountant’s Report set out in Appendix I to this document.

EMPLOYEES

As at the Latest Practicable Date, our Group had 284 employees. For details about our employees and staff policy, please refer to the paragraph headed “Business — Employees” in this document.

Relationship with employees

Our Directors believe that our Group maintains good working relationships with our employees. Our Group has not encountered any difficulty in the recruitment and retention of staff for our operations or experienced any material disruption of our operations as a result of labour disputes since the establishment of our business.

STAFF BENEFITS

Our Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and our Directors confirm that our Group has made the relevant contributions in accordance with the aforesaid laws and regulations. Save as the aforesaid, our Group did not participate in any other pension schemes during the Track Record Period.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on [●] under which certain selected classes of participants (including, among others, full-time employees) may be granted options to subscribe for the Shares. The principal terms of the Share Option Scheme are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to this document.

FUTURE PLANS AND [REDACTED]

BUSINESS OBJECTIVES

As at the Latest Practicable Date, we owned and operated 32 shops at street level throughout Hong Kong. Our business philosophy is to provide quality drinks and snacks at affordable prices under a pleasant, comfortable and tidy environment for our valuable customers. Our objective is to maintain our competitiveness in the bar industry in Hong Kong and strengthen our positions by capturing a larger market shares in Hong Kong.

BUSINESS STRATEGIES

Please refer to the paragraph headed “Business — Business strategies” in this document for a description of our business strategies.

IMPLEMENTATION PLAN

In light of the business objectives of our Group, we will seek to attain the milestones contained in this paragraph from the Latest Practicable Date to 31 March 2020. [REDACTED] should note that the milestones and their scheduled times for attainment are formulated on the bases and assumptions referred to in the paragraph headed “Bases and assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties, variables and unpredictable factors, in particular the risk factors set out in the section headed “Risk Factors” in this document. Our Group’s actual course of business may vary from the business objectives set out in this document. There can be no assurance that the plans of our Group will materialise in accordance with the expected time frame or that the objectives of our Group will be accomplished at all. Based on the current state of the industry, our Directors intend to carry out the following implementation plans:

For the period from the Latest Practicable Date to 31 March 2017

Business strategies	[REDACTED] [REDACTED]	Implementation plan
Expand our “Bar Pacific” brand to different locations	[REDACTED]	● Opening a new shop
Continue to upgrade our shops’ facilities	[REDACTED]	● Renovation of two existing shops
Continue our promotion and marketing efforts	[REDACTED]	● Engaging independent marketing agent to place advertising on traditional media and other media
	[REDACTED]	● Organising various promotion and marketing events by ourselves or with our suppliers

FUTURE PLANS AND [REDACTED]

For the six months ending 30 September 2017

Business strategies	[REDACTED] [REDACTED]	Implementation plan
Expand our “Bar Pacific” brand to different locations	[REDACTED]	● Opening two new shops
Continue to upgrade our shops’ facilities	[REDACTED]	● Renovation of two existing shops
Continue our promotion and marketing efforts	[REDACTED]	● Engaging independent marketing agent to place advertising on traditional media and other media
	[REDACTED]	● Organising various promotion and marketing events by ourselves or with our suppliers

For the six months ending 31 March 2018

Business strategies	[REDACTED] [REDACTED]	Implementation plan
Expand our “Bar Pacific” brand to different locations	[REDACTED]	● Opening two new shops
Continue to upgrade our shops’ facilities	[REDACTED]	● Renovation of two existing shops
Continue our promotion and marketing efforts	[REDACTED]	● Engaging independent marketing agent to place advertising on traditional media and other media
	[REDACTED]	● Organising various promotion and marketing events by ourselves or with our suppliers

For the six months ending 30 September 2018

Business strategies	[REDACTED] [REDACTED]	Implementation plan
Expand our “Bar Pacific” brand to different locations	[REDACTED]	● Opening two new shops
Continue to upgrade our shops’ facilities	[REDACTED]	● Renovation of three existing shops
Continue our promotion and marketing efforts	[REDACTED]	● Engaging independent marketing agent to place advertising on traditional media and other media
	[REDACTED]	● Organising various promotion and marketing events by ourselves or with our suppliers

FUTURE PLANS AND [REDACTED]

For the six months ending 31 March 2019

Business strategies	[REDACTED] [REDACTED]	Implementation plan
Expand our “Bar Pacific” brand to different locations	[REDACTED]	● Opening two new shops
Continue to upgrade our shops’ facilities	[REDACTED]	● Renovation of two existing shops
Continue our promotion and marketing efforts	[REDACTED]	● Engaging independent marketing agent to place advertising on traditional media and other media
	[REDACTED]	● Organising various promotion and marketing events by ourselves or with our suppliers

For the six months ending 30 September 2019

Business strategies	[REDACTED] [REDACTED]	Implementation plan
Expand our “Bar Pacific” brand to different locations	[REDACTED]	Opening two new shops
Continue to upgrade our shops’ facilities	[REDACTED]	Renovation of two existing shops

For the six months ending 31 March 2020

Business strategies	[REDACTED] [REDACTED]	Implementation plan
Expand our “Bar Pacific” brand to different locations	[REDACTED]	Opening one new shop

The [REDACTED] will be used as our general working capital.

BASES AND ASSUMPTIONS

The business objectives set out by our Directors are based on the following bases and assumptions:

- (a) the net proceed from [REDACTED] base on the [REDACTED] of HK\$[REDACTED] ([REDACTED]), after deducting related expenses, are estimated to be approximately HK\$[REDACTED];
- (b) we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;

FUTURE PLANS AND [REDACTED]

- (c) there will be no material changes in existing laws, rules and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- (d) there will be no change in the funding requirement for each of the near term business objectives described in this document from the amount as estimated by our Directors;
- (e) there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- (f) there will be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of our Group;
- (g) our Group is able to maintain its customers;
- (h) our Group will be able to retain key staff in the management and the main operational departments;
- (i) our Group will be able to continue its operation in substantially the same manner as our Group has been operating during the Track Record Period and our Group will also be able to carry out its development plans without disruption adversely affecting its operations or business objectives in any way;
- (j) there will be no change in the effectiveness of the authorisations and licences obtained by our Group; and
- (k) we will not be materially affected by the risk factors as set out in the section headed “Risk Factors” in this document.

REASONS FOR THE [REDACTED]

The Group’s objective is to maintain our competitiveness in the bar industry in Hong Kong and strengthen our positions by capturing a larger market shares in Hong Kong. We believe that [REDACTED] will enable us to achieve this and implement business strategies and implementation plans as set out above.

Our Directors believe that apart from obtaining the necessary funding for expansion, [REDACTED] will also enhance our corporate profile and brand awareness. Our Directors believe that having a [REDACTED] status will increase our credibility to all our stakeholders including:

- Our suppliers: both existing suppliers and potential suppliers will be more willing to establish a long term relationships with a [REDACTED] company;
- Our customers: a [REDACTED] itself is a complementary advertising for our Group to our customers which will increase our brand awareness and reputation. This will in turn attract more customers to our existing and new shops;

FUTURE PLANS AND [REDACTED]

- Our employees: it will be easier for us to retain existing and attract new employees as a [REDACTED] company;
- Our creditors: our Directors believe that it is difficult for a private company to borrow money as a bank is more willing to lend to a [REDACTED] company; and
- Our shareholders: [REDACTED] will expand our shareholder base and a [REDACTED] market for all shareholders. Also, as a [REDACTED] company, our Directors believe that our internal control and corporate governance would be further enhanced, which will be beneficial to all shareholders.

Our Directors believe that the [REDACTED] would enable us to have access to different fundraising platforms for future growth. Obtaining a [REDACTED] status allow us to access to the capital market for raising funds not only at the time of [REDACTED] but also at later stage. A [REDACTED] status will also allow us to access to the bond market as well. In addition, once we become a listed company, our Directors believe that it would be easier for us to obtain bank borrowing from bank. The ability to raise fund is important to our future business development.

As such, our Directors believe that a [REDACTED] is beneficial to our Group and our shareholders as a whole.

[REDACTED]

FUTURE PLANS AND [REDACTED]

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

Commissions and expenses

Pursuant to the terms of the [REDACTED], our Company [has agreed] to pay to the [REDACTED] (for itself and on behalf of the other [REDACTED]) an [REDACTED] commission of [●]% of the aggregate final [REDACTED] payable for the [REDACTED], out of which any [REDACTED] commissions will be paid. The [REDACTED] commissions, the [REDACTED] fees, the professional fees, the printing and other expenses relating to the [REDACTED] are estimated to be approximately HK\$[●] million in aggregate (based on [REDACTED] and shall be borne by our Company.

[REDACTED] INTERESTS IN OUR COMPANY

Save for their respective obligations and interests under the [REDACTED] as disclosed above, none of the [REDACTED] has any shareholding interest in our Company or any of our subsidiaries or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report, prepared for the purpose of incorporation in the document, received from the Company’s reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.



德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

[Date]

The Directors
Bar Pacific Group Holdings Limited

LY Capital Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to Bar Pacific Group Holdings Limited (the “Company”) and its subsidiaries hereinafter collectively referred as (the “Group”) for each of the two years ended 31 March 2015 and 31 March 2016 (the “Track Record Period”) for inclusion in the document of the Company dated [Date] in connection with the proposed [REDACTED] of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Document”).

The Company, which acts as an investment holding company, was incorporated on 2 June 2016 and registered as an exempted company in the Cayman Islands under the Companies Law Cap. 22 (Law 3 of 1961) of the Cayman Islands. Through a group reorganisation as more fully explained in the section “History, Development and Reorganisation” in the Document, the Company became the holding company of the Group on [Date]. Apart from the reorganisation as mentioned in the foregoing, the Company has not commenced any business or operation since its incorporation.

Particulars of the subsidiaries directly or indirectly held by the Company at the date of this report are as follows:

Name of subsidiary	Place and date of incorporation	Place of operation	Ordinary share capital at the date of this report	Equity interest attributable to the Group		At the date of this report	Principal activities
				as at 31 March 2015	2016		
Bar Pacific Group Limited* (“Bar Pacific BVI”)	British Virgin Island (“BVI”) 24 February 2014	Hong Kong	US\$50,000	100%	100%	[●]	Investment holding company
Bar Pacific Entertainment Limited	Hong Kong 4 March 2014	Hong Kong	HK\$1	100%	100%	[●]	Leasing of dart machines for fellow subsidiaries and holding of the Group’s trade mark

APPENDIX I

ACCOUNTANTS’ REPORT

Name of subsidiary	Place and date of incorporation	Place of operation	Ordinary share capital at the date of this report	Equity interest attributable to the Group		At the date of this report	Principal activities
				as at 31 March 2015	2016		
Hacienda International Corporation Limited	Hong Kong 17 May 1999	Hong Kong	HK\$1,000	100%	100%	[●]	Bulk purchase of beverages for fellow subsidiaries
Tank Success International Limited	Hong Kong 18 March 2003	Hong Kong	HK\$2	100%	100%	[●]	Recruitment and management services for fellow subsidiaries
Bar Pacific I International Limited	Hong Kong 17 September 2005	Hong Kong	HK\$1,000	75%	100%	[●]	Operation of a bar under the brand name of Bar Pacific
Bar Pacific II International Limited	Hong Kong 17 September 2005	Hong Kong	HK\$1,000	90%	100%	[●]	Operation of a bar under the brand name of Bar Pacific
Bar Pacific III International Limited	Hong Kong 17 September 2005	Hong Kong	HK\$1,000	75%	92.5%	[●]	Operation of a bar under the brand name of Bar Pacific
Bar Pacific VI International Limited	Hong Kong 17 September 2005	Hong Kong	HK\$1,000	75%	90%	[●]	Operation of a bar under the brand name of Bar Pacific
Bar Pacific VII International Limited	Hong Kong 17 September 2005	Hong Kong	HK\$1,000	60%	100%	[●]	Operation of a bar under the brand name of Bar Pacific
Bar Pacific VIII International Limited	Hong Kong 17 September 2005	Hong Kong	HK\$1,000	65%	100%	[●]	Operation of a bar under the brand name of Bar Pacific
Bar Pacific IX International Limited	Hong Kong 17 September 2005	Hong Kong	HK\$1,000	65%	95%	[●]	Operation of a bar under the brand name of Bar Pacific
Bar Pacific XII International Limited	Hong Kong 17 September 2005	Hong Kong	HK\$1,000	60%	100%	[●]	Operation of a bar under the brand name of Bar Pacific
Bar Pacific XVI International Limited	Hong Kong 17 September 2005	Hong Kong	HK\$1,000	52%	95%	[●]	Operation of a bar under the brand name of Bar Pacific
Bar Pacific XVII International Limited	Hong Kong 17 September 2005	Hong Kong	HK\$1,000	60%	85%	[●]	Operation of a bar under the brand name of Bar Pacific
Bar Pacific XVIII International Limited	Hong Kong 13 October 2005	Hong Kong	HK\$1,000	60%	100%	[●]	Operation of a bar under the brand name of Bar Pacific

APPENDIX I

ACCOUNTANTS’ REPORT

Name of subsidiary	Place and date of incorporation	Place of operation	Ordinary share capital at the date of this report	Equity interest attributable to the Group		At the date of this report	Principal activities
				as at 31 March 2015	2016		
Bar Pacific XIX International Limited	Hong Kong 29 March 2006	Hong Kong	HK\$1,000	60%	87.5%	[●]	Operation of a bar under the brand name of Bar Pacific
Bar Pacific XX International Limited	Hong Kong 29 March 2006	Hong Kong	HK\$1,000	53%	90%	[●]	Operation of a bar under the brand name of Bar Pacific
Bar Pacific XXI International Limited	Hong Kong 26 July 2006	Hong Kong	HK\$1,000	57.5%	95%	[●]	Operation of a bar under the brand name of Bar Pacific
Bar Pacific XXII International Limited	Hong Kong 18 May 2007	Hong Kong	HK\$1,000	60%	95%	[●]	Operation of a bar under the brand name of Bar Pacific
Bar Pacific XXIII International Limited	Hong Kong 16 November 2007	Hong Kong	HK\$1,000	68%	84%	[●]	Operation of a bar under the brand name of Bar Pacific
Bar Pacific XXVII International Limited	Hong Kong 4 July 2008	Hong Kong	HK\$1,000	62.5%	92.5%	[●]	Operation of a bar under the brand name of Bar Pacific
Bar Pacific XXVIII International Limited	Hong Kong 2 March 2009	Hong Kong	HK\$1,000	58%	86.5%	[●]	Operation of a bar under the brand name of Bar Pacific
Bar Pacific XXIX International Limited	Hong Kong 16 December 2009	Hong Kong	HK\$188	53.2%	85.1%	[●]	Operation of a bar under the brand name of Bar Pacific
Bar Pacific XXX International Limited	Hong Kong 30 December 2009	Hong Kong	HK\$171,398	53.3%	79.4%	[●]	Operation of a bar under the brand name of Bar Pacific
Bar Pacific XXXI International Limited	Hong Kong 9 April 2010	Hong Kong	HK\$522,214	54.0%	82.8%	[●]	Operation of a bar under the brand name of Bar Pacific
Bar Pacific XXXII International Limited	Hong Kong 30 June 2010	Hong Kong	HK\$228	50.9%	85.1%	[●]	Operation of a bar under the brand name of Bar Pacific
Bar Pacific XXXIII International Limited	Hong Kong 10 November 2010	Hong Kong	HK\$579,728	55.5%	84%	[●]	Operation of a bar under the brand name of Bar Pacific
Bar Pacific XXXVII International Limited	Hong Kong 6 May 2011	Hong Kong	HK\$964,799	52.9%	89.1%	[●]	Operation of a bar under the brand name of Bar Pacific

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Name of subsidiary	Place and date of incorporation	Place of operation	Ordinary share capital at the date of this report	Equity interest attributable to the Group		At the date of this report	Principal activities
				as at 31 March 2015	2016		
Bar Pacific XXXVIII International Limited	Hong Kong 28 July 2011	Hong Kong	HK\$826,509	55%	84.4%	[●]	Operation of a bar under the brand name of Bar Pacific
Bar Pacific XXXIX International Limited	Hong Kong 28 July 2011	Hong Kong	HK\$1,582,572	61.9%	80.4%	[●]	Operation of a bar under the brand name of Bar Pacific
Bar Pacific LX International Limited	Hong Kong 28 July 2011	Hong Kong	HK\$1,967,944	58.1%	80.0%	[●]	Operation of a bar under the brand name of Bar Pacific
Bar Pacific LXI International Limited	Hong Kong 28 July 2011	Hong Kong	HK\$1,778,066	58.2%	82.3%	[●]	Operation of a bar under the brand name of Bar Pacific
Bar Pacific LXII International Limited	Hong Kong 9 July 2012	Hong Kong	HK\$1,727,137	56.4%	82.3%	[●]	Operation of a bar under the brand name of Bar Pacific
Bar Pacific LXIII International Limited	Hong Kong 9 July 2012	Hong Kong	HK\$1,527,823	54.2%	71.1%	[●]	Operation of a bar under the brand name of Bar Pacific
Bar Pacific LXVIII International Limited	Hong Kong 28 August 2013	Hong Kong	HK\$2,280,000	100%	57.9%	[●]	Operation of a bar under the brand name of Bar Pacific
Bar Pacific LXIX International Limited	Hong Kong 28 August 2013	Hong Kong	HK\$1	100%	100%	[●]	Operation of a bar under the brand name of Bar Pacific
Bar Pacific LXX International Limited (“Bar Pacific LXX”)	Hong Kong 14 April 2015	Hong Kong	HK\$1	—	100%	[●]	Inactive
Bar Pacific LXXI International Limited (“Bar Pacific LXXI”)	Hong Kong 10 June 2016	Hong Kong	HK\$1	—	—	[●]	Inactive

* Directly held by the Company

Each of the Company and its subsidiaries has adopted 31 March as its financial year end date.

No statutory financial statements have been prepared for the Company or Bar Pacific BVI since their dates of incorporation as they were incorporated in a jurisdiction where there are no statutory audit requirements. For the purpose of this report, we have, however, reviewed all the relevant transactions of the Company since its date of incorporation and carried out such procedures as we considered necessary for inclusion in the Financial Information of the Group. No statutory financial statements have been prepared for Bar Pacific LXXI as it has not reached the statutory time imposed on the issuance of its first set of financial statements.

Except for Bar Pacific BVI and Bar Pacific LXXI, all of the Group’s subsidiaries’ statutory financial statements for the years ended 31 March 2015 and 31 March 2016, prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities (“HKFRS for Private Entities”)

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issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), were audited by us. We have audited the statutory financial statements of Bar Pacific LXX from the date of its incorporation on 14 April 2015 to 31 March 2016 which were also prepared in accordance with HKFRS for Private Entities.

For the purpose of this report, the sole director of Bar Pacific BVI has prepared the consolidated financial statements of Bar Pacific BVI for the two years ended 31 March 2015 and 31 March 2016 in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA (the “Underlying Financial Statements”). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA in accordance with Auditing Guideline [REDACTED] as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements on the basis of presentation set out in [note 2] of [Section E] below. No adjustment is considered necessary to the Underlying Financial Statements in preparing this report for inclusion in the Document.

The Underlying Financial Statements are the responsibility of the sole director of Bar Pacific BVI who approved their issue. The directors of the Company are responsible for the contents of the Document in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in [note 2] of [section E] below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group as at 31 March 2015 and 31 March 2016 and of the financial performance and cash flows of the Group for the Track Record Period.

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ACCOUNTANTS’ REPORT

(A) COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 March	
		2015	2016
		<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue	7	112,373	126,145
Other income	8	1,977	1,364
Cost of inventories sold		(27,761)	(28,427)
Staff costs		(28,862)	(36,353)
Depreciation		(6,178)	(3,938)
Property rentals and related expenses		(18,786)	(21,311)
Other operating expenses		(18,139)	(19,109)
Finance costs	9	(23)	(17)
[REDACTED] expenses		<u>—</u>	<u>(300)</u>
Profit before taxation	10	14,601	18,054
Taxation	12	<u>(2,772)</u>	<u>(2,699)</u>
Profit and total comprehensive income for the year		<u><u>11,829</u></u>	<u><u>15,355</u></u>
Profit for the year attributable to:			
Owners of the Company		7,273	9,450
Non-controlling interests		<u>4,556</u>	<u>5,905</u>
		<u><u>11,829</u></u>	<u><u>15,355</u></u>

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(B) COMBINED STATEMENTS OF FINANCIAL POSITION

		At 31 March	
		2015	2016
	Notes	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	15	7,117	6,854
Rental deposits	17	<u>3,024</u>	<u>2,481</u>
		<u>10,141</u>	<u>9,335</u>
Current assets			
Inventories	16	1,046	917
Trade and other receivables	17	6,473	5,219
Bank balances and cash	18	<u>10,879</u>	<u>15,242</u>
		<u>18,398</u>	<u>21,378</u>
Current liabilities			
Trade and other payables	19	10,104	7,540
Amount due to a director	20	196	3,726
Amounts due to non-controlling shareholders of subsidiaries	21	5,780	—
Taxation payable		634	483
Obligations under finance leases — amount due within one year	22	<u>105</u>	<u>187</u>
		<u>16,819</u>	<u>11,936</u>
Net current assets		<u>1,579</u>	<u>9,442</u>
Total assets less current liabilities		<u>11,720</u>	<u>18,777</u>
Non-current liabilities			
Obligations under finance leases — amount due over one year	22	<u>290</u>	<u>436</u>
Net assets		<u>11,430</u>	<u>18,341</u>
Share capital and reserves			
Share capital	23	—	390
Reserves		<u>5663</u>	<u>10,899</u>
		5,663	11,289
Non-controlling interests		<u>5,767</u>	<u>7,052</u>
Total equity		<u>11,430</u>	<u>18,341</u>

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(C) COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				Non-controlling interests	Total
	Share capital	Capital reserves	Other reserves	(Accumulated losses)/ retained profit		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note a)	(Note b)				
At 1 April 2014	—	—	—	(1,458)	1,279	(179)
Profit and total comprehensive income for the year	—	—	—	7,273	4,556	11,829
Acquisition of additional interests in subsidiaries	—	—	(152)	—	71	(81)
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	(139)	(139)
At 31 March 2015	—	—	(152)	5,815	5,767	11,430
Profit and total comprehensive income for the year	—	—	—	9,450	5,905	15,355
Issue of shares to a shareholder	285	—	—	—	—	285
Issue of shares to acquire non-controlling interest of subsidiaries	105	6,065	(657)	—	(5,513)	—
Acquisition of additional interests in subsidiaries	—	—	(1,001)	—	(518)	(1,519)
Capital contribution by non-controlling shareholders of subsidiaries	—	—	479	—	2,701	3,180
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	(1,290)	(1,290)
Dividend (note 14)	—	—	—	(9,100)	—	(9,100)
At 31 March 2016	390	6,065	(1,331)	6,165	7,052	18,341

Notes:

- (a) The capital reserves represents the difference between the value of the additional interest in subsidiaries acquired from the non-controlling shareholders and the nominal value of the 13,422 ordinary shares of Bar Pacific BVI issued as consideration.
- (b) Other reserves comprises (i) a credit balance of HK\$479,000, which represents the difference between the consideration of HK\$3,180,000 received during the year ended 31 March 2016, of which HK\$2,220,000 represents consideration from issue of shares of subsidiaries to non-controlling shareholders of subsidiaries for the settlement of amounts due to non-controlling shareholders of subsidiaries (note 27(c)) and HK\$960,000 represents capital contribution by non-controlling shareholders of subsidiaries in cash, and the carrying amount of the net assets attributable to the additional interest in certain subsidiaries; and (ii) debit balances of HK\$1,810,000, which represents the difference between the fair value of the consideration paid and the proportionate amount of non-controlling interests acquired.

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(D) COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
Operating activities		
Profit before taxation	14,601	18,054
Adjustments for:		
Depreciation of property, plant and equipment	6,178	3,938
Loss on disposal of property, plant and equipment	30	117
Interest on obligations under finance leases	23	17
Interest income	—	(1)
Operating cash flows before movements in working capital	20,832	22,125
(Increase) decrease in trade and other receivables and rental deposits	(1,484)	1,797
(Increase) decrease in inventories	(234)	129
Increase (decrease) in trade and other payables	1,834	(814)
Cash generated from operations	20,948	23,237
Hong Kong Profits Tax paid	(2,772)	(2,850)
Net cash generated from operating activities	18,176	20,387
Investing activities		
Purchase of property, plant and equipment and cash used in investing activities	(2,035)	(5,166)
Interest income	—	1
Net cash used in investing activities	(2,035)	(5,165)

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	Year ended 31 March	
	2015	2016
	<i>HK\$’000</i>	<i>HK\$’000</i>
Financing activities		
Advance from non-controlling shareholders of subsidiaries	3,536	—
Repayment to non-controlling shareholders of subsidiaries	(1,683)	(3,560)
Advance from a director	—	2,761
Repayment to a director	(10,304)	(8,046)
Dividends paid to non-controlling shareholders of subsidiaries	(139)	(1,290)
Acquisition of additional interests in subsidiaries	(81)	(1,519)
Capital contribution by non-controlling shareholders of subsidiaries	—	960
Interest on obligations under finance leases	(23)	(17)
Principal payments for obligations under finance leases	<u>(98)</u>	<u>(148)</u>
Net cash used in financing activities	<u>(8,792)</u>	<u>(10,859)</u>
Net increase in cash and cash equivalents	7,349	4,363
Cash and cash equivalents at the beginning of the year	<u>3,530</u>	<u>10,879</u>
Cash and cash equivalents at the end of the year, representing bank balances and cash	<u><u>10,879</u></u>	<u><u>15,242</u></u>

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(E) NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The addresses of the Company’s registered office and principal place of business is disclosed in the section “Corporate Information” in the Document. The Company’s immediate and ultimate holding company is BVI holdco and [Harneys Trustees Limited] respectively, both are private companies incorporated in the BVI. The ultimate controlling parties are Ms. Tse Ying Sin Eva (“Ms. Tse”) and Ms. Chan Ching Mandy (“Ms. Chan”).

The principal activity of the Group is the operation of a chain of bars in Hong Kong under the brand name of Bar Pacific.

The Financial Information is presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

In preparation for [REDACTED] of the shares of the Company on the Stock Exchange (the [REDACTED]), the Group underwent a reorganisation (the “Reorganisation”).

The Reorganisation involved the setting up of the Company and interspersing the Company between Bar Pacific BVI and its shareholders. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Financial Information has been prepared on the basis as if the Company had always been the holding company of the Group throughout the Track Record Period. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group have been prepared as if the group structure upon completion of the Reorganisation had been in existence throughout the Track Record Period, or since their date of incorporation. The combined statements of financial position of the Group as at 31 March 2015 and 31 March 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the group structure upon [completion] of the Reorganisation had been in existence at those dates taking into account the respective date of incorporation.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently adopted all new and revised HKFRSs, Hong Kong Accounting Standards (“HKAS”) amendments and interpretations issued by HKICPA which are effective for the accounting periods beginning on 1 April 2015 consistently throughout the Track Record Period.

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The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers ¹
HKFRS 16	Leases ⁴
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ²
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from contracts with customers ¹
Amendments to HKAS 1	Disclosure initiative ²
Amendments to HKAS 7	Disclosure initiative ⁵
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ²
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle ²
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants ²
Amendments to HKAS 27	Equity method in separate financial statements ²
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception ²

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

² Effective for annual periods beginning on or after January 1, 2016

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after January 1, 2019

⁵ Effective for annual periods beginning on or after January 1, 2017

HKFRS 16 Leases

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

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

As set out in note 26, total operating lease commitments of the Group in respect of leased premises as at 31 March 2015 and 2016 are amounted to HK\$29,914,000 and HK\$24,843,000, respectively, the directors of the Company do not expect the adoption of HKFRS 16 would result in significant impact on the Group’s financial performance but it is expected that certain portion of these lease commitments will be required to be recognised in the combined statements of financial position as right-of-use assets and lease liabilities.

Except as described above, the directors of the Company consider that the application of the other new and revised standard and amendments is unlikely to have a material impact on the Group’s financial position and performance.

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4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the following accounting policies which conform with HKFRSs. In addition, the Financial Information includes applicable disclosures required by the Rules Governing by the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies adopted are set out below.

Basis of combination

The Financial Information incorporates the financial information of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Business combination under common control

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party’s perspective. No amount is recognised in respect of goodwill or excess of acquirers’ interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party’s interest.

The combined statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities first came under the common control combination, where there is a shorter period, regardless of the date of the common control combination.

Changes in the Group’s ownership interest in existing subsidiaries

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

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Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. It represents amounts receivable from operation of bars, net of discounts and returns.

Revenue from bar operations is recognised at the point of sales to customers.

Sponsorship income is recognised when the services have been rendered and the amount can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment held for use in the operation of the bars, or for administrative purposes are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Borrowing costs

Borrowing costs are recognised in profit and loss in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the combined statements of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group’s financial assets are loans and receivables. The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimate future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the financial asset’s original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date of the impairment loss is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by the group entities are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount 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 immediately in profit or loss.

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 immediately in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before taxation” as reported in the combined statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Leasing

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Retirement benefits costs

Payments to defined contribution retirement benefits schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

5. CAPITAL RISK MANAGEMENT

The directors of the Company manage the Group’s capital to ensure that it will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged over the Track Record Period.

The capital structure of the Group consists of advances from non-controlling shareholders of subsidiaries and a director (see notes 20 and 21), and equity attributable to owners of the Group, comprising share capital, retained profits and other reserves as disclosed in the Financial Information.

The directors of the Company review the capital structure regularly. As part of this review, the director of the Company consider the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues as well as raising of borrowings.

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6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At 31 March	
	2015	2016
	HK\$'000	HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	11,762	15,739
Financial liabilities		
Amortised cost	11,613	7,363

Financial risk management objectives and policies

The Group’s financial instruments include trade and other receivables, bank balances and cash, trade payables, amount due to a director and amounts due to non-controlling shareholders of subsidiaries. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group’s maximum exposure to credit risk in the event of the counterparties failure to perform their obligations, at the end of each reporting period in relation to each class of recognised financial assets, is the carrying amount of those assets stated in the combined statements of financial position.

The credit risk on bank balances and trade receivables is limited as such amounts are placed with or due from financial institutions with good reputation or credit rating.

Liquidity risk

The Group’s policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding in the short and longer term.

All of the Group’s liabilities are carried at amounts not materially different from their contractual undiscounted cash flows as all the financial liabilities are with maturities within one year or repayable on demand at the end of each reporting period.

Fair value measurements of financial instruments

The directors of the Company consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the Financial Information approximate their fair values at the end of each reporting period.

7. REVENUE AND SEGMENT INFORMATION

Revenue represents amounts receivable from operation of bars, net of discounts and returns.

Operating segments are determined with reference to the reports and financial information reviewed by the executive directors of the Company, being the chief operating decision maker of the Group, for assessment of performance and allocation of resources.

For the purpose of resource allocation and performance assessment, the chief operating decision maker reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 4. Accordingly, the Group has only a single operating segment and no further analysis of this segment is presented.

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No geographical information is shown as the revenue and profit from operations of the Group are all derived from its activities in Hong Kong.

The Group’s customer base is diversified and no individual customer had transactions which exceeded 10% of the Group’s revenue during the Track Record Period.

8. OTHER INCOME

	Year ended 31 March	
	2015	2016
	HK\$’000	HK\$’000
Sponsorship income	1,263	686
Interest income	—	1
Others	714	677
	<u>1,977</u>	<u>1,364</u>

9. FINANCE COSTS

	Year ended 31 March	
	2015	2016
	HK\$’000	HK\$’000
Interest on obligations under a finance lease	<u>23</u>	<u>17</u>

10. PROFIT BEFORE TAXATION

	Year ended 31 March	
	2015	2016
	HK\$’000	HK\$’000
Profit before taxation has been arrived at after charging:		
Directors’ remuneration (<i>note 11</i>)	490	813
Other staff’s salaries and other benefits	27,067	33,904
Other staff’s retirement benefits scheme contributions	<u>1,305</u>	<u>1,636</u>
Total staff costs	<u>28,862</u>	<u>36,353</u>
Depreciation of property, plant and equipment		
— owned assets	6,016	3,770
— assets under finance lease	<u>162</u>	<u>168</u>
	<u>6,178</u>	<u>3,938</u>
Operating lease payments	17,585	19,950
Auditor’s remuneration	600	600
Loss on disposal of property, plant and equipment	<u>30</u>	<u>117</u>

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11. DIRECTORS’, CHIEF EXECUTIVE’S AND EMPLOYEES’ EMOLUMENTS

The executive directors of the Company were appointed in June 2016 and [●]. Details of the emoluments paid or payable to the directors and the Chief Executive of the Company (including emoluments for their services as employees or directors at group entities prior to becoming the directors of the Company) during the Track Record Period are as follows:

	Year ended 31 March	
	2015 HK\$’000	2016 HK\$’000
Chairlady, managing director and executive director:		
Ms. Tse		
— director’s fee	256	273
— salaries and other benefits	—	—
— performance-based bonus	—	—
— retirement benefits scheme contributions	—	—
	<u>256</u>	<u>273</u>
Executive director:		
Mr. Chan Darren Chun-Yeung		
— director’s fee	—	—
— salaries and other benefits	225	522
— performance-based bonus	—	—
— retirement benefits scheme contributions	9	18
	<u>234</u>	<u>540</u>
	<u>490</u>	<u>813</u>

Notes:

- (i) Ms. Tse is also the Chief Executive of the Company and her emoluments above includes those for services rendered by her as Chief Executive.
- (ii) No emoluments were paid to any of the other directors during the Track Record Period.

The five highest paid individuals included 1 director for each of the years ended 31 March 2015 and 31 March 2016, details of whose emolument are included above. The emoluments of the remaining 4 highest paid individuals during the Track Record Period were as follows:

	Year ended 31 March	
	2015 HK\$’000	2016 HK\$’000
Employees		
— salaries and other benefits	1,285	1,612
— performance-based bonus	135	221
— retirement benefits scheme contributions	65	72
	<u>1,485</u>	<u>1,905</u>

The performance-based bonus of the employees is based on performance of relevant subsidiaries.

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Their emoluments were within the following bands:

	Year ended 31 March	
	2015	2016
	<i>Number of</i>	<i>Number of</i>
	<i>employees</i>	<i>employees</i>
Nil to HK\$1,000,000	<u>4</u>	<u>4</u>

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors have waived any emoluments during the Track Record Period.

12. TAXATION

	Year ended 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
The taxation charge comprises:		
Hong Kong Profits Tax		
— Current year	2,717	2,699
— Underprovision in prior years	<u>55</u>	<u>—</u>
	<u>2,772</u>	<u>2,699</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Track Record Period.

Taxation charge for the year can be reconciled to the profit before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	<u>14,601</u>	<u>18,054</u>
Tax at the applicable income tax rate at 16.5%	2,409	2,979
Tax effect of expenses not deductible for tax purposes	30	50
Tax effect of income not taxable for tax purposes	(26)	(14)
Tax effect of tax losses not recognised	106	1
Underprovision in prior years	55	—
Tax reduction	(466)	(536)
Tax effect of other temporary difference not recognised	<u>664</u>	<u>219</u>
Taxation charge for the year	<u>2,772</u>	<u>2,699</u>

As at 31 March 2015 and 31 March 2016, the Group has unused tax losses of approximately HK\$4,045,000 and HK\$4,037,000 available for offset against future profit. No deferred tax asset has been recognised in respect of such unused tax loss due to unpredictability of future profit streams.

During the year ended 31 March 2015 and 2016, the subsidiaries of the Group were entitled to a tax reduction of 75% of Hong Kong Profits Tax subject to a ceiling of HK\$20,000 for each subsidiary.

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13. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful with regard to the Reorganisation and the results for the Track Record Period that is presented on a combined basis.

14. DIVIDENDS

The dividend paid during the year ended 31 March 2016, represent an interim dividend paid to the then shareholder of Bar Pacific BVI.

No dividends have been paid or declared by Bar Pacific BVI for the year ended 31 March 2015. No dividends have been paid or declared by the Company since its incorporation.

The rate of dividend and number of shares ranking for dividend are not presented as such information is not considered meaningful having regard to the purpose of this report.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Dart machines <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST						
At 1 April 2014	13,543	—	—	15,043	1,577	30,163
Additions	2,129	189	357	1,110	—	3,785
Disposal	(176)	—	—	(62)	—	(238)
At 31 March 2015	15,496	189	357	16,091	1,577	33,710
Additions	1,770	—	929	1,093	—	3,792
Disposal	—	(189)	—	—	—	(189)
At 31 March 2016	17,266	—	1,286	17,184	1,577	37,313
ACCUMULATED DEPRECIATION						
At 1 April 2014	8,865	—	—	10,559	1,199	20,623
Eliminated on disposals	(172)	—	—	(36)	—	(208)
Provided for the year	4,014	38	26	1,938	162	6,178
At 31 March 2015	12,707	38	26	12,461	1,361	26,593
Eliminated on disposals	—	(72)	—	—	—	(72)
Provided for the year	1,824	34	133	1,785	162	3,938
At 31 March 2016	14,531	—	159	14,246	1,523	30,459
CARRYING VALUES						
At 31 March 2015	2,789	151	331	3,630	216	7,117
At 31 March 2016	2,735	—	1,127	2,938	54	6,854

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Property, plant and equipment is depreciated on a straight-line basis over its estimated useful lives at the following rates per annum:

Dart machines	20%
Computer equipment	20%
Furniture and fixtures	20%
Motor vehicles	20%

Leasehold improvements are depreciated over 3 years or the term of the lease whichever is shorter.

In previous years, leasehold improvement was depreciated over 5 years. During the year ended 31 March 2015, management has reviewed the depreciation policy of the Group and considers that the expected useful life of leasehold improvement should be revised from 5 years to 3 years. With effect from 1 April 2014, leasehold improvement is depreciated over 3 years or the term of the lease whichever is the shorter. This change in depreciation rate has increased the depreciation charge for the year ended 31 March 2015 by approximately HK\$1,873,000.

As at 31 March 2015 and 31 March 2016, the carrying value of property, plant and equipment includes an amount of HK\$216,000 and HK\$424,000, respectively, in respect of assets held under finance leases.

16. INVENTORIES

	At 31 March	
	2015	2016
	HK\$'000	HK\$'000
Beverages and other items for bar operations	1,046	917

17. TRADE AND OTHER RECEIVABLES

	At 31 March	
	2015	2016
	HK\$'000	HK\$'000
Trade receivables	460	264
Other receivables	423	233
Deferral for [REDACTED] expenses	—	100
Deposits and prepayments	3,814	2,068
Rental deposits	4,800	5,035
	9,497	7,700
Less: Rental deposits receivable over one year shown under non-current assets	(3,024)	(2,481)
	6,473	5,219

The Group’s sales are mainly on cash or credit card settlement. As at 31 March 2015 and 31 March 2016, none of the Group’s trade receivables was individually or collectively considered to be impaired. The Group does not hold any collateral over these balances.

Based on transaction date, all trade receivables are aged within 30 days as at each of the year end. The Group’s trade receivables represents credit card sales receivable from financial institutions.

18. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates and are all denominated in HK\$.

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19. TRADE AND OTHER PAYABLES

	At 31 March	
	2015	2016
	HK\$'000	HK\$'000
Trade payables	3,354	2,960
Amount due to a related party in respect of acquisition of property, plant and equipment	1,750	—
Accruals and other payables	<u>5,000</u>	<u>4,580</u>
	<u>10,104</u>	<u>7,540</u>

The amount due to a related party represent an amount due to Wishing Limited (“Wishing”), a company controlled by a close family member of a controlling party of the Group. The amount was unsecured, interest-free and repayable on demand.

The credit period on purchases of goods is within 60 days. The following is an aged analysis of trade payables presented based on invoice date at the end of each reporting period:

	At 31 March	
	2015	2016
	HK\$'000	HK\$'000
0–30 days	2,347	2,284
31–60 days	956	634
61–90 days	9	—
91–120 days	42	—
Over 120 days	<u>—</u>	<u>42</u>
	<u>3,354</u>	<u>2,960</u>

20. AMOUNT DUE TO A DIRECTOR

The amount was due to Ms. Tse. The amount was non-trade nature, unsecured, interest-free and repayable on demand. In the opinion of the directors of the Company, the amount will be fully settled before [REDACTED].

21. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The amounts were non-trade nature, unsecured, interest-free and repayable on demand. The amounts were fully settled during the year ended 31 March 2016.

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22. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	At 31 March		At 31 March	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount payable under finance leases				
— within one year	122	197	105	187
— in more than one year but not more than two years	122	197	111	193
— in more than two years but not more than five years	<u>182</u>	<u>241</u>	<u>179</u>	<u>243</u>
	425	635	395	622
Less: Future finance charges	<u>(30)</u>	<u>(13)</u>		
Present value of lease obligations	<u><u>395</u></u>	<u><u>622</u></u>		
Less: Amount due within one year shown under current liabilities			<u>(105)</u>	<u>(187)</u>
Amount due after one year			<u><u>290</u></u>	<u><u>436</u></u>

The Group had entered into lease agreements for a term of five years to acquire a motor vehicle and certain furniture and fixtures. The directors consider that the carrying amounts of obligations under a finance lease approximate to its fair value. As at 31 March 2015 and 31 March 2016, the average interest rates on finance lease was 2.5% for the both years.

23. SHARE CAPITAL

The Company was incorporated and registered as an exempted company in the Cayman Islands on 2 June 2016 with an authorised share capital of HK\$300,000 divided into 30,000,000 shares of a nominal value of HK\$0.01 each. Upon incorporation of the Company, 1 share of HK\$0.01 was issued at par value to the initial subscriber. Further details of the changes in the Company’s share capital are set out in the section headed [“Share capital”] in the document.

The share capital as at 1 April 2014, 31 March 2015 and 31 March 2016 represented the issued share capital of Bar Pacific BVI. Pursuant to the Reorganisation, the Company has become the holding company of Bar Pacific BVI on [date].

24. RETIREMENT BENEFITS SCHEME

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries or up to a maximum of HK\$1,500 (before 1 June 2014: HK\$1,250) and they can choose to make additional contributions. The employer’s monthly contributions are calculated at 5% of the employee’s monthly salaries or up to a maximum of HK\$1,500 (before 1 June 2014: HK\$1,250) (the “mandatory contributions”). The employees are entitled to 100% of the employer’s mandatory contributions upon their retirement at the age of 65, death or total incapacity.

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25. RELATED PARTY TRANSACTIONS

- (a) During the Track Record Period, the Group entered into the following transactions with related parties.

Related parties	Relationship of related parties	Nature of Transaction	Year ended 31 March	
			2015 HK\$'000	2016 HK\$'000
Landmark Western 2 Limited (“Landmark Western”)	Company controlled by a close family member of a controlling party of the Group	Other income	20	—
		Sales of alcohol	26	62
Wishing	Company controlled by a close family member of a controlling party of the Group	Purchases of property, plant and equipment	1,750	1,550

The directors consider that the above related party transactions during the Track Record Period were conducted on normal commercial terms. In addition, the directors have confirmed that above transactions will be terminated after [REDACTED].

During the year ended 31 March 2015 and 2016, the director, Ms. Tse and a close family member of a controlling party of the Group have provided financial guarantees of HK\$188,000 and HK\$246,000 respectively to certain subsidiaries of the Group in respect of operating leases for bars.

- (b) Balances with related parties are disclosed in page I-7 and in notes 19, 20 and 21. Also, included in trade receivables (note 17) are the following amounts due from Landmark Western:

	Balance at			Maximum debit amount outstanding during the year ended 31 March	
	1 April 2014 HK\$'000	31 March 2015 HK\$'000	31 March 2016 HK\$'000	2015 HK\$'000	2016 HK\$'000
Trade receivable	—	—	60	26	62

- (c) The remuneration paid or payable to the key management personnel, being the directors of the Company, during the Track Record Period is included in note 11. The remuneration of key management personnel is determined with reference to the performance of the individuals and market trends.

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26. OPERATING LEASE COMMITMENTS

The Group had future aggregate minimum lease payables under non-cancellable operating leases in respect of office and bars as follows:

	At 31 March	
	2015	2016
	HK\$'000	HK\$'000
Within one year	16,710	14,001
After one year but within five years	<u>13,204</u>	<u>10,842</u>
	<u>29,914</u>	<u>24,843</u>

Leases are negotiated for terms of one to five years.

The above lease commitments represent basic rents only and do not include contingent rents payable in respect of certain bars leased by the Group. In general, these contingent rents are calculated based on the relevant bars’ turnover pursuant to the terms and conditions as set out in the respective rental agreements. It is not possible to estimate in advance the amount of such contingent rent payable. During the years ended 31 March 2015 and 2016, the amounts of contingent rental recognised as expenses were approximately HK\$99,000 and HK\$47,000 respectively.

27. MAJOR NON-CASH TRANSACTIONS

- (a) During the year ended 31 March 2016, an interim dividend of HK\$9,100,000 and the issue of shares of Bar Pacific BVI to a shareholder for a consideration of HK\$285,000 were settled through the current account with a director, Ms. Tse.
- (b) During the year ended 31 March 2016, the Group entered into finance lease arrangement in respect of property, plant and equipment with a value of HK\$376,000 at the inception of the lease.
- (c) During the year ended 31 March 2016, amounts due to non-controlling shareholders of subsidiaries of HK\$2,220,000 has been capitalised by issue of shares in the respective subsidiaries and accounted for as capital contribution by the non-controlling shareholders.
- (d) During the year ended 31 March 2016, the Group acquired additional interests in certain subsidiaries and the consideration of which was settled by the issue of 105 shares in Bar Pacific BVI.

28. NON-CONTROLLING INTERESTS

The Group comprises of 35 and 36 subsidiaries as at 31 March 2015 and 2016, respectively, which in aggregate have a material non-controlling interest balance, however each of them are individually not material.

(F) SUBSEQUENT EVENTS

The following events took place subsequent to 31 March 2016:

- (i) In April 2016, the director, Ms. Tse provided financial guarantee of HK\$8,000,000 to a subsidiary of the Group in respect of a banking facility. In the opinion of the directors of the Company, the guarantee will be fully released before [REDACTED].
- (ii) On 24 June 2016, the Group acquired additional interests in certain subsidiaries for a consideration of HK\$40,000 and the amount was settled by cash in June 2016.

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- (iii) On 20 July 2016, the Group acquired additional interests in certain subsidiaries for a consideration HK\$70,000 and the amount was settled by cash in July 2016.
- (iv) On 6 September 2016, the director, Mr. Chan Darren Chun-Yeung provided financial guarantee of HK\$1,714,000 to a subsidiary of the Group in respect of an operating lease for a bar.
- (v) The Reorganisation was completed on [●]. Further details of the Reorganisation are set out in the section headed “History, Development and Reorganisation” to the document. As a result of the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group.

(G) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or its subsidiaries or the Group have been prepared in respect of any period subsequent to 31 March 2016.

Yours faithfully,
[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this appendix does not form part of the accountants’ report on the financial information of the Group for the two years ended 31 March 2016 (the “Accountants’ Report”) prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this Document, and is included in this Document for information only. The unaudited pro forma financial information should be read in conjunction with the section headed “Financial Information” in this Document and the Accountants’ Report set forth in Appendix I to this Document.

(A) UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted combined net tangible assets of the Group is prepared in accordance with paragraph 7.31 of the GEM Rules and is set out below to illustrate the effect of the [REDACTED] on the combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2016 as if the [REDACTED] had taken place on that date.

The unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustration purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to owners of the Company had the [REDACTED] been completed as at 31 March 2016 or at any future dates. It is prepared based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2016 derived from the combined statement of financial position at that date as set out in the Accountants’ Report in Appendix I to this Document, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2016⁽¹⁾ HK\$'000	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]
[REDACTED]	11,289	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	11,289	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

- (1) The audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2016 is based on the combined net assets of the Group attributable to owners of the Company of approximately HK\$11,289,000 as extracted from the Accountants’ Report set out in Appendix I to this Document.

[REDACTED]

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX III

SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 2 June, 2016 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Company's constitutional documents consist of its [Amended and Restated] Memorandum of Association (the "Memorandum") and its [Amended and Restated] Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were [conditionally] adopted on [●] [with effect from the [REDACTED]]. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting

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two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect that share.

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The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is

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due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

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The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with

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regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine), or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of

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the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

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(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

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- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

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Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

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(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) days and not less than twenty (20) business days. All other general meetings must be called by notice of at least fourteen (14) days and not less than ten (10) business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and, in the case of special business, the general nature of that business.

In addition notice of every general meeting, must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers published daily and circulating generally in Hong Kong and in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

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(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) *Accounts and audit*

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

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A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which be those of a country or jurisdiction other than the Cayman Islands.. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid

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up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

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(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

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3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the

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directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

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(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his

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duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from [●].

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

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(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where

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it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(q) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

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(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Document delivered to the Registrar of Companies in Hong Kong and Documents available for inspection" in Appendix [●] to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 2 June 2016. The Company has established a principal place of business in Hong Kong at Room D2, 11/F, Phase 2, Hang Fung Industrial Building, 2G Hok Yuen Street, Hunghom, Kowloon, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on [●] 2016. Ms. Tse has been appointed as the authorised representative of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company is incorporated in the Cayman Islands, it is subject to the Cayman Islands law and to its constitution, which comprises the Memorandum and the Articles. A summary of various provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix III to this document.

2. Changes in share capital of the Company

- (a) As at the date of incorporation, the Company has an authorised share capital of HK\$300,000 divided into 30,000,000 shares of HK\$0.01 each. One fully-paid Share was allotted and issued to the initial subscriber on 2 June 2016, and was subsequently transferred to Ms. Tse on the same day.
- (b) On [●] 2016, the Company acquired (i) 33,453 shares in Bar Pacific Group Limited from Harneys Trustees Limited by issuing and allotting 33,453 new Shares to BVI Holdco, (ii) 13,422 shares from BP Sharing Limited by issuing and allotting 13,422 new Shares to BP Sharing, and (iii) 3,125 shares from Fortune Worth Investment Holdings Limited by issuing and allotting 3,125 new Shares to Fortune Worth Investment Holdings Limited, respectively. At the same time, Ms. Tse transferred her 1 Share to BVI Holdco.
- (c) Pursuant to written resolutions of the Shareholders passed on [●], the authorised share capital of the Company was increased from HK\$300,000 to HK\$100,000,000 by the creation of an additional of 9,970,000,000 Shares, each ranking pari passu with the Shares then in issue in all respects.
- (d) Immediately following completion of the Capitalisation Issue and [REDACTED], and taking no account of any Share which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, [REDACTED] Shares will be issued fully paid or credited as fully paid, and [REDACTED] Shares will remain unissued.
- (e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written shareholders’ resolutions of the Company passed on [●]” in this appendix and pursuant to the Share Option Scheme, the Company does not have any present intention to issue any of the authorised but unissued share capital of the Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

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- (f) Save as disclosed in this document, there has been no other alteration in the Company’s share capital since its incorporation.

3. Written shareholders’ resolutions of the Company passed on [●]

On [●], resolutions in writing were passed by the shareholders of the Company pursuant to which, among other things:

- (a) the Company approved and adopted the Memorandum and the Articles, the terms of which are summarised in Appendix III to this document;
- (b) the authorised share capital of the Company be increased from HK\$300,000 divided into 30,000,000 Shares of HK\$0.01 each to HK\$[100,000,000] divided into [10,000,000,000] Shares of HK\$0.01 each by the creation of an additional [9,970,000,000] Shares of HK\$0.01 each, ranking pari passu with the existing Shares in all respects;
- (c) conditional on the [REDACTED] granting [REDACTED], the Shares in issue and Shares to be issued as mentioned in this document (including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme) and on the obligations of the [REDACTED] under the [REDACTED] becoming unconditional and not being terminated in accordance with the terms of the [REDACTED] or otherwise, in each case on or before the date falling 30 days after the date of the issue of this document:
 - (i) the [REDACTED] was approved and our Directors were authorised to allot and issue the [REDACTED] pursuant to the [REDACTED] to rank pari passu with the then existing Shares in all respects;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” below in this appendix, were approved and adopted and our Directors were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
 - (iii) conditional further on the share premium account of the Company being credited as a result of the [REDACTED], our Directors were authorised to capitalise an amount of HK\$[REDACTED] standing to the credit of the share premium account of the Company and to appropriate such amount as to capital to pay up in full at par [REDACTED] Shares for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on [●] in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in the Company, each ranking pari passu in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions and the Capitalisation Issue was approved;

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- (d) a general unconditional mandate was given to our Directors to exercise all powers of the Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of the Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Articles or pursuant to a specific authority granted by the Shareholders in general meeting or pursuant to the [REDACTED], Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements and options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the [REDACTED] and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and
- (e) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase on GEM or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the [REDACTED] and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and
- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the

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aggregate nominal value of the share capital of the Company in issue immediately following completion of the [REDACTED] and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Corporate Reorganisation

In preparing for the [REDACTED], the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and the Company became the holding company of our Group. Please refer to the paragraph headed “History, Development and Reorganisation — Reorganisation” in this document for further details.

5. Changes in share capital of subsidiaries

The subsidiaries of the Company are set out in the Accountants’ Report of the Company, the text of which is set out in Appendix I to this document.

Save as disclosed in the section headed “History, Development and Reorganisation — Reorganisation” in this document, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this document.

6. Repurchase of the Shares by the Company

This section contains information required by the Stock Exchange to be included in this document concerning the repurchase of the Shares by the Company.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on GEM subject to certain restrictions, a summary of which is set out below:

(i) Shareholders’ approval

The GEM Listing Rules provide that all proposed repurchases of shares, which must be fully paid up in the case of shares, by a company with a primary listing on GEM must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written shareholders’ resolutions passed by the Company on [●], a general unconditional mandate (the “**Repurchase Mandate**”) was granted to our Directors authorising them to exercise all powers of the Company to repurchase on GEM or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the [REDACTED] and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of the Company, or the expiration of the period within which the next annual general meeting of the Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

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(ii) Source of Funds

Any repurchase by the Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules. The Company may not repurchase its own Shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by the Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or out of the Company’s share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Connected parties

The GEM Listing Rules prohibit the Company from knowingly repurchasing the Shares on GEM from a “core connected person” (as defined in the GEM Listing Rules), which includes a Director, chief executive or substantial shareholder of the Company or any of its subsidiaries and core a connected person shall not knowingly sell Shares to the Company on GEM.

(b) Exercise of the Repurchase Mandate

On the basis of [REDACTED] Shares in issue immediately after completion of the [REDACTED] and the Capitalisation Issue, the Directors would be authorised under the Repurchase Mandate to repurchase up to [REDACTED] Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of the Company and its Shareholders for our Directors to have a general authority from Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the Company’s net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit the Company and the Shareholders.

(d) Funding of repurchases

In repurchasing the Shares, the Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands.

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Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for the Company.

(e) General

None of our Directors or to the best of their knowledge, having made all reasonable enquiries, any of their close associates (as defined in the GEM Listing Rules) of any Director, has any present intention to sell any Shares to the Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Articles and the applicable law and regulations from time to in force in the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers and Share Repurchases (the “**Takeovers Code**”). In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the [REDACTED] of the Shares pursuant to the Repurchase Mandate. At present, so far as is known to the Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase the Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules). No core connected person (as defined in the GEM Listing Rules) has notified the Company that he/she has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

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B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this document and are or may be material in relation to the business of the Company taken as a whole:

- (a) a sale and purchase agreement dated [●] entered into between the Company, Harneys Trustees Limited, BP Sharing Limited and Fortune Worth Investment Holdings Limited pursuant to which the Company acquired (i) 33,453 shares in Bar Pacific Group Limited from Harneys Trustees Limited by issuing and allotting 33,453 new Shares to BVI Holdco, (ii) 13,422 shares from BP Sharing Limited by issuing and allotting 13,422 new Shares to BP Sharing Limited, and (iii) 3,125 shares from Fortune Worth Investment Holdings Limited by issuing and allotting 3,125 new Shares to Fortune Worth Investment Holdings Limited, respectively;
- (b) a deed of indemnity dated [●] and executed by the Controlling Shareholders, in favour of the Company (for itself and on behalf of its subsidiaries) containing indemnities referred to in the paragraph headed “Tax and other indemnities” in this appendix;
- (c) a deed of non-competition dated [●] and executed by the Controlling Shareholders in favour of the Company (for itself and on behalf of its subsidiaries), details of which are set out in the paragraph headed “Deed of Non-competition” under the section headed “Relationship with Controlling Shareholders” in this document; and
- (d) the [REDACTED].

2. Intellectual Property Rights of our Group

(a) Trademark

As at the Latest Practicable Date, our Group holds the following registered trademark in Hong Kong which we believe to be material to our business:

Trademark	Registered owner	Class	Trademark number	Validity period
BAR PACIFIC 太平洋酒吧	Bar Pacific Entertainment Limited	43	300078750	16 September 2003 to 15 September 2023

(b) Domain name

As at the Latest Practicable Date, our Group was the owner of the following domain name which is material to the business of our Group:

Domain name	Expiry Date
www.barpacific.com.hk	23 November 2016

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C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of Interests

(a) *Interests of Directors and chief executive in shares, underlying shares and debentures of the Company and its associated corporations*

So far as the Directors are aware, immediately following the completion of the [REDACTED] and the Capitalisation Issue, but taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme or repurchased by the Company pursuant to the mandates as referred to in the paragraph headed “Further information about the Company” in this appendix, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the GEM, will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to the Company and the Stock Exchange, will be as follows:

(i) *Long position in the Shares*

Name of Director	Capacity/Nature	Number of Shares held	Percentage of shareholding
Ms. Tse ^(Note)	Beneficiary of a trust	[REDACTED]	[REDACTED]

Notes: These [REDACTED] Shares are held by BVI Holdco, the issued share capital of which is held by Harneys Trustees Limited, the trustee of the Bar Pacific Trust, of which Ms. Tse and her daughter, namely Ms. Chan Tsz Kiu Teresa, are beneficiaries. Ms. Tse is deemed to be interested in the Shares held by BVI Holdco under the SFO.

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(b) *Interests of substantial and other Shareholders in the Shares and Underlying Shares*

So far as is known to our Directors and taking no account of any Shares which may be taken up under the [REDACTED], and Shares to be issued pursuant to options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of the Company) will, immediately following the completion of the Capitalisation Issue and the [REDACTED], have interests or short positions in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/Nature	Number of Shares held	Percentage of shareholding
BVI Holdco	Beneficial owner	[REDACTED]	[REDACTED]
Harneys Trustees Limited	Trustee (other than a bare trustee)	[REDACTED]	[REDACTED]
Ms. Chan Tsz Kiu Teresa ^(Note)	Beneficiary of a trust	[REDACTED]	[REDACTED]
Ms. Chan Ching, Mandy	Interest of controlled corporation	[REDACTED]	[REDACTED]
BP Sharing Limited	Beneficial owner	[REDACTED]	[REDACTED]

Notes: These [REDACTED] Shares are held by BVI Holdco, the issued share capital of which is held by Harneys Trustees Limited, the trustee of the Bar Pacific Trust, of which Ms. Tse and her daughter, namely Ms. Chan Tsz Kiu Teresa, are beneficiaries. Pursuant to the deed of settlement dated 25 March 2014 in respect of the Bar Pacific Trust, Ms. Chan Ching, Mandy is the protector of the Bar Pacific Trust, and Harneys Trustees Limited is required to exercise the voting rights in any company the fund of the Bar Pacific Trust is invested in accordance with the joint written instruction from the protector (i.e. Ms. Chan Ching, Mandy) and the settlor (i.e. Ms. Tse) of the Bar Pacific Trust. Each of Ms. Tse and Ms. Chan Ching, Mandy is deemed to be interested in the Shares held by BVI Holdco under the SFO.

2. Particulars of service agreements

None of our Directors has or is proposed to have any service agreement with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

3. Remuneration of Directors

- (a) The aggregate remuneration paid by our Group to our Directors in respect of the two years ended 31 March 2015 and 2016 were approximately HK\$490,000 and HK\$813,000 respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2017 will be approximately HK\$1 million.

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- (c) Under the arrangements currently proposed, conditional upon the [REDACTED], the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

HK\$

Executive Directors

Ms. Tse Ying Sin Eva	HK\$282,000
Mr. Chan Darren Chun-Yeung	HK\$780,000

Independent Non-executive Directors

Mr. Tang Wing Lam, David	HK\$120,000
Mr. Chin Chun Wing	HK\$120,000
Mr. Yung Wai Kei	HK\$120,000

- (d) Each of our Directors has entered into a service contract and appointment letter (as the case may be) with the Company for a term of three years commencing from the [REDACTED], which may be terminated by not less than three months’ notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and Articles.

4. Agency fees or commissions received

Save as disclosed in the paragraph headed “Commission and expenses” in the section headed “[REDACTED]” of this document, none of our Directors or the experts named in the paragraph headed “Consents of experts” in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this document.

5. Related party transactions

Details of the related party transactions are set out under Note 25 to the Accountants’ Report of the Company set out in Appendix I to this document.

6. Disclaimers

Save as disclosed in this document:

- (a) taking no account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or repurchased by the Company pursuant to the mandates as referred to in the paragraph headed “Further information about the Company” in this appendix, our Directors are not aware of any person (not being a Director or chief executive of the Company) who will, immediately following the completion of the [REDACTED] and the Capitalisation Issue, have an interest or short position in the Shares or underlying Shares which will fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;

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- (b) none of our Directors or chief executive of the Company has any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the GEM;
- (c) none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;
- (e) none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of the Company has any interests in the five largest customers or the five largest suppliers of our Group;
- (g) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and
- (h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of the Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

D. SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on [●] 2016. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

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(a) Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by the Shareholders on [●] 2016:

(i) *Purposes of the scheme*

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, our Directors and other selected participants for their contributions to our Group.

(ii) *Who may join*

Our Directors may, at its absolute discretion, invite any person belonging to any of the following classes of participants (“**Eligible Participants**”), to take up options to subscribe for Shares:

- (aa) any employee (whether full-time or part-time, including any executive director but excluding any non-executive director) of our Company, any of its subsidiaries (“**Subsidiaries**”) or any entity (“**Invested Entity**”) in which our Group holds an equity interest (“**Eligible Employee**”);
- (bb) any non-executive directors (including independent non-executive directors) of our Company, any Subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of our Group or any Invested Entity;
- (dd) any customer of any member of our Group or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (ff) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of our Group.

The eligibility of any of the above class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors’ option as to his contribution to the development and growth of our Group.

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(iii) *Maximum number of Shares*

- (aa) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of our Group shall not exceed 30% of the issued share capital of our Company from time to time.
- (bb) The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10.0% of the Shares in issue on the day on which dealings in the Shares first commence on GEM (i.e. not exceeding [REDACTED] Shares) (the “**General Scheme Limit**”).
- (cc) Subject to (aa) above but without prejudice to (dd) below, our Company may issue a circular to its Shareholders and seek approval of its Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of our Group shall not exceed 10.0% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to its Shareholders shall contain, among other information, the information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.
- (dd) Subject to (aa) above and without prejudice to (cc) above, our Company may seek separate Shareholders’ approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in (cc) above to Eligible Participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

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(iv) Maximum entitlement of each participant

Subject to (v) (bb) below, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1.0% of the issued share capital of our Company for the time being (“**Individual Limit**”). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders and the Shareholders’ approval in general meeting of our Company with such participant and his close associates (or his associates, if such participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders’ approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 23.03(9) of the GEM Listing Rules.

(v) Grant of options to connected persons

- (aa) Without prejudice to (v)(bb) below, any grant of options under the Share Option Scheme to a director, chief executive or substantial shareholder of our Company or any of their respective associates (as defined under the GEM Listing Rules) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who or whose associate is the proposed grantee of the options).
- (bb) Without prejudice to (v)(aa) above, where any grant of options to a substantial Shareholder of our Company or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
 - i. representing in aggregate over 0.1% of the Shares in issue; and
 - ii. having an aggregate value, based on the closing price of the Shares at the date of each grant of each offer of the grant of options, in excess of HK\$5 million;

such further grant of options must be approved by Shareholders of our Company in general meeting. Our Company must send a circular to the Shareholders. All proposed grantee, its associates and core connected persons of our Company must abstain from voting at such general meeting. Any change in the terms of options granted to a substantial shareholder or an independent non-executive director of our Company or any of their respective associates must be approved by the Shareholders of our Company in general meeting.

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(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless our Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for Shares and consideration for the option

The subscription price per Share under the Share Option Scheme will be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share.

A consideration of HK\$1 is payable on acceptance of the grant of an option.

(ix) Ranking of Shares

- (aa) Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association of our Company for the time being in force and will rank *pari passu* in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the completion of the registration of the name of the grantee on the register of members of our Company as the holder thereof.

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- (bb) Unless the context otherwise requires, references to “Shares” in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or reduction of the share capital of our Company from time to time.

(x) Restrictions on the time of grant of options

No offer for grant of options shall be made after inside information has come to our knowledge until such information has been announced in accordance with the requirements of the GEM Listing Rules. In particular, our Company may not make any offer during the period commencing one month immediately preceding the earlier of (aa) the date of the meeting of the Board for the approval of our Company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and (bb) the deadline for our Company to publish an announcement of its results for any year or half-year (under the GEM Listing Rules), or quarterly or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the announcement of the results.

Our Directors may not make any offer to an Eligible Participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds referred to in subparagraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with our Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in

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whole or in part within a period of 12 months following the date of cessation which date shall be the last day on which the grantee was at work with our Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as our Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of persistent and serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or any member of our Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If our Directors shall at their absolute discretion determine that (aa) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and our Group or any Invested Entity on the other part; or (bb) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (cc) the grantee could no longer make any contribution to the growth and development of any member of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever, then the option granted to the grantee under the Share Option scheme shall lapse as a result of any event specified in sub-paragraph (aa), (bb) or (cc) above.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, shareholders of our Company. If such offer becomes or is declared unconditional, a grantee shall notwithstanding any other terms on which his options were granted, be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time before the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes or the relevant record date for entitlements under the scheme of arrangement, as the case may be.

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(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) Grantee being a company wholly owned by Eligible Participants

If the grantee is a company wholly owned by one or more Eligible Participants:

- (i) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options granted to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fail to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant Eligible Participant; and
- (ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant Eligible Participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of authorised share capital of our Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares, the subject matter of the Share Option Scheme and the option so far as unexercised and/or the option price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers in relation to share option schemes) to which he was entitled prior to such adjustment; (ii) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iii) the issue of Shares or other securities of our Group as consideration in a transaction may

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not be regarded as a circumstance requiring adjustment; (iv) any adjustment must be made in compliance with the GEM Listing Rules and such rules, codes and guidance notes of the Stock Exchange from time to time. In addition, in respect of any such adjustments, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the GEM Listing Rules and such other applicable guidance and/or interpretation of the GEM Listing Rules from time to time issued by the Stock Exchange, including but not limited to the supplementary guidance attached to the letter from the Stock Exchange to all issuers dated 5 September 2005 in relation to share option schemes.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the consent of the relevant grantee and the approval of our Directors. When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant to sub-paragraphs (iii) (cc) and (dd) above.

(xxi) Termination of the Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the period for exercise of the options referred to in paragraph (vi);
- (bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi) and (xvii); and
- (cc) the date on which our Directors shall exercise our Company’s right to cancel the option by reason of a breach of paragraph (xxii) by the grantee in respect of that or any other options.

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(xxiv) Others

- (aa) The Share Option Scheme is conditional on the [REDACTED] granting the [REDACTED], such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.
- (bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.
- (cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders of our Company in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 23 of the GEM Listing Rules, the “Supplementary Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rule 23.03(13) and the Note Immediately After the Rule” set out in the letter from the Stock Exchange to all listed issuers dated 5 September 2005 and other relevant guidance of the Stock Exchange.
- (ee) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the Shareholders of our Company in general meeting.

(b) Present status of the Share Option Scheme

(i) Approval of the Stock Exchange required

The Share Option Scheme, which complies with Chapter 23 of the GEM Listing Rules, is conditional on the [REDACTED], such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) Application for approval

Application has been made to the Stock Exchange for [REDACTED].

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STATUTORY AND GENERAL INFORMATION

(iii) Grant of option

As at the date of this document, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to [REDACTED].

E. OTHER INFORMATION

1. Tax and other indemnities

BVI Holdco, Ms. Tse and Ms. Chan Ching, Mandy (collectively, the “**Indemnifiers**”) have, under a deed of indemnity referred to in paragraph (b) of the section headed “Summary of material contracts” in this appendix, given joint and several indemnities to the Company for itself and as trustee for its subsidiaries in connection with, among other things, (a) any taxation falling on any member of our Group (i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which the [REDACTED] becomes unconditional; or (ii) in respect of or in consequence of any transaction, act, omission or thing entered into or occurring or deemed to enter into or occur on or before the date on which the [REDACTED] becomes unconditional; and (b) any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to non-compliance of any legal and/or regulatory requirements of any jurisdictions or events occurred on or before the date on which the [REDACTED] becomes unconditional. The Indemnifiers will, however, not be liable under the deed of indemnity to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such liability in the audited combined accounts of the Company for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the [REDACTED] becomes unconditional; or
- (c) the taxation liability caused by act or omission of, or transaction voluntarily effected by, any members of our Group in the ordinary course of business after the date on which the [REDACTED] becomes unconditional.

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Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

Our Directors confirmed that as at the Latest Practicable Date, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is pending or threatened by or against any member of our Group.

3. Sponsor

The Sponsor has made an application on behalf of the Company to the [REDACTED] as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 6A.07 of the GEM Listing Rules.

The Sponsor’s fee in relation to the [REDACTED] is HK\$4 million.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of the Company are approximately HK\$49,000 and are payable by the Company.

5. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company has appointed LY Capital Limited as our compliance adviser to provide advisory services to our Company (for ourselves and on behalf of the Selling Shareholder) to ensure compliance with the GEM Listing Rules for a period commencing on the [REDACTED], and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the [REDACTED], or until the compliance adviser agreement is otherwise terminated upon the terms and conditions set out therein.

6. Promoter

The Company has no promoter for the purpose of the GEM Listing Rules.

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STATUTORY AND GENERAL INFORMATION

7. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this document:

Name	Qualification
LY Capital Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified public accountants
Euromonitor	Independent market research consultant
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Mr. Chan Chung	Barrister-at-law

8. Consents of experts

Each of LY Capital Limited, Deloitte Touche Tohmatsu, Euromonitor, Conyers Dill & Pearman, and Mr. Chan Chung has given and has not withdrawn its written consents to the issue of this document, with the inclusion of its letters and/or reports and/or opinions and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which they respectively appear.

9. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Registration procedures

The principal register of members of the Company in the Cayman Islands will be maintained by [●] and a branch register of members of the Company will be maintained by [REDACTED]. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the Company’s branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

11. No material adverse change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Company or its subsidiaries since 31 March 2016 (being the date to which the latest audited financial statements of our Group were made up) and up to the Latest Practicable Date.

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STATUTORY AND GENERAL INFORMATION

12. Taxation of holders of Shares

(a) *Hong Kong*

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) *Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or parties involved in [REDACTED] accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

13. Miscellaneous

(a) Save as disclosed in this document:

(i) Within the two years immediately preceding the date of this document:

- (aa) no share or debenture of the Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than in cash;
- (bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries;
- (cc) no commission has been paid or payable (except to [REDACTED]) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any Shares or shares of any of our subsidiaries;
- (dd) no founder, management or deferred shares or any debentures of the Company have been issued or agreed to be issued; and
- (ee) no share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option.

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- (ii) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this document;
- (iii) none of LY Capital Limited, Deloitte Touche Tohmatsu, Euromonitor, Conyers Dill & Pearman, and Mr. Chan Chung:
 - (aa) is interested beneficially or non-beneficially in any securities in any member of our Group, including the Shares; or
 - (bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares.
- (iv) the Company and its subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;
- (v) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (vi) our Group has no outstanding convertible debt securities; and
- (vii) the English text of this document shall prevail over the Chinese text.

14. Bilingual document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided in [REDACTED].

APPENDIX V

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN
HONG KONG AND DOCUMENTS AVAILABLE FOR INSPECTION**

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this document delivered to the Registrar of Companies in Hong Kong for registration were copies of the written consents referred to in the paragraph headed “E. Other Information — 8. Consents of Experts” in Appendix IV to this document and copies of the material contracts referred to in the paragraph headed “B. Further Information about the Business — 1. Summary of Material Contracts” in Appendix IV to this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of CFN Lawyers at 27th Floor, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the accountants’ report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this document;
- (c) the report on the unaudited pro forma financial information of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this document;
- (d) the audited consolidated financial statements of Bar Pacific Group Limited for the two financial years ended 31 March 2016;
- (e) the material contracts referred to in the paragraph headed “B. Further Information about the Business — 1. Summary of Material Contracts” in Appendix IV to this document;
- (f) the service agreements referred to in the paragraph headed “C. Further Information about Substantial Shareholders, Directors and Experts — 2. Particulars of Service Agreements” in Appendix IV to this document;
- (g) the rules of the Share Option Scheme referred to in the paragraph headed “D. Share Option Scheme” in Appendix IV to this document;
- (h) the written consents referred to in the paragraph headed “E. Other Information — 8. Consents of Experts” in Appendix IV to this document;
- (i) the Companies Law; and
- (j) the letter prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this document.